



U.S. Department of Agriculture



Office of Inspector General  
Midwest Region

## **Audit Report**

Chicago SFA's Accountability and  
Oversight of the NSLP, SBP, and CACFP Supper

Report No. 27010-0017-Ch  
SEPTEMBER 2004



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Midwest Region

111 North Canal Street - Suite 1130

Chicago, IL 60606-7295



DATE: September 30, 2004

REPLY TO  
ATTN. OF: 27010-0017-Ch

SUBJECT: Chicago SFA's Accountability and Oversight of  
the NSLP, SBP, and CACFP Supper

TO: Ollice C. Holden  
Regional Administrator  
Food and Nutrition Service  
77 West Jackson Boulevard, 20<sup>th</sup> Floor  
Chicago, IL 60604

ATTN: Adele Greco  
Senior Financial Specialist

This report presents the results of our audit of the Chicago SFA's Accountability and Oversight of the NSLP, SBP, and CACFP Supper. The Food and Nutrition Service's response to the official draft, received September 21, 2004, is included in its entirety as exhibit F, with excerpts and the Office of Inspector General's position incorporated into the Findings and Recommendations section of the report.

Based on the information contained in the responses, we have reached management decisions on Recommendations Nos. 1 through 7, 9, 10, 11, 14, and 15 in the report. Please follow your agency's internal procedures in forwarding documentation for final actions to the Office of the Chief Financial Officer. We have not reached management decisions on Recommendations Nos. 8, 12, and 13. Management decisions can be reached when the Food and Nutrition Service provides the additional information outlined in the OIG Position sections of the report.

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

/S/  
EDWARD R. KRIVUS  
Regional Inspector General

# ***Executive Summary***

## **Chicago SFA's Accountability and Oversight of the NSLP, SBP, and CACFP Supper**

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### **Results in Brief**

This report presents the results of the Office of the Inspector General's audit of National School Lunch Program (NSLP) operations, as administered by Chicago Public Schools during school year (SY) 2004.<sup>1</sup> We also reviewed the Child and Adult Care Food Program (CACFP) At-Risk After-School Supper Program, which the School Food Authority (SFA) began offering in SY 2002. We found that the Chicago SFA needs to strengthen its oversight of meal counting and claiming procedures, the application verification process, and its schools' compliance with sanitation requirements.

At 29 of the 30 schools we visited, food service personnel counted reimbursable lunches and breakfasts for students who did not have the required menu items, did not select a meal, or were absent. From our observations we project that, overall, on any given day of the 182-day school year, the SFA would over-claim 18,320 lunch meals.<sup>2</sup> The SFA's over claims were further verified by our analysis of its filed claims from October 2003 through May 2004, which showed that on average, 160 of its 598 claiming schools claimed more than the maximum number of allowable meals. In total, we identified 642,102 meals in excess of those allowable valued at \$1,202,090 in Federal funds. (See exhibit C.) The NSLP meal counting and claiming problems we noted went unrecognized and unaddressed because the SFA failed to perform required edit checks to ensure the accuracy of its claims. Of equal concern, the Coordinator On-Site Review staff, which the SFA charged with the key role of evaluating NSLP operations during yearly school visits, did not identify the extent of meal counting and claiming problems.

We found a similar meal counting problem with the SFA's CACFP Supper program. Because the SFA misunderstood program requirements, it allowed its schools to count meals as reimbursable that did not contain all of the five required menu items. Consequently, schools counted more meals than met requirements. Based on statistical projections, the SFA on any given day counted 11,223 non-reimbursable meals worth \$24,578 in Federal funds.

We also found that the SFA lacked effective pest detection and control measures as well as a comprehensive safety and health plan to ensure that its schools complied with State and local sanitation standards. As a result, meal service operations at over a dozen schools were ordered to shut down by the local streets and sanitation department due to rodent infestations, and meal

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<sup>1</sup> SY 2004 operated from July 1, 2003, through June 30, 2004.

<sup>2</sup> We are 95 percent confident that on any given day the SFA would overclaim at least 6,482 meals. The statistical estimate of 18,320 has a sampling precision of 65 percent. (See exhibit B.)

services at all schools were further disrupted while the SFA implemented an extensive cleaning effort.

Finally, we found that the SFA's application verification results for the NSLP were inaccurate due to flaws in the verification process. The SFA's verification error rate nearly doubled, from 18 percent to 35 percent, after we independently performed the verification decision process based on the same supporting documents. The verification errors caused the SFA to submit inflated claims for reimbursement and, more significantly, to deny free and reduced-price meals to qualified students.

## **Recommendations In Brief**

We recommend that FNS require the Illinois State Board of Education (ISBE) to collect excess NSLP reimbursements of \$695,335 from the SFA. We also recommend that FNS require the ISBE to provide evidence that the SFA implemented the required edit checks that identified \$506,755 in Federal funds to be put to better use. In addition, FNS needs to reconcile the discrepancy in understanding between the State agency and the SFA of the minimum number of items in a reimbursable meal for CACFP Supper program, which led to a projected 11,223 meals (worth \$24,578 in Federal funds) being overclaimed on any given serving day.

We also recommend that the State agency provide SFA employees with training and instruction to ensure that:

- Food service personnel count and claim only reimbursable meals;
- Coordinator staff correctly perform and document their reviews; and
- Employees who verify student eligibility make correct determinations.

Finally, we recommend that the State agency work with the SFA to improve its prevention and detection of sanitation and health issues and to develop a comprehensive health and sanitation plan.

## **Agency Response**

In its response to the official draft, which was dated September 21, 2004, FNS agreed with all of our recommendations. We have incorporated applicable portions of the FNS response, along with our position, within the Findings and Recommendations section of the report. The FNS response is included in its entirety as exhibit F of this audit report.

## **OIG Position**

Based on FNS' response, we have reached management decisions on Recommendations Nos. 1 through 7, 9, 10, 11, 14, and 15. Management decisions on Recommendations Nos. 8, 12, and 13 can be reached once FNS has provided us with the additional information outlined in the report section, *OIG Position*.

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

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ADA	Average Daily Attendance
CACFP	Child and Adult Care Food Program
CBOH	Chicago Board of Health
CPS	Chicago Public Schools
FNS	Food and Nutrition Service
FY	Fiscal Year
HACCP	Hazard Analysis and Critical Control Point
NSLP	National School Lunch Program
OIG	Office of Inspector General
POS	Point of Service
S&S	Chicago Streets and Sanitation Department
SBP	School Breakfast Program
SFA	School Food Authority
Supper	At-Risk After-School Supper Program
SY	School Year
USDA	United States Department of Agriculture

# Table of Contents

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<b>Executive Summary .....</b>	<b>i</b>
<b>Abbreviations Used in This Report .....</b>	<b>iii</b>
<b>Background and Objectives .....</b>	<b>1</b>
<b>Findings and Recommendations.....</b>	<b>3</b>
<b>Section 1. Meal Counting and Claiming Procedures - NSLP .....</b>	<b>3</b>
Finding 1    SFA’s Claims for Reimbursement Exceeded Number of Meals Served .....	3
Recommendation No. 1 .....	5
Recommendation No. 2.....	6
Recommendation No. 3.....	6
Recommendation No. 4.....	7
Finding 2    Schools Counted Meals That Did Not Meet Requirements .....	7
Recommendation No. 5.....	8
Recommendation No. 6.....	9
Finding 3    Key Management Tool Was Ineffective In Identifying Program Deficiencies.....	9
Recommendation No. 7.....	11
Recommendation No. 8.....	11
<b>Section 2. Application Verification Process - NSLP .....</b>	<b>12</b>
Finding 4    Application Verification Process Did Not Yield Accurate Results .....	12
Recommendation No. 9.....	13
Recommendation No. 10.....	14
Recommendation No. 11.....	14
<b>Section 3. Sanitation Requirements.....</b>	<b>15</b>
Finding 5    SFA’s Efforts to Fulfill Sanitation Requirements Were Ineffective .....	15
Recommendation No. 12.....	17
Recommendation No. 13.....	18
<b>Section 4. CACFP At-Risk After-School Supper Program.....</b>	<b>19</b>
Finding 6    SFA Claimed More Reimbursable Suppers Than It Served .....	19
Recommendation No. 14.....	20
Recommendation No. 15.....	20
<b>Scope and Methodology.....</b>	<b>21</b>

<b>Exhibit A - SUMMARY OF MONETARY RESULTS.....</b>	<b>23</b>
<b>Exhibit B - STATISTICAL SAMPLE DESIGN.....</b>	<b>24</b>
<b>Exhibit C - MEALS CLAIMED IN EXCESS OF THOSE ALLOWABLE .....</b>	<b>26</b>
<b>Exhibit D - BREAKFAST AND LUNCH COUNT COMPARISONS ON DAYS OF OUR VISITS DURING FEBRUARY AND MARCH 2004.....</b>	<b>27</b>
<b>Exhibit E - AT-RISK AFTER-SCHOOL SUPPER COUNT COMPARISONS ON DAYS OF OUR VISITS DURING FEBRUARY AND MARCH 2004.....</b>	<b>28</b>
<b>Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT .....</b>	<b>29</b>

# ***Background and Objectives***

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## **Background**

In 1946, Congress established the National School Lunch Program (NSLP) to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities.<sup>3</sup> Administered by the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS), the NSLP provides funding and donated commodities to the States in order to benefit schools' nonprofit food service. The Child Nutrition Act of 1966, as amended, established the School Breakfast Program (SBP) as part of the NSLP to provide adequate nutrition for schoolchildren. Beginning in school year 2002, under the Child and Adult Care Food Program (CACFP),<sup>4</sup> Illinois schools began offering students a nutritional boost through the At-Risk After-School Supper Program (Supper), also administered by FNS.

Under written agreements with FNS, State agencies (typically State Educational Departments) oversee the NSLP, SBP, and Supper and assist school food authorities (SFAs) in operating the programs at the local level. Using FNS funds, State agencies reimburse their SFAs monthly based on the number and type of meals they claim. Although breakfast and lunch meals provided through the NSLP/SBP are available to all students, some students are eligible to receive reduced-price or free meals based on their family's size and income level. CACFP Suppers are provided free to all participants.

The SFA is responsible for every aspect of the NSLP, SBP, and Supper programs. In general, for each of the programs, the SFA must review its schools' compliance with requirements, develop and implement corrective action plans when problems are identified, and follow up to ensure compliance with program requirements. Besides ensuring that it provides nutritious and well-balanced meals, the SFA must perform edit checks to ensure the reasonableness of its schools' meal claims and conduct on-site reviews to ensure that schools' meal claiming and counting systems would yield actual reimbursable meals served to eligible students. The SFA is also responsible for ensuring that food storage, preparation, and service are in accordance with Federal, State, and local sanitation and health standards. The SFA can delegate certain functions, like the student eligibility and application verification processes, to schools, but it maintains overall responsibility for those functions.

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<sup>3</sup>The Act is now the Richard B. Russell National School Lunch Act, as amended October 23, 2002.

<sup>4</sup> Section 107(h) of Public Law 105-336 added section 17(r) to the National School Lunch Act to authorize CACFP reimbursement for meal supplements and suppers provided to children up to the age of 18 in certain after-school programs. On June 20, 2000, Section 243(i)(3) of Public Law 106-224 added the State of Illinois to the six States previously authorized to serve reimbursable suppers (Delaware, Michigan, Missouri, New York, Oregon, and Pennsylvania).



In the context of this audit, the Food Services division of Chicago Public Schools served as the local School Food Authority (SFA), and the Illinois State Board of Education served as the State agency. In FY 2003, the State agency received \$257 million in Federal reimbursements for 217 million NSLP and SBP meals, of which the Chicago SFA received \$133 million for 72 million meals claimed by its 598 schools. For the same year, the State agency received about \$13 million in reimbursements for 6.3 million supper meals, of which the Chicago SFA received \$2.9 million for about 1.4 million suppers claimed.

## **Objectives**

The objectives of this audit were to evaluate the Chicago SFA's controls over the administration of the NSLP, SBP, and After-School Supper Programs. As part of our review of the SFA's administration, we performed tests of the SFA's sanitation procedures and compliance with Federal sanitation regulations. We evaluated the SFA's policies and procedures over meal accountability, the student eligibility process, and agency oversight of program operations. Specifically, we reviewed its controls for ensuring the accuracy of counting and claiming reimbursable meals, the proper accounting and use of program funds relating to Food Services' procurement of goods and services, and the overall student eligibility process.

# Findings and Recommendations

## Section 1. Meal Counting and Claiming Procedures - NSLP

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Over a four-month period, the SFA claimed reimbursement for lunches and breakfasts its schools did not serve or that did not meet NSLP requirements. We determined that 29 of the 30 schools in our observations did not submit correct claims, resulting in a net overclaim of over 5 percent for both meals.<sup>5</sup> We statistically project that the overclaims amounted to 18,320 lunches on any given serving day of the 182-day school year.<sup>6</sup> (See exhibit B.) In addition, more than 25 percent of the SFA's 598 claiming schools did not provide accurate meal claims. Schools submitted inflated meal claims because the SFA failed to provide sufficient oversight of meal counting and claiming procedures.

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### Finding 1

#### SFA's Claims for Reimbursement Exceeded Number of Meals Served

On average, 160 of the SFA's 598 schools' (27 percent) monthly claims included more meals than the maximum number of allowable meals between October 2003 and May 2004. Based on our observations and discussions, we determined that food service personnel at the point of service (POS) collected and counted tickets for meals that were not served, either because a child was absent or was not eating on that day. These counting problems continued to go unrecognized and unaddressed because the SFA did not perform required edit checks to determine the reason for its schools' overclaims. If edit checks were implemented, the SFA would have identified 642,102 meals in excess of those allowable valued at \$1,202,090 in Federal funds. (See exhibit C.)

Federal regulations<sup>7</sup> require SFAs to ensure that claims for reimbursement accurately reflect the number of meals served to eligible children. Prior to submitting a school's claim, the SFA must perform three edit checks, which include a comparison of: (1) the number of eligible students to the daily claim, (2) the number of eligible students times an average daily attendance factor to the daily claim, and (3) the maximum allowable meals to total meals claimed for the month. Based on the results of edit checks 1 and 3, the SFA must reduce its claim by those amounts; for edit check 2, the SFA must have a method to identify and implement corrective action and follow up with schools that continually submit inflated claims.

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<sup>5</sup> Inaccurate claims were submitted by 25 of the 26 schools that served breakfast and 29 of the 30 schools that served lunch. (See exhibit D.)

<sup>6</sup> We were unable to project the number of overclaimed breakfasts for all 598 schools.

<sup>7</sup> 7 CFR 210.8

Because the SFA did not perform all required edit checks in SY 2004 and performed them inconsistently in prior years, it did not identify improper meal counting practices at its schools. According to SFA procedures,<sup>8</sup> food service personnel are not to collect a ticket from a student unless that student receives a reimbursable meal. However, during our site visits we observed teachers handing a stack of tickets to food service personnel at the POS, without the POS designee verifying those tickets represented students actually in attendance. We also observed food service employees collecting tickets from students not eating the school-prepared lunch that day.

In addition to our observations, we reviewed the SFA's claims for reimbursement utilizing the three required edit checks. For the month of January 2004, the first edit check comparing the number of eligible students to the daily claim showed that 6 of the 30 schools we tested had claimed more meals than the number of eligible students. We discussed these overclaims with SFA officials, who agreed to retroactively apply the first edit check for all schools and months starting with October 2003. If edit check 1 had been in place from October 2003 through May 2004, the SFA would have had to limit its claim by 316,714 meals worth \$528,591 in Federal funds. In fact, the SFA did not implement edit check 1 for its claims submitted from October 2003 through January 2004, and therefore overclaimed 226,137 meals worth \$348,189 in Federal funds. (See exhibit C.)

Although the SFA reduced its claim significantly based on the first edit check, our application of edit check 3 on the SFA's revised claim for January 2004 revealed additional overclaims. The third edit check disclosed that 9 of the 30 schools we tested still exceeded the maximum allowable meals per month by over 3,000 meals. We then applied edit check 3 to each month's revised claim amounts for the period of October 2003 through May 2004. We calculated that, on average, 160 of the 598 schools' monthly claims exceeded their maximum number of allowable meals by 325,388 meals worth \$673,499 in Federal funds. However, since the SFA did not implement edit check 3 until the February 2004 claim, it overclaimed 171,420 meals worth \$347,146 in Federal funds. (See exhibit C.)

We also reviewed the SFA's claim for January 2004 using the second edit check, which compares the number of eligible students times an average daily attendance factor to the daily claim. We determined that 22 of the 30 schools we tested claimed meals that exceeded their number of adjusted eligible students. Further analysis showed that 12 of those 22 schools submitted overclaims for at least half of the serving days, and 4 schools overclaimed every day of the month. Although the SFA was not required to reduce its claim based on the results of this edit check, it was required to

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<sup>8</sup> Food Services and Warehousing-Principal's Survival Guide 2003-2004, Lunch Accountability p.33.

implement corrective action and follow up with schools to determine the reason for their overclaims. The SFA neither identified its schools' excess claims nor took action to correct meal counting and claiming problems.

During its administrative review in SY 2000, the State cited the SFA for not having edit checks in place. Due to the SFA's lack of cooperation in implementing the edit checks, FNS required the State to withhold over \$9 million in reimbursements in SYs 2001 and 2002 until they were implemented. The SFA reported that it had implemented the three required edit checks in December 2001, and the State released the held funds. However, we determined that the SFA did not implement the edit checks for all of SYs 2003 and 2004. Although we determined that the SFA implemented edit checks 2 and 3 during SY 2003 and for the month of September 2003, it discontinued those edit checks in October 2003. SFA officials said that their efforts to follow up with the schools failed due to the schools' lack of cooperation, insufficient staffing, and limited time frames.

In total, from October 2003 through May 2004, the schools' initial claims had to be adjusted by 642,102 meals worth \$1,202,090 in Federal funds. Although the SFA initially overclaimed meals worth \$695,335 in Federal funds, it did submit lower revised claims to the State agency for October 2003 through January 2004. However, the SFA's implementation of edit checks 1 and 3 from February through May 2004 prevented the SFA from initially submitting an overclaim of \$506,755 in Federal funds. With the SFA's claims of over \$100 million per year, edit checks must remain in place to ensure accurate claims and proper use of Federal funds.

## **Recommendation No. 1**

Require the State agency to collect \$695,335 in excess reimbursements from the SFA's claims from October 2003 through January 2004.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and provided a bill for collection to the State agency. On October 15, 2004, the State agency will submit a request for payment to the SFA for \$695,335 in excess reimbursements. Prior to December 31, 2004 the State agency must remit those funds to FNS.

### **OIG Position.**

We accept FNS' management decision. For Final Action, provide to the OCFO the documentation necessary to prove that payment was received.

## **Recommendation No. 2**

Require the State agency to provide evidence of its review of the SFA's proper implementation of edit checks 1 and 3 for its claims submitted for February through May 2004 to ensure it includes \$506,755 in revisions made of its schools' initial claims.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will ensure the SFA revised its claim downward by \$506,755 in Federal funds. Prior to December 31, 2004 the State agency will review the SFA's claims for February through May 2004 to verify that claim revisions were completed, and by August 1, 2005, provide FNS with the results of that verification process.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the State agency's claim review and that the SFA's claim was reduced by \$506,755 in Federal funds.

## **Recommendation No. 3**

Require the State agency to ensure that the SFA implements edit check 2 and a method to correct and follow up with schools that submit inflated claims.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will contact the SFA to obtain and review its written procedures for edit check 2 and verify that the SFA has an appropriate process to follow up with schools that submit inflated meal counts. In addition, during the FY 2005 Coordinate Review Effort cycle, but no later than August 1, 2005, the State agency will verify that the SFA implemented edit check 2 and is following its written procedures to ensure schools that submit inflated meal counts are reviewed and that the counts submitted by the schools are accurate.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with documentation that supports the SFA's implementation of edit check 2 and that the SFA is following those procedures.

## **Recommendation No. 4**

Require the State agency to ensure that the SFA provides guidance to school officials on the responsibilities of POS personnel to ensure they count only meals served to students in attendance.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to review and amend its current guidance and procedures on the responsibilities of POS personnel to ensure only reimbursable meals are counted. In addition, no later than December 31, 2004, the State agency will require the SFA to disseminate the amended POS procedures to school officials and the State agency.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the amended POS procedures and the distribution of those procedures to school officials.

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## **Finding 2**

### **Schools Counted Meals That Did Not Meet Requirements**

Food service personnel at 18 of 26 schools we visited counted breakfasts that did not include all required meal components, while 21 of 30 schools counted lunches that did not include all required components.<sup>9</sup> Schools counted and subsequently claimed non-reimbursable meals because POS employees were sometimes distracted during the meal service and SFA policy was not clear on how to process a ticket for a non-reimbursable meal.

The SFA is required to base claims for reimbursement on meal counts taken at the POS, which is the point in the food service operation where food service officials should accurately determine whether a reimbursable,<sup>10</sup> free, reduced-price, or paid lunch has been served to an eligible child.

Our observations disclosed that, generally, food service officials at the POS did not ensure that they collected tickets only from students who had the

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<sup>9</sup> All 30 schools in our sample served lunch, while only 26 of the 30 served breakfast.

<sup>10</sup> A reimbursable breakfast meal under the nutrient standard menu (NU-Menu) planning approach and the offer versus serve provision requires a school to offer at least three menu items, and a student may decline a maximum of one menu item. For a reimbursable lunch under NU-Menu, offer versus serve, every student must take the entrée and at least two other items since every school we visited offered at least five menu items.

required menu items for a reimbursable meal. In some cases the person collecting tickets was distracted from observing each meal, which allowed students to pass by without anyone determining whether the meal met requirements. Similarly, we observed instances where the POS designee left the end of the line to replenish food items or to accept a delivery. During the POS designee's distraction or absence, students would place their tickets on a counter or on a stack of other tickets, which the lunchroom manager would later count for reimbursement.

In addition, the SFA's procedures did not clearly delineate what the POS designee should do with a meal ticket if a student has not selected all required menu items. The procedures state that a ticket is to be collected from each student that has a reimbursable meal, but contain no additional instructions on what the POS designee should do if the student decides not to eat or does not select the required number of menu items. When asked what would happen if a student did not have enough items for a reimbursable meal or was not eating, POS designees told us that they would place the student's ticket to the side and not count it. However, we observed that POS designees placed tickets to the side infrequently.

We concluded that the SFA needs to tighten its controls by providing additional training and clear written instructions for POS designees to help prevent the claiming errors we observed.

## **Recommendation No. 5**

Require the State agency to ensure that the SFA instructs the POS designee to observe every meal in order to correctly determine if it contains the required menu items for reimbursement.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to review and amend its current guidance and procedures on the responsibilities of POS personnel to ensure they observe every meal to determine if it contains the required items for reimbursement. In addition, by December 31, 2004, the State agency will require the SFA to disseminate the amended POS procedures and provide training to school officials.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence in support of the amended POS procedures and the training provided to school officials.

## Recommendation No. 6

Require the State agency to ensure that the SFA amends its procedures to include how to process tickets for students not eating or who do not select enough menu items for a reimbursable meal.

### Agency Response.

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to review and amend its current guidance and procedures on how to properly process tickets for children not eating or who do not select enough menu items for a reimbursable meal. In addition, by December 31, 2004, the State agency will require the SFA to disseminate the amended POS procedures and provide training to school officials.

### OIG Position.

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence in support of the amended POS procedures and the training provided to school officials.

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## Finding 3

### Key Management Tool Was Ineffective In Identifying Program Deficiencies

The SFA's Coordinator On-Site Reviews did not effectively identify schools that were out of compliance with program requirements. The monitoring process was ineffective because the SFA did not ensure that its Coordinators documented all instances of noncompliance at schools, nor did it independently verify the results of the Coordinators' reviews. As a result, the SFA failed to identify the extent of meal counting and claiming problems at its schools and did not take action to bring them into compliance with program requirements.

Although SFA Coordinators prepared the review forms, the procedures applied did not provide adequate assurance that the internal controls ensured a school's claim was for the actual number of reimbursable meals. Federal regulations<sup>11</sup> require SFAs to perform certain program oversight functions, including conducting an on-site review of the lunch count and claiming system employed by each school by February 1 of each year. To fulfill this requirement, the Chicago SFA's 14 Coordinators visit all 598 schools that

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



submit meal claims and document the results of their visits on the Compliance On-Site Review form.

At the majority of the schools we visited, our observations did not match the Coordinators' reported assessment of the schools' meal counting and claiming systems. We observed all breakfast<sup>12</sup> and lunch meal services at the 30 statistically selected schools to determine whether meal counts were based on reimbursable meals served to eligible students, and if the meal count system provided an accurate total. We found that 24 of the 30 schools claimed meals that did not contain the required components (see Finding 2), but the Coordinators documented the same problem at only 1 of the 30 schools during their SY 2004 review. We also observed food service officials at eight schools that collected tickets for students who were absent or who did not eat the prepared meal that day. (See Finding 1.)

Overall, the Coordinators' on-site review results documented meal count problems at just 6 of the 30 schools we visited, while we determined that 25 schools' breakfast counts and 29 schools' lunch counts were in error. We also determined that the corrective actions recommended by the Coordinators were ineffective, since the six schools they documented with meal count problems still counted a different number of meals than we did on the day of our visit. In fact, 3 of those schools each counted between 40 and 158 meals more than we counted.

We further determined that even if the school site visits had been adequately documented, the review process itself would not have identified or prevented the inclusion of non-reimbursable meals. During the review, a Coordinator simply watches school food service personnel count tickets, without evaluating whether the ticket represents a reimbursable meal. In order to evaluate the effectiveness of a school's meal count system, the Coordinator must first ensure that tickets are only collected for reimbursable meals.

Although SFA management relied on its Coordinators to identify serious issues with its schools' meal counting and claiming systems, the SFA did not independently verify the Coordinators' results. As described in Finding 1, the SFA did not have edit checks in place for the 30 schools we visited, and therefore was not aware that 22 of those schools submitted inflated claims. Comparing the results of the Coordinators' on-site reviews to other independent monitoring results would have given SFA management a more accurate portrayal of its schools' counting, claiming, and other program-related issues.

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<sup>12</sup>Our sample of 30 schools included 26 schools that served breakfast.

## **Recommendation No. 7**

Require the State agency to work with the SFA in developing adequate review procedures and training the Coordinator staff to correctly perform and document their reviews.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to develop adequate review procedures. In addition, the State agency will require the SFA to provide training, by no later than December 31, 2004, on the revised review procedures to its Coordinator staff on how to correctly perform and document their reviews.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the review procedures and the training provided to the SFA's Coordinator staff.

## **Recommendation No. 8**

Require the State agency to ensure that the SFA implements independent verifications to validate the Coordinators' on-site review results.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to develop a process, procedure, and/or guidance as a management review to validate the results of the Coordinator's on-site reviews. By December 31, 2004, the State agency will require the SFA to provide those procedures to the State agency.

### **OIG Position.**

In order to reach management decision, in addition to the development of new procedures, FNS needs to provide us with a response that describes the State agency's plan to verify SFA implementation of verifications to validate the Coordinators' on-site review results. For example, the SFA could consider adding this task to its FY 2005 Coordinated Review Effort, similar to its intentions to verify SFA corrective actions as stated in its response to Recommendation No. 3.

### Finding 4

### Application Verification Process Did Not Yield Accurate Results

The SFA's application verification error rate<sup>13</sup> nearly doubled, increasing from 18 percent to 35 percent, after we independently performed the verification decision process based on the same supporting documents. We determined that more than half of the 30 schools we reviewed incorrectly verified applications because of miscalculations by the verification designees or because the schools did not request or obtain sufficient evidence to verify income eligibility. As a result, students were either incorrectly categorized as being eligible for free or reduced-price meals when they were not, or denied when, in fact, they were eligible.

Schools are required to confirm student eligibility for free and reduced-price meals through the verification process. For a sample of applications schools request students' households to submit income information for the most recent full month available.<sup>14</sup>

Our review of 30 schools' application verification results disclosed that application designees made calculation errors or did not obtain sufficient income information to verify the applications. We independently performed the verification decision process using the same documentation and determined that, although the schools changed the status of 28 of the 157 applications selected for verification (18 percent), 55 of the 157 applications (35 percent) should have changed status. A change in a student's status occurs when the income information does not support the student's current eligibility, requiring re-classification to the free, reduced-priced, or denied category.

We determined that application designees correctly changed the status of 19 of the 55 applications, but they did not correctly verify the remaining 36 applications. For those 36 applications, 29 were not changed correctly due to designee error, and 7 were due to insufficient income information. Some of the designee errors included using net instead of gross income. In other instances, income information provided by parents was insufficient to make a correct determination. For example, one parent provided a paycheck stub written in a foreign language and paid in foreign currency.

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<sup>13</sup> Although error rate is not specifically defined in program regulations, we define it as the number of student applications that changed status after the verification process was performed, divided by the total number of applications selected for verification.

<sup>14</sup> (7 CFR 245.6a (a)(1))

The eligibility verification errors caused the SFA to submit inflated claims for reimbursement and more importantly, denied benefits to qualified students. We determined that 26 students were classified as eligible for free or reduced-price meals, even though the parent's income information did not support that classification. Therefore, for every meal claimed for those students, the SFA received greater reimbursement than if that student had been correctly classified. Conversely, we determined that five students were denied eligibility when, in fact, the parent's income information supported reduced-price or free meal benefits. Denying an eligible student free or reduced-price benefits requires the student to pay the full cost of the meal even though the student's parents met income guidelines set according to the poverty threshold level.

Although the SFA collected all verification results, it neither adequately reviewed them for accuracy nor compiled SFA-wide statistics. Although documenting and reporting SFA-wide error rates is not currently required, starting in school year 2005 the SFA will be required to provide its annual application verification results to the State agency. Since the new requirements will increase the SFA's responsibility to collect and report verification results, it must develop a plan to ensure the timeliness and accuracy of application verification data. To improve the application verification process, the SFA needs to provide clear instructions to parents on what documentation is needed, and training for its schools' application designees on making correct eligibility determinations.

## **Recommendation No. 9**

Require the State agency to ensure that the SFA requests adequate documentation from parents to make accurate eligibility determinations.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to review and update its procedures to ensure adequate documentation is received from parents in order to make accurate eligibility determinations. The State agency will also require, by December 31, 2004, the SFA to disseminate and train its staff on the updated procedures.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the updated eligibility procedures and the training provided to the SFA's staff.

## **Recommendation No. 10**

Require the State agency to ensure that the SFA provides documentation of the training it will provide its application verification designees on the requirements for making correct eligibility determinations.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to review and update its procedures to ensure correct eligibility determinations are made. The State agency will also require, by December 31, 2004, the SFA to disseminate and train its staff on the updated procedures.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the updated eligibility procedures and the training provided to the SFA's staff.

## **Recommendation No. 11**

Require the State agency to ensure that the SFA provides documentation of its plan to collect and review application verification results for accuracy, including amending errors, prior to forwarding this data to the State.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to develop a plan and procedures to collect and review application verification results for accuracy. In addition, by December 24, 2004, the State agency will require the SFA to provide its plan and procedures to the State agency.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with the SFA's plan and procedures that ensure application verification results are accurate.

### Section 3. Sanitation Requirements

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#### Finding 5

#### SFA's Efforts to Fulfill Sanitation Requirements Were Ineffective

The SFA's food service areas did not comply with State and local sanitation and health standards, resulting in food service operations at over a dozen schools being shut down due to rodent infestations during SY 2004. This occurred because the SFA's pest prevention and detection procedures were ineffective. The SFA also lacked a comprehensive sanitation and health plan and effective communication with the SFA division responsible for pest control.

Federal,<sup>15</sup> State,<sup>16</sup> and local laws and regulations require that SFAs take effective measures to minimize the presence of rodents.<sup>17</sup> The SFA's efforts to meet these requirements included three pest detection measures and one pest prevention measure. The three detection procedures included the Food Services division's Coordinator On-Site Reviews, inspections by the Chicago Board of Health (CBOH), and the SFA's own Hazard Analysis and Critical Control Point (HACCP) reviews. Pest prevention was the responsibility of the SFA's Asset Management division. However, the SFA's measures were ineffective in preventing the closure of 13 schools' food service operations.

Both the SFA Coordinators and the CBOH substantially failed to identify the schools' rodent infestation problems. During the months of December 2003 and January 2004, the Chicago Streets and Sanitation Department (S&S) inspected 24 schools' food service operations, failing 18 schools and shutting down food service at 13 of those. We compared the results of the Coordinator reviews and CBOH inspections to the S&S inspection results. We determined that 9 of the 24 schools failed the S&S review but received passing grades from both the CBOH and the SFA Coordinators. Furthermore, at 3 of the 9 schools, the SFA's Coordinators gave the schools a passing grade on sanitation within weeks of S&S shutting down the schools' meal service operations.

Although the S&S inspection procedures, which included moving kitchen equipment and searching remote areas, were more extensive than the SFA reviews, some evidence of rodents was in plain sight. OIG noted rodent droppings at 3 of 30 schools we statistically selected for site visits. At two

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<sup>15</sup> 7 CFR 210.13

<sup>16</sup> Public Health 410 ILCS 650

<sup>17</sup> Title 77, Chapter 1, Part 750

schools, the rodent droppings were found in the teacher's lounge adjacent to the food service area. At another school, rodent droppings were actually in the lunchroom service area.

During SY 2003, the SFA's Food Services division utilized a third pest detection procedure, called the HACCP review, and compiled the results in October 2003. The HACCP review included site visits to all SFA schools where the Coordinators rated overall sanitation, and particularly pest control, from good to unsatisfactory. However, similar to the SFA's other pest detection procedures it did not prevent the closing of its schools' food service. The SFA's HACCP reviews rated 13 of the 18 schools that failed the S&S inspections due to rodent infestations, as good or fair in terms of overall sanitation. Conversely, the SFA's HACCP review rated over 175 schools' pest control as poor or unsatisfactory, and yet no effective action was taken to prevent a school's food service from being shutdown. As an example, the SFA rated one high school's pest control as poor and unsatisfactory in September 2002, and yet that school's food service continued serving students until S&S ordered it to cease and desist in December 2003. Although the HACCP reviews assisted the SFA in identifying sanitation issues at its schools, the SFA did not provide evidence of a comprehensive plan to prevent schools' food services from being shutdown due to rodent infestation.

The SFA's pest prevention measure also failed because of a lack of communication between two of its divisions. According to an SFA official from the Food Services division, she relied on the SFA's Assets Management division to handle pest control and prevention and other facilities management issues. For SY 2004, the Assets Management division had contracts with three facilities management companies and eight pest control companies to cover all of the SFA's schools. The contracts required pest control monitoring logs and reports to be delivered to Asset Management. However, a Food Service official said she was unaware that the pest control logs existed.

As a result of the recent S&S closures, the SFA adopted the Keeping Our Schools Clean initiative, closing 100 schools at a time for thorough cleaning. According to SFA officials, they will repeat the initiative during SY 2005. However, the SFA has not yet developed procedures that would eliminate sanitation issues as they arise or that coordinate with the SFA's Asset Management division. Without a coordinated action plan to immediately respond to unscheduled events, the SFA has less assurance that it will be able to prevent another widespread occurrence of sanitation and health issues next year.

Furthermore, although the SFA had implemented different pest detection and prevention procedures, it did not provide evidence that it had a

comprehensive health and sanitation plan. When FNS regional officials requested a copy of the SFA's health and sanitation plan, the SFA submitted a slightly modified version of the checklist it used for its HACCP inspections. However, the SFA did not have procedures on the frequency of HACCP inspections, implementing corrective actions, and how they would determine the effectiveness of those actions. While the HACCP review checklist should be part of a comprehensive plan, greater coordination is needed. The development of a comprehensive health and sanitation plan for about 600 schools, particularly to prevent and detect rodent infestations, requires the cooperation of State and local health agencies as well as effective communication between SFA divisions.

## **Recommendation No. 12**

Require the State agency to work with the SFA to improve its prevention and detection of sanitation and health problems.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will, by October 15, 2004, (1) inform the SFA that they need to improve their prevention and detection of sanitation and health problems per the OIG report, (2) require the SFA to work in conjunction with State and local health agencies and the various SFA divisions to improve their prevention and detection of sanitation and health problems, and (3) require the SFA to provide, by March 1, 2005, the State agency a copy of all plans and procedures. However, determination of the effectiveness of the plans and procedures will remain under the authority of the SFA's local health authorities.

### **OIG Position.**

In order to reach management decision, FNS needs to provide us with a response that describes the State agency's plan, including timeframes for implementation, in providing the SFA assistance in improving its prevention and detection of sanitation and health problems. In addition, FNS needs to provide us with the State agency's procedures for reviewing and assessing the SFA's pest detection and prevention process.



### **Recommendation No. 13**

Require the State agency to ensure that the SFA develops and implements a comprehensive health and sanitation plan, which includes coordination and communication between its divisions, to ensure compliance with all Federal, State, and local health and safety codes.

#### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will (1) inform the SFA that they need to implement a comprehensive health and sanitation plan per the OIG report, (2) require the SFA to work in conjunction with State and local health agencies and the various SFA divisions to develop and implement a comprehensive health and sanitation plan that is in compliance with all Federal, State, and local health and safety codes and that ensures there is coordination and communication between SFA divisions and appropriate health agencies, and (3) require the SFA to provide the State agency a copy of all plans and procedures by May 1, 2005. However, determination of the effectiveness of the plans and procedures will remain under the authority of the SFA's local health authorities.

#### **OIG Position.**

In order to reach management decision, FNS needs to provide us with a response that details the timeframes for the SFA's implementation of a comprehensive health and sanitation plan. In addition, FNS needs to provide us with the State agency's methodology in monitoring the SFA's implementation of its health and sanitation plan.

## **Section 4. CACFP At-Risk After-School Supper Program**

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### **Finding 6**

### **SFA Claimed More Reimbursable Suppers Than It Served**

The SFA incorrectly implemented the CACFP At-Risk After-School Supper Program (Supper) by allowing its schools to use the offer versus serve provision for Supper meals. As a result, participating schools counted meals that did not contain all of the required components of a reimbursable meal. We statistically project that, on any given serving day, the SFA's schools counted 11,223 non-reimbursable meals worth \$24,578 in Federal funds. (See exhibits B and C.)

Federal regulations<sup>18</sup> require schools serving Supper to use a meal pattern that includes five items: a milk, a meat or meat alternative, two or more vegetables and/or fruits, and a bread or bread alternative. Federal regulations for Supper do not authorize schools to use the offer versus serve provision, which allows a student to take just three of the five required meal components. Both the FNS website and a State agency fact sheet for Supper specify that a student must receive all five food items for the meal to be counted as a complete, reimbursable supper.

The SFA's procedures contradicted Federal and State requirements by allowing students to decline Supper meal components under offer versus serve. Although the SFA's procedures require schools to offer all five items, they define a reimbursable Supper meal as one that contains at least 3 menu items. Our observations of Supper services at 14 of the SFA's 218 participating schools showed that all food service personnel followed the SFA's erroneous procedures by applying the offer versus serve provision. Whereas the schools counted a total of 1,493 reimbursable meals, we counted 839 meals that included all of the required components. (See exhibit E.)

The SFA improperly instructed its staff on what constitutes a reimbursable meal under Supper because it misunderstood program requirements. According to an SFA official, the State agency and the SFA agreed that, while the menu-planning approaches for the NSLP and Supper were different, both programs allowed the offer versus serve provision. The same SFA official stated that the State agency never mentioned that offer versus serve was not allowable when the SFA submitted its application to participate in Supper. However, a State agency official stated that the SFA did not request, nor did the State approve, offer versus serve for Supper.

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<sup>18</sup> 7 CFR 226.20 (3) Child and Adult Care Food Program

## **Recommendation No. 14**

Reconcile the discrepancy in understanding between the State agency and the SFA of the minimum number of items in a reimbursable meal, which led to a projected 11,223 meals (worth \$24,578 in Federal funds) being overclaimed on any given serving day.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will issue a clarification letter to the SFA no later than October 1, 2004, to reconcile any discrepancies in understanding.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the State agency's letter and date sent to the SFA clarifying CACFP At-Risk After School Supper Program requirements.

## **Recommendation No. 15**

Require the State agency to ensure that the SFA amends its procedures for Supper and that it correctly instructs its schools and personnel on what meal components must be selected to constitute a reimbursable meal.

### **Agency Response.**

In its response, dated September 21, 2004, FNS agreed with our recommendation and the State agency will require the SFA to amend its Supper program procedures on the number of components required for a reimbursable meal. In addition, no later than December 31, 2004, the State agency will require the SFA to disseminate and train its staff on the amended procedures for the Supper program.

### **OIG Position.**

We accept FNS' management decision. For Final Action, FNS needs to provide the OCFO with evidence of the amended Supper program procedures and the training provided to the SFA's staff.

# ***Scope and Methodology***

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We performed our audit fieldwork during November 2003 at the FNS Midwest Regional Office, during December 2003 at the State agency in Illinois, and from January through June 2004 at the SFA in Chicago and selected Chicago school sites. The Chicago Public Schools SFA is the largest in Illinois.

We performed our review at the SFA and conducted site visits to 30 statistically selected schools that participated in the NSLP, the SBP, and/or the CACFP At-Risk After-School Supper Program. These schools were statistically selected based on which of the three meals they offered. (See exhibits B and D.) We reviewed the SFA's operations for SY 2004, but we examined sanitation inspection results beginning in SY 2003.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards. To accomplish our objectives we:

- Reviewed regulations, policies, and procedures governing the NSLP, SBP, and After-School Supper Program;
- Interviewed FNS regional and State agency officials to obtain an overview of the NSLP operation in Illinois and identify any specific concerns or program issues;
- Reviewed the results of both the State agency's recent administrative reviews and A-133 Single Audit coverage to identify findings and corrective actions promised;
- Counted the number of free and reduced-price applications maintained at 30 statistically selected schools and determined whether meal counts exceeded the total applications on hand;
- Determined whether the SFA performed edit checks of its meal claiming process and, after determining it did not, computed the regulatory edit checks to identify the extent of overclaims, if any, for the months of October 2003 through May 2004;
- Evaluated the SFA's on-site review and follow-up procedures for its schools' meal accountability systems (including application verification processes) to determine whether internal controls were established, functioning, and adequately reported;
- Examined accounting records to ensure that the SFA's internal controls were sufficient to ensure proper use of program funds;
- Reviewed and evaluated the Food Services Division's purchases of goods and services to ensure that its procurement practices followed regulatory requirements, facilitated open and free competition, and resulted in the best price;

- Performed site visits to 30 of the SFA's 598 claiming schools and interviewed officials responsible for the NSLP, SBP, and/or After-School Supper Program to determine compliance with regulations, specifically whether adequate meal accountability systems (including application verification processes) were in place; and
- When Chicago's Department of Streets and Sanitation issued over a dozen cease and desist orders for hot meal service at SFA schools in December 2003 and January 2004, we reviewed the SFA's procedures for evaluating food service sanitation at all schools.

## ***Exhibit A*** - SUMMARY OF MONETARY RESULTS

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FINDING NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	SFA Meals Claimed In Excess Of Those Allowable	\$695,335	Questioned Costs: Recovery Recommended
1	School Meals Counted In Excess Of Those Allowable	\$506,755	FTBPTBU – Management or Operating Improvements / Savings
6	At-Risk After-School Meals Claimed That Did Not Meet Program Requirements	\$24,578	Questioned Costs: No Recovery
<b>TOTAL</b>		<b>\$1,226,668</b>	

## **Exhibit B - STATISTICAL SAMPLE DESIGN**

Exhibit B - Page 1 of 2

Food and Nutrition Service  
National School Lunch Program  
School Breakfast Program  
CACFP At-Risk After-School Supper Program  
Chicago Public Schools

The general statistical sample design for this audit was a stratified simple random sampling scheme where schools participating in the National School Lunch Program (NSLP), School Breakfast Program (SBP), and CACFP At-Risk After-School Supper Program (Supper) in Chicago were selected from universe data acquired from the Chicago Public Schools. There were 598 schools in the NSLP Chicago schools universe. The 598 schools were stratified into 3 strata according to the different types of school food service in the Chicago Public Schools. This stratification resulted in the following strata:

Meal Service	Stratification
Lunch and/or Supper Only	1
Breakfast and Lunch Only	2
Breakfast, Lunch, and Supper	3

The following table gives the specifics of the stratification used in this sample design:

STRATA	BOUNDARY Meal Service	Number Of Schools	Enrollment	n=30
1	Lunch and/or Supper	18	9,051	5
2	Breakfast and Lunch	364	260,141	12
3	Breakfast, Lunch and Supper	216	149,495	13
TOTAL		598	418,687	30

A sample size of 30 schools was selected. (See exhibit D.) The sample size of 30 was subjectively allocated to the individual strata (STRATA 1-3). The schools were selected with equal probability without replacement within each stratum. The sample unit within each stratum was a school. The table above contains the details for this allocation and sample selection. A 95 percent two-sided confidence level was used for all the statistical estimates in this review.

### Statistical Analysis

All statistical sample design, selection, and statistical estimation were accomplished on a DELL Pentium Personal Computer using SAS and SUDAAN. The statistical estimates used for projections along with their standard errors were produced using the Windows version of SUDAAN, a software system that analyzes sample survey data gathered from complex multistage sample designs. SUDAAN was written by B.V. Shah of Research Triangle Institute, Research Triangle Park, North Carolina.

The term sample precision (sp), as used in the report for estimating dollar values and number of occurrences is defined as

$$sp = \frac{t * STDERR}{PTEST}$$

where

t - t factor for a 95 percent two-sided lower confidence level

PTEST - point estimate (estimate of the total, mean, or number of occurrences)

STDERR - standard error of the point estimate

The sample precision for estimating percentage values is defined as

$$sp = t * STDERR$$

where

t - t factor for a 95 percent two-sided lower confidence level; and

STDERR – standard error of the point estimate (percentage value)

Program Meals Overclaimed On Any Given Day	Statistical Estimate	Lower 95% Confidence Level	Upper 95% Confidence Level	Sampling Precision
Lunches (Point Estimate)	18,320	6,482	30,158	65%
At-Risk After-School Suppers (Point Estimate)	11,223	6,544	15,903	42%
Dollar Effect (Reimbursement Rate of \$2.19 per meal for all Suppers)	\$24,578	\$14,331	\$34,828	42%



## Exhibit C - MEALS CLAIMED IN EXCESS OF THOSE ALLOWABLE

EXCESS MEALS IDENTIFIED THROUGH EDIT CHECKS 1 AND 3 (See Finding No. 1) OCTOBER 2003 – MAY 2004							
	CATEGORY	NUMBER OF MEALS		(x) RATES	= DOLLAR OVERCLAIM		
EDIT CHECK NO. 1  Lunch Only <sup>19</sup>	Free	142,223		\$2.19		\$311,468	
	Reduced-Price	12,088		\$1.79		21,638	
	Paid	71,826		\$0.21		15,083	
	October 2003 – January 2004		226,137				\$348,189
	February 2004 – May 2004 Subtotal		90,577				\$180,402
	<b>Edit Check No. 1 Total</b>		<b>316,714</b>				<b>\$528,591</b>
EDIT CHECK NO. 3  Breakfast and Lunch	BREAKFAST						
	Free	7,168		\$1.20	\$8,602		
	Reduced-Price	394		\$0.90	355		
	Paid	1,634	9,196	\$0.22	359	\$9,316	
	LUNCH						
	Free	151,783		\$2.19	\$332,405		
	Reduced-Price	2,046		\$1.79	3,662		
	Paid	8,395	162,224	\$0.21	1,763	\$337,830	
	October 2003 – January 2004		171,420				\$347,146
	February 2004 – May 2004		153,968				\$326,353
	<b>Edit Check No. 3 Total</b>		<b>325,388</b>				<b>\$673,499</b>
	SFA's Excess Meals Claimed Edit Check Nos. 1 and 3 <b>October 2003 – January 2004</b>		397,557	Federal Funds			\$695,335
	Excess Meals Counted by Schools Edit Check Nos. 1 and 3 <b>February 2004 – May 2004</b>		244,545	Federal Funds			\$506,755
	<b>TOTAL EXCESS MEALS</b>		<b>642,102</b>	<b>TOTAL FEDERAL FUNDS</b>			<b>\$1,202,090</b>

<sup>19</sup> Because student participation is dramatically less for breakfast than for lunch, breakfast claims did not reach the threshold for edit check 1.

## ***Exhibit D - BREAKFAST AND LUNCH COUNT COMPARISONS ON DAYS OF OUR VISITS DURING FEBRUARY AND MARCH 2004***

SCHOOL		BREAKFAST				LUNCH			
No.	Unit Number	Eligible Meals Served	No. of Meals Over (Under) Counted	SFA Meals Counted	Percentage of SFA Meals Over (Under) Counted	Eligible Meals Served	No. of Meals Over (Under) Counted	SFA Meals Counted	Percentage of SFA Meals Over (Under) Counted
1	5710	-	-	-	-	1,608	30	1,638	1.83%
2	6120	-	-	-	-	54	3	57	5.26%
3	7800	12	0	12	0	154	-2	152	1.32%
4	6470	-	-	-	-	152	47	199	23.62%
5	7430	-	-	-	-	41	0	41	0.00%
6	3630	165	-9	156	5.77%	780	-2	778	0.26%
7	4760	354	57	411	13.87%	1,210	90	1,300	6.92%
8	6960	212	-47	165	28.48%	502	-22	480	4.58%
9	4500	333	25	358	6.98%	1,228	21	1,249	1.68%
10	4770	100	42	142	29.58%	895	4	899	0.44%
11	3470	135	17	152	11.18%	380	5	385	1.30%
12	2960	164	4	168	2.38%	762	67	829	8.08%
13	1420	144	18	162	11.11%	822	7	829	0.84%
14	3780	50	35	85	41.18%	298	30	328	9.15%
15	1270	77	-3	74	4.05%	466	-6	460	1.30%
16	3190	210	62	272	22.79%	625	-10	615	1.63%
17	5500	93	4	97	4.12%	235	7	242	2.89%
18	6380	180	5	185	2.70%	351	158	509	31.04%
19	3410	101	4	105	3.81%	229	17	246	6.91%
20	6150	136	7	143	4.90%	713	-2	711	0.28%
21	6000	149	-2	147	1.36%	864	8	872	0.92%
22	6730	64	-1	63	1.59%	250	40	290	13.79%
23	6300	160	-9	151	5.96%	312	69	381	18.11%
24	5760	65	9	74	12.16%	230	61	291	20.96%
25	5520	199	5	204	2.45%	886	-17	869	1.96%
26	2170	143	-1	142	0.70%	761	33	794	4.16%
27	4650	203	-24	179	13.41%	957	3	960	0.31%
28	4830	210	-13	197	6.60%	275	137	412	33.25%
29	7450	46	5	51	9.80%	155	-24	131	18.32%
30	3920	198	32	230	13.91%	465	254	719	35.33%
	<b>Totals</b>	<b>3,903</b>	<b>222</b>	<b>4,125</b>	<b>Net 5.39%</b>	<b>16,660</b>	<b>1,006</b>	<b>17,666</b>	<b>Net 5.70%</b>

## ***Exhibit E - AT-RISK AFTER-SCHOOL SUPPER COUNT COMPARISONS ON DAYS OF OUR VISITS DURING FEBRUARY AND MARCH 2004***

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SCHOOL	SUPPER		
Unit Number	Eligible Meals Served	Number Of Meals Over (Under) Counted	SFA Meals Counted
1270	0	26	26
6380	99	65	164
3410	47	36	83
6150	139	0 <sup>20</sup>	—
6000	158	70	228
6730	30	11	41
6300	87	19	106
5760	40	42	82
5520	0	95	95
2170	124	4	128
4650	67	68	135
4830	0	56	56
7450	8	35	43
3920	40	127	167
TOTALS	839	654	1493

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<sup>20</sup>During this visit we followed the SFA's definition of a reimbursable Supper (three items per meal). After discussions with FNS and State agency officials, we determined that a reimbursable meal was one that contained all five items. We then applied this new requirement to the remaining schools we visited that served Supper.

# Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT

Exhibit F - Page 1 of 6



United States Department of Agriculture  
Food and Nutrition Service

Midwest Region

SEP 21 2004

Reply to  
attn of:

MW S&CNP: SA 03-2 Office of Inspector General (OIG) Audit Report No. 27010-0017-Ch

Subject:

Official Draft Audit Report No. 27010-0017-Ch, "Chicago SFA's Accountability and Oversight of the NSLP, SBP, and CACFP Supper"

To:

Mr. Edward R. Krivus, Regional Inspector General  
Office of Inspector General  
Midwest Regional Office  
111 North Canal Street, Suite 1130  
Chicago, Illinois 60606-1130

We have received the Official Draft Report entitled: "Chicago SFA's Accountability and Oversight of the NSLP, SBP, and CACFP Supper," Audit Report No. 27010-0017-Ch. We address each Recommendation below.

**Recommendation 1:** Require the State agency to collect \$695,335 in excess reimbursements from the SFA's claims from October 2003 through January 2004.

FNS agrees with this Recommendation.

Estimated date of completion is February 15, 2005.

**State Agency Response:** The State agency will send Chicago Public Schools a bill by October 15, 2004 to be paid by December 31, 2004 for \$695,335 to collect the excess amount of reimbursements claimed from October 2003 through January 2004.

**Recommendation 2:** Require the State agency to provide evidence of its review of the SFA's proper implementation of edit checks 1 and 3 for its claims submitted for February through May 2004 to ensure it includes \$506,755 in revisions made of its schools' initial claims.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will review the claims submitted by the SFA for February through May 2004 to ensure that \$506,755 in revisions were made to the claims.

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## Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT

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Exhibit F - Page 2 of 6

**Recommendation 3:** Require the State agency to ensure that the SFA implements edit check 2 and a method to correct and follow-up with schools that submit inflated claims.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will (1) contact the SFA to obtain written procedures to ensure the implementation of edit check 2 and to verify that the SFA has an appropriate process to follow-up with the schools that submit inflated counts; and (2) ensure during the FY 05 CRE review initially planned for January or February that the SFA has implemented edit check 2 and is following their written procedures to ensure schools that submit inflated counts are followed-up and that the counts submitted by the schools are accurate.

**Recommendation 4:** Require the State agency to ensure that the SFA provides guidance to school officials on the responsibilities of POS personnel to ensure they count only meals served to students in attendance.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) review its procedures and/or guidance on the responsibilities of POS personnel to count only meals served to students in attendance and revise them if necessary; (2) disseminate the POS procedures and/or guidance to school officials; and (3) submit a copy of the procedures and/or guidance to the State Agency.

**Recommendation 5:** Require the State agency to ensure that the SFA instructs the POS designee to observe every meal in order to correctly determine if it contains the required menu items for reimbursement.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) review its procedures and/or guidance on the responsibilities of POS personnel to observe every meal in order to correctly determine if it contains the required menu items for reimbursement; (2) disseminate the POS procedures and/or guidance to POS personnel; (3) provide training to the POS personnel on the procedures and/or guidelines; and (4) submit a copy of the procedures and/or guidance, training materials and agendas, and attendance sheets to the State agency.

**Recommendation 6:** Require the State agency to ensure that the SFA amends its procedures to include how to process tickets for students not eating or who do not select enough menu items for a reimbursable meal.

2

## Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT

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Exhibit F - Page 3 of 6

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) amend its procedures and/or guidance to include how to process tickets for students not eating or who do not select enough menu items for a reimbursable meal; (2) disseminate the SFA's amended POS procedures and/or guidance to POS personnel; (3) provide training to the POS personnel on the procedures and/or guidelines; and (4) submit a copy of the procedures and/or guidance, training materials and agendas, and attendance sheets to the State agency.

**Recommendation 7:** Require the State agency to work with the SFA in developing adequate review procedures and training the Coordinator staff to correctly perform and document their reviews.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) develop adequate review procedures; (2) require the SFA to provide a mandatory training to the Coordinator staff to ensure that they are properly trained on how to perform and document their reviews; and (3) submit the procedures, training materials, agenda, and attendance sheets to the State agency.

**Recommendation 8:** Require the State agency to ensure that the SFA implements independent verifications to validate the Coordinator's on-site review results.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to develop a process, procedures and/or guidance to implement a management review process to validate the Coordinator's on-site reviews and submit the procedures to the State agency.

**Recommendation 9:** Require the State agency to ensure that the SFA requests adequate documentation from parents to make accurate eligibility determinations.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) review and update its procedures and/or guidance on the types of adequate documentation

3

## **Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT**

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Exhibit F - Page 4 of 6

verification/application personnel are to collect from parents to make accurate eligibility determinations; (2) disseminate the procedures and/or guidance to the verification/application personnel; (3) train the verification/application personnel on the procedures and/or guidance and (4) submit the procedures and/or guidance, training materials, agenda, and attendance sheets to the State agency.

**Recommendation 10:** Require the State agency to ensure that the SFA provides documentation of the training it will provide its application verification designees on the requirements for making correct eligibility determinations.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) review and update its procedures and/or guidance for making correct eligibility determinations; (2) disseminate the procedures and/or guidance to the verification/application personnel; (3) train the verification/application personnel on the procedures and/or guidance and (4) submit the procedures and/or guidance, training materials, agenda, and attendance sheets to the State agency.

**Recommendation 11:** Require the State agency to ensure that the SFA provides documentation of its plan to collect and review application verification results for accuracy, including amending errors, prior to forwarding this data to the State.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 24, 2004, the State agency will require the SFA to develop a plan and procedures to collect and review application verification results for accuracy, including amending errors, and submit the plan and procedures to the State agency.

**Recommendation 12:** Require the State agency to work with the SFA to improve its prevention and detection of sanitation and health problems.

FNS agrees with this Recommendation.

Estimated date of completion is September 1, 2005.

**State Agency Response:** The State agency will (1) inform the SFA by October 15, 2004 that they need to improve their prevention and detection of sanitation and health problems per the OIG audit report; (2) require the SFA to work in conjunction with State and local health agencies and the various SFA divisions to improve their prevention and detection of sanitation and health problems; and (3) require the SFA to provide the State agency a copy of all plans and procedures by March 1, 2005. However, determination of the effectiveness of the plans and procedures will remain under the authority of the SFA's local health authorities.

4

## Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT

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Exhibit F - Page 5 of 6

**Recommendation 13:** Require the State agency to ensure that the SFA develops and implements a comprehensive health and sanitation plan, which includes coordination and communication between its divisions, to ensure compliance with all Federal, State, and local health and safety codes.

FNS agrees with this Recommendation.

Estimated date of completion is September 1, 2005.

**State Agency Response:** The State agency will (1) inform the SFA by October 15, 2004 that they need to implement a comprehensive health and sanitation plan per the OIG audit report (2) require the SFA to work in conjunction with State and local health agencies and the various SFA divisions to develop and implement a comprehensive health and sanitation plan that is in compliance with all Federal, State, and local health and safety codes and that ensures there is coordination and communication between SFA divisions and appropriate health agencies; and (3) require the SFA to provide the State agency a copy of all plans and procedures by May 1, 2005. However, determination of the effectiveness of the plans and procedures will remain under the authority of the SFA's local health authorities.

**Recommendation 14:** Reconcile the discrepancy in understanding between the State agency and the SFA of the minimum number of items in a reimbursable meal, which led to a projected 11,223 meals (worth \$24,578 in Federal funds) being overclaimed on any given serving day.

FNS agrees with this Recommendation.

Estimated date of completion is June 1, 2005.

**State Agency Response:** The State agency will issue a clarification letter by October 1, 2004 to the SFA to reconcile the discrepancy in understanding.

**Recommendation 15:** Require the State agency to ensure that the SFA amends its procedures for Supper and that it correctly instructs its schools and personnel on what meal components must be selected to constitute a reimbursable meal.

FNS agrees with this Recommendation.

Estimated date of completion is August 1, 2005.

**State Agency Response:** By December 31, 2004 the State agency will require the SFA to (1) amend its procedures and/or guidance for Supper on the number of meal components that constitute a reimbursable meal; (2) disseminate the amended procedures and/or guidance to school personnel involved with the Supper meal service; (3) provide training to the school personnel involved with the Supper meal service on the procedures and/or guidance and (4) submit a copy of the procedures and/or guidance, training materials, agenda, and attendance sheet to the State agency.

5



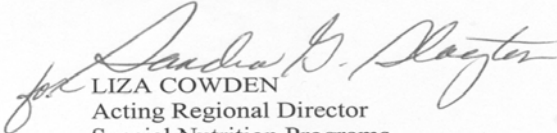
## **Exhibit F - FNS' RESPONSE TO THE DRAFT REPORT**

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Exhibit F - Page 6 of 6

FNS has reviewed and also agrees with Exhibits A, B, C, D, and E of the Official Draft Audit Report.

If you have any additional questions, please contact Sandra Lehner at 312-353-6697 or Liza Cowden at 312-886-2605.

  
LIZA COWDEN  
Acting Regional Director  
Special Nutrition Programs

bcc: Frank Suchy, Chief, Fiscal/State Systems, FM  
Leo Dohogne, Chief, GM, FM, MWRO

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