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# U.S. Department of Agriculture Office of Inspector General Western Region Audit Report

FOOD AND NUTRITION SERVICE  
CHILD AND ADULT CARE  
FOOD PROGRAM  
CRYSTAL STAIRS, INC.



**Report No.  
27010-24-SF  
January 2002**



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DATE: January 9, 2002

REPLY TO

ATTN OF: 27010-24-SF

SUBJECT: CACFP - Crystal Stairs, Inc., Los Angeles, California

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

ATTN: Kathleen Burks  
Director  
Financial Management

This report presents the results of our audit of a Child and Adult Care Food Program sponsor operating in the State of California. Your written response to the report is included as exhibit B. Excerpts from your response and our position are set forth in the relevant sections of the report.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the timeframes for implementing the recommendations. Please note that regulations require a management decision to be reached on all findings and recommendations within 6 months from report issuance.

The Office of the Chief Financial Officer (OCFO), U.S. Department of Agriculture, has responsibility for monitoring and tracking final action for findings and recommendations. Follow your agency's procedures in forwarding final action correspondence to OCFO.

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

/s/  
SAM W. CURRIE  
Regional Inspector General  
for Audit

OIG:A:WR:JJOHNSON:SCURRIE:FK;415-744-2852:1/4/02  
FILE: COMMON/AUDIT/27010-24-SF(CRYSTAL STAIRS)

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## EXECUTIVE SUMMARY

### FOOD AND NUTRITION SERVICE CHILD AND ADULT CARE FOOD PROGRAM CRYSTAL STAIRS, INC. LOS ANGELES, CALIFORNIA AUDIT REPORT NO. 27010-24-SF

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#### RESULTS IN BRIEF

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This report presents the results of our audit of Crystal Stairs, Inc., (Crystal Stairs) of Los Angeles, California, a sponsor participating in the U.S. Department of Agriculture's (USDA)

Child and Adult Care Food Program (CACFP). The purpose of the CACFP is to ensure that children and adults in day care receive nutritious meals. The CACFP reimburses participating nonresidential care facilities, such as day care homes, for meals served to eligible individuals in their care.

For fiscal year 2000, Crystal Stairs administered the CACFP to over 2,300 homes. These homes were reimbursed approximately \$11 million for meals served, while Crystal Stairs was reimbursed approximately \$1.3 million for administrative costs. The objectives of our audit were to evaluate the sponsor's administration of the program and compliance with program requirements.

Our review disclosed that Crystal Stairs needs to improve its monitoring of day care homes and supervision of its own field staff. During fieldwork, nothing came to our attention that Crystal Stairs was claiming unallowable expenses.

Of the 65 day care home providers we visited, 52 were deficient in at least one of the four categories we reviewed—claims, recordkeeping, health and safety, and nutrition. These were the same categories in which the State reviewers, assisted by FNS officials, detected problems during their home visits in 1999. Overall, we found that the providers had not complied with program regulations designed to ensure that they were reimbursed only for eligible meals served to children in their care.

- 30 of the 52 providers may have claimed reimbursements for ineligible meals. Fewer children were present during our visits than were subsequently claimed by the providers for those days' meals. In one case, the provider claimed ten children for breakfast and seven

children for lunch on the day of our visit even though neither the provider nor any children were present when we visited.

- 26 of the 52 providers either could not produce any attendance records or had made errors on the records they kept.
- 9 of the providers did not follow nutritional standards while another 20 providers did not provide a healthy and safe environment.

We concluded that the monitoring performed by Crystal Stairs was not adequate and that some providers had not been satisfactorily trained. The sponsor's own documentation of its oversight activities raised further questions about the quality of its monitoring. The documentation disclosed that Crystal Stairs did not ensure that its field specialists conducted the required number of monitoring visits or accurately recorded monitoring times or mileage. We found monitoring forms that indicated the same field specialist was at two day care homes at the same time. We also found odometer recordings that indicated the same miles were driven on 2 different days. In addition, at least 41 required monitoring visits for FY 2000 were never made. Also, several timesheets supporting the payroll charges for one field specialist for FY 2000 were missing.

In addition, because Crystal Stairs lacked the necessary controls and supervision, there was no assurance that day care home providers complied with CACFP meal patterns, recordkeeping, and other program requirements and no assurance that field specialists were properly compensated for payroll and mileage expenses. Also, Crystal Stairs did not submit revised claims to reflect adjusted expenditures.

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## **KEY RECOMMENDATIONS**

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We recommend that the Food and Nutrition Service require the State agency to continue to monitor Crystal Stairs to ensure that the sponsor corrects its deficiencies and operates

in accordance with the CACFP regulations. Specifically, the State agency should:

- ❑ Ensure that Crystal Stairs performs the required number of home visits annually, utilizes a tracking system that accurately reflects home visits performed, and that field specialist records are adequately reviewed by supervisors and maintained as required.
- ❑ Require Crystal Stairs to revise its monitoring processes to ensure provider compliance with program requirements.

- Ensure that Crystal Stairs submits revised claims and budget revisions, in accordance with the CDE Day Care Home Sponsors Administrative Manual, when administrative expenses are adjusted.

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**AGENCY RESPONSE**

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In its December 12, 2001, written response to the draft report, the Food and Nutrition Service concurred with the report findings and recommendations. The response is included in its entirety as exhibit B of this report.

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**OIG POSITION**

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We are unable to accept FNS' management decision on any recommendations. In order to reach management decision, FNS needs to provide a timeframe for completing the recommended actions.

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# INTRODUCTION

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## BACKGROUND

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Crystal Stairs located in Los Angeles, California, sponsors day care homes that participate in the U.S. Department of Agriculture's (USDA) Child and Adult Care Food Program (CACFP). The

purpose of this program is to ensure that children and adults enrolled in day care receive nutritionally balanced meals. The program provides participating nonresidential care facilities, including day care homes and child care centers, reimbursement for meals served to eligible persons. Meals claimed for reimbursement must meet certain nutritional standards.

The program is administered at the Federal level by USDA's Food and Nutrition Service (FNS) and in most States by a State agency. In California, the State agency is the California Department of Education (CDE). State agencies administer the program, in part, through sponsoring organizations such as Crystal Stairs. Sponsors act as a liaison between the State agency and participating day care facilities. Sponsors are responsible for program operations in those facilities. Operators of day care homes can only participate in the program through a sponsor, while child care centers can participate directly.

Federal regulations governing the program are located in Title 7 Code of Federal Regulations (CFR), section 226. Both FNS and the State agency have established financial management policies. FNS requirements are included in FNS Instruction 796-2, while the State agency has established its own requirements, which are included in its California Department of Education Day Care Home Sponsors Administrative Manual.

Sponsors of day care homes submit monthly claims for reimbursement for both meals served by the facilities they sponsor and their administrative costs. Sponsors are reimbursed for their actual administrative costs up to a maximum amount per home sponsored. Administrative reimbursement is limited to the lesser of (1) approved homes times rates, (2) the actual expenditures for the cost of administering the program less income to the program, or (3) the amount of administrative costs approved by the State agency in the annual budget. In addition, during any fiscal year, administrative payments to a sponsoring organization may not exceed 30 percent of the total amount of administrative payments and food service

payments for day care home operations.<sup>1</sup> Sponsors are required to disburse meal reimbursements to providers within a specified timeframe.

Sponsors are also required to carry out certain oversight activities. For example, sponsors must regularly visit each sponsored home to ensure that providers are operating in compliance with program requirements. As well, sponsors must offer annual training to their providers.

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**OBJECTIVES**

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the sponsor claimed only allowable, approved, and supported administrative expenses, and adequately monitored and trained its providers.

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**SCOPE**

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The objectives of our audit were to evaluate the sponsor's administration of the program and compliance with program requirements. Specifically this included determining whether the sponsor claimed only allowable, approved, and supported administrative expenses, and adequately monitored and trained its providers.

For fiscal year (FY) 2000, Crystal Stairs administered the program to approximately 2,300 homes that claimed approximately \$11 million in meal reimbursement and was reimbursed approximately \$1.3 million to administer the program. In California, about 88 sponsors disbursed slightly more than \$103 million to about 21,547 homes and received slightly under \$15 million for administering the program. The sponsor was selected because it was the largest in California and CDE had concerns based on prior State agency reviews.

We reviewed Crystal Stairs' operations for FY 2000 and FY 2001 through March 31, 2001. Fieldwork was completed during the period February 26, 2001, through March 30, 2001.

We performed our review of the sponsor's administrative records at its office in Los Angeles, California. During FY 2000, the sponsor submitted administrative claims totaling \$1,578,638. For the month of July 2000, we reviewed administrative expenditures totaling \$134,552; for the months of December 1999 and March 2000, we reviewed all payroll expenditures, which represented 54 percent of the expenditures for those months.

Our review also included visits, during March 2001, to 70 judgmentally selected providers operating under the sponsor in the South-Central area of Los Angeles County. We selected for review, providers that submitted large claims and claims that appeared overly consistent by providers receiving

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<sup>1</sup> 7 CFR 226.12(a), dated January 1, 2000

maximum reimbursement by claiming every eligible meal to each child in attendance during the month in review. We also included providers who had the same last names as other providers, and providers who were no longer in the program. For 5 of the 70 providers, the provider was not home or we were instructed to return at a later date.

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

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## **METHODOLOGY**

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

- ❑ We interviewed officials at the Food and Nutrition Service in San Francisco, California, to select a sponsor for review.
- ❑ We interviewed officials and reviewed records at the CDE in Sacramento, California, to obtain information about State program policies and procedures, and to select a sponsor for review.
- ❑ We interviewed the sponsor's staff to obtain an understanding of their operating procedures. We reviewed documentation supporting the sponsor's claims for reimbursement of meal and administrative costs, and its general administration of the program.
- ❑ We interviewed sponsor officials and reviewed records pertaining to the monitoring of provider homes. Records reviewed included home visit forms, timesheets, and monitoring reports.
- ❑ During our visits, we interviewed providers or other persons present, and we reviewed records including attendance logs, menus, meal counts and day care licenses. We also counted children in attendance and observed general conditions at the homes. We later compared the results of our provider visits to records on file at the sponsor's office.

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## FINDINGS AND RECOMMENDATIONS

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CHAPTER 1	<b>PROBLEMS DETECTED BY AUDIT AT DAY CARE HOMES SHOW THAT LITTLE HAS IMPROVED SINCE THE STATE PERFORMED HOME VISITS IN 1999</b>
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### FINDING NO. 1

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We found 80 percent of the day care home providers we visited to be deficient in at least one of four categories we reviewed—accuracy of claims, recordkeeping, health and safety of

the environment, and nutritional standards. Overall, we found that the providers had not complied with program regulations designed to ensure that they were reimbursed only for eligible meals served to children in their care, and that the children received the full benefit of the program in a safe and healthy environment. We concluded that Crystal Stairs had not adequately monitored or trained providers. Consequently, many providers may have been reimbursed for meals which they did not actually serve or which did not meet program standards.

CDE and FNS conducted an initial review of 30 Crystal Stairs' providers in October 1999 and performed follow-up site visits of 21 Crystal Stairs' providers in October and November of 2000. As a result of the number of deficiencies found, CDE prohibited Crystal Stairs from adding providers to the program until CDE found the sponsor in compliance with program requirements. The following problems were found during the State visits:

**Table 1 – Results of CDE Reviews Performed in 1999 and 2000**

Concern Noted	October 1999 Initial Review of 30 Providers		October/November 2000 Follow-up Review of 21 Providers	
	No. Observed	Percentage	No. Observed	Percentage
Potential Overclaiming	3	10%	0	0
Poor Recordkeeping	21	70%	21	100%
Failing to Provide a Healthy and Safe Environment	10	33%	0	0
Failing to Meet Nutritional Standards	10	33%	1	.05%

We performed a subsequent review of providers to determine if the conditions identified by CDE still existed. During our visits in March 2001, we visited day care homes sponsored by Crystal Stairs to review the operation of the food program. As part of our review, we interviewed providers and observed the number of children present at each home.

We found during our review that the same deficiencies CDE and FNS had previously documented continued to occur. (see Exhibit A)

**Table 2 – Results of OIG's Review Performed in March 2001**

Concern Noted	OIG Review of 65 Providers March 2001	
	No. Observed	Percentage
Potential Overclaiming	30	46%
Poor Recordkeeping	26	40%
Failing to Provide a Healthy and Safe Environment	20	31%
Failing to Meet Nutritional Standards	9	14%

### **Overclaiming Concerns**

As part of our review, we compared the results of our observations at providers' homes with claims the providers submitted to Crystal Stairs before and after our visits. These claims, documenting meals served to children, are the basis for the reimbursement paid to the provider. We concluded that 46 percent of the providers may have claimed reimbursement for ineligible meals.

The California Department of Education Manual states:

*...grounds for termination of the provider's agreement with the sponsor [include:]...making intentional overclaims concerning... number of meals actually served to enrolled children.<sup>2</sup>*

Some examples of the possible overclaims we found during our March 2001 visits follow:

- ❑ At provider 7, we observed no children on March 30, 2001, between 10:45 a.m. and 11:05 a.m.; however, this provider claimed ten children for breakfast that day, normally served at both 6 a.m. and 8 a.m.
- ❑ At provider 267, we observed only two children on March 28, 2001, between 3:10 p.m. and 3:35 p.m.; however, this provider claimed five children that day for afternoon snack, normally served at 3:30 p.m.
- ❑ At provider 214, we observed no children on March 29, 2001, between 8:05 a.m. and 8:40 a.m.; however, this provider claimed six children for breakfast that day, normally served at 7 a.m.
- ❑ At provider 233, we observed eight children on March 30, 2001, between 9:25 a.m. and 9:45 a.m.; however, this provider claimed 12 children that day for breakfast, normally served between 8 and 8:30 a.m.
- ❑ At provider 292, we observed only six children on March 30, 2001, between 7:50 a.m. and 8:20 a.m.; however, this provider claimed 11 children were present that day for breakfast, normally served at 8 a.m.

In other instances, the number of children we observed during our field visits did not correspond to the average number of children recorded by these providers. A subsequent review of provider claims disclosed that the provider claimed for reimbursement more children than we observed on the day of our visit:

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<sup>2</sup> California Department of Education Day Care Home Sponsors Administrative Manual, Section 360(A), dated September 1995.

- ❑ At provider 408, we observed seven children on March 28, 2001, between 8:40 a.m. and 9:10 a.m. This provider claimed 12 children daily, prior to and subsequent to our visit during the month of March.
- ❑ At provider 116, we observed six children on March 27, 2001, between 8:15 a.m. and 8:40 a.m. This provider claimed 12 children daily, prior to and subsequent to our visit during the month of March.
- ❑ At provider 80, we observed six children on March 29, 2001, between 8:30 a.m. and 9:05 a.m. This provider claimed 12 children daily, prior to and subsequent to our visit during the month of March.

### **Recordkeeping and Nutritional Concerns**

At 30 of the 65 homes (46 percent) we reviewed, we found that the providers had not adequately maintained records of attendance and meals served to children in their care or that the meals they served did not meet nutritional standards.

Regulations require providers to keep daily records to support the meals they claim. These records must document the name of each person served and the meals they were served (i.e., breakfast, lunch, dinner, or snack).<sup>3</sup> To ensure that meals meet nutritional requirements, providers must also keep menus showing what was served at each meal.<sup>4</sup> In addition, in accordance with nutritional standards, federal regulations require that milk be served at breakfast, lunch and dinner.<sup>5</sup>

The following examples illustrate the deficiencies found:

- ❑ No records were available. Providers 7, 247, and 393 could not produce any records during our visits. Provider 247 stated she had run out of forms and had repeatedly requested more from Crystal Stairs. The provider stated she had not been keeping track of meal counts or attendance. We noted, however, that the provider subsequently submitted completed meal counts to Crystal Stairs for reimbursement for the entire month of March. Provider 7 was not home when we visited, just before lunch service, and her assistant

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<sup>3</sup> 7 CFR 226.18(e) and 226.17(b)(8), dated January 1, 2000.

<sup>4</sup> 7 CFR 226.18(d), dated January 1, 2000.

<sup>5</sup> 7 CFR 226.20(a) 1-4, dated January 1, 2000.

could not locate any records.

- ❑ Meal counts were completed in advance. Providers 127 and 374 had completed the meals counts in advance of service. Provider 127 had completed the meal counts for the entire month of March, even for children who were subsequently not present during service. Provider 374 had also completed meal counts for the entire month, counting seven children each day.
- ❑ Meal counts were inaccurate. Provider 236 counted breakfast for two children who she stated had been absent. The provider had no explanation for this error, and corrected the meal count in our presence. Provider 384 stated she used her memory to complete meal counts rather than recording meals when served.
- ❑ Meals did not meet nutritional standards. Both providers 217 and 261 served lunches that were missing fruit and vegetable components. Provider 225 had no milk in the house at 8:30 in the morning and admitted she had to go to the store to purchase milk.

### **Health and Safety Concerns**

We also found health and safety concerns at 31 percent of the homes we visited. Some the problems found included:

- ❑ Inadequate supervision. Regulations state, “*One home caregiver is responsible for no more than 6 children ages 3 or above, or no more than 5 children ages 0 and above. No more than 2 children under the age of 3 [may be] in the care of 1 caregiver.*”<sup>6</sup> We visited provider 298 on March 26, 2001, between 11:20 a.m. and 12:45 p.m. We found the provider was not home and had left her assistant alone. The assistant was the only adult present for at least 30 minutes, and she was caring for nine children, four of whom were 2 years old or younger. Most disturbing of all, the assistant was unaware there was an infant sleeping in the back room. Had there been a fire or some other emergency, the child would have been in great danger.
- ❑ Inadequate sanitation. Regulations state, “*Institutions shall ensure that in storing, preparing, and serving food, proper*

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<sup>6</sup> 7 CFR 226.6(d)(2)(D)(3), dated January 1, 2000.



*sanitation and health standards are met which conform with all applicable State and local laws and regulations.”<sup>7</sup>* We visited provider 128 on March 27, 2001, between 8:30 a.m. and 9:15 a.m. and found chicken being improperly thawed on the counter. We made two attempts to visit provider 133 on March 26. When this provider informed us that she did not accept unannounced visits, we returned on March 28 at 11:50 a.m. We observed that the provider had served spaghetti for lunch. The leftovers, which the provider intended to serve again for dinner, were left on the stove.

- ❑ Unsafe environment. Regulations state, “*Ventilation, temperature, and lighting [should be] adequate for children’s safety and comfort...Space and equipment, including rest arrangements for preschool age children, [should be] adequate for the number of age range of participating children.*”<sup>8</sup> We visited provider 66 on March 27, 2001, between 9:10 a.m. and 9:40 a.m. We found seven children sitting on the floor in a dark room, with the lights off and the curtains drawn. The provider was painting the interior of the house and had moved the furniture from other rooms to accommodate the process. Because of this, the children were limited to a small area of the living room. We felt the space was inadequate for the number of children present.
- ❑ Overcapacity. Program manuals state, “*The capacity specified on the license shall be the maximum number of children for whom care can be provided.*”<sup>9</sup> *Over capacity situations should be reported to DSS [Department of Social Services].”<sup>10</sup>* Providers 349, 190, and 24 exceeded their licensed capacity on the days we visited.

### **Training Providers and Inspecting Homes**

During its October 1999 review of 30 Crystal Stairs’ providers, CDE noted that one-third of the sample providers had either not been properly trained or had not been properly monitored.

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<sup>7</sup> 7 CFR 226.20(k), dated January 1, 2000.

<sup>8</sup> 7 CFR 226.6(d)(2)(A), dated January 1, 2000.

<sup>9</sup> Department of Social Services Family Child Care Homes Manual, Title 22, Division 12, Chapter 3, Article 6, 102416.5(a), dated November 5, 1997.

<sup>10</sup> California Department of Education Day Care Home Sponsors Administrative Manual, Section 333, dated September 1995.

The sponsor's primary oversight activities—training providers and inspecting homes—are essential to ensure that children participating in the CACFP receive the full benefits of the program. Further, provider training and home inspection visits are controls designed to prevent fraud, waste and abuse at the provider level.

Regulations require:

*Each sponsoring organization shall provide adequate supervisory and operational personnel for the effective management and monitoring of the program...under its jurisdiction. At a minimum, such Program assistance shall include: ...reviews of food service operations to assess compliance with meal pattern, recordkeeping, and other Program requirements.<sup>11</sup>*

We found that the training and monitoring deficiencies identified by CDE in 1999 were still evident. Crystal Stairs' field specialists, hired to monitor food program operations, were not completing the number of reviews required by Crystal Stairs' management. The Los Angeles Area Coordinator for Crystal Stairs informed OIG that field specialists are expected to complete no less than six visits per day. However, we found from our review of six field specialists that their average daily visits were far fewer.

**Table 3 – Field Specialists' Average Daily Visits**

Field Specialist	FY 2000 Average Daily Visits
A	3.17
B	2.08
C	2.56
D	3.87
E	3.67
F	2.91

At Crystal Stairs, a field specialist's job responsibilities include home visits, paperwork, outreach, meetings, speaking at licensing orientations, and if the specialist is bilingual, assisting in the translation of program materials into other languages.

In our opinion, the field specialists' additional duties interfere with what should be their main focus, conducting home visits. Some providers may

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<sup>11</sup> 7 CFR 226.16(c)(d)(4), dated January 1, 2000.

have willfully ignored program requirements. Others, we concluded, may not have complied with program requirements because the sponsor's home inspection visits were too infrequent to determine whether the provider was in compliance, to provide training, or to prescribe a corrective action program when appropriate.

CDE should instruct Crystal Stairs to revise its monitoring processes to ensure provider compliance with program requirements. CDE should then follow-up with unannounced provider visits to evaluate the effectiveness of Crystal Stairs' monitoring processes. CDE should also inform Crystal Stairs of the providers found to be out of compliance. Crystal Stairs should work with these providers to correct the deficiencies found. CDE should conduct subsequent provider visits to ensure deficiencies have been corrected.

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## **RECOMMENDATION NO. 1**

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Require CDE to instruct Crystal Stairs to revise its monitoring processes to ensure provider compliance with program requirements. After the new monitoring processes have been implemented, CDE should conduct unannounced provider visits to evaluate effectiveness.

### **Agency Response**

In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to require CDE to instruct Crystal Stairs to revise its monitoring processes to ensure it is complying with program requirements and to conduct unannounced provider visits to evaluate effectiveness.

### **OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

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## **RECOMMENDATION NO. 2**

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Instruct CDE to advise Crystal Stairs of the providers that we found to be out of compliance with program requirements. CDE should instruct

Crystal Stairs to follow up with these providers to correct the deficiencies. CDE should later perform follow-up visits to these providers to ensure deficiencies have been corrected.

**Agency Response**

In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to instruct CDE to advise Crystal Stairs of the providers that we found to be out of compliance with program requirements. CDE should instruct Crystal Stairs to follow up with these providers to correct the deficiencies. CDE should later perform follow-up visits to these providers to ensure deficiencies have been corrected.

**OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

CHAPTER 2	<b>CRYSTAL STAIRS' INADEQUATE SUPERVISION OF FIELD SPECIALISTS RESULTED IN QUESTIONABLE MONITORING ACTIVITIES</b>
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**FINDING NO. 2**

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Crystal Stairs did not adequately supervise its field specialists or maintain records of their activities when monitoring providers. Specifically, the sponsor did not (a) ensure that field specialists conducted the required number of monitoring visits, (b) maintain required payroll records, and (c) ensure that field specialists accurately recorded monitoring times or mileage. Generally, Crystal Stairs lacked the necessary controls and oversight to ensure that program requirements were met. As a result, the sponsor does not have adequate assurance that day care home providers complied with CACFP program requirements and field specialists were accurately compensated for payroll and mileage expenses.

**Monitoring Visits Were Not Performed**

Crystal Stairs is required to visit each provider three times during the fiscal year to ensure the program is being operated in accordance with program requirements. The sponsor had 16 field specialists and two supervisory coordinators responsible for monitoring 2,300 day care home providers. However, our review disclosed that the required monitoring visits were not being performed. According to the field specialist supervisor, field specialists are responsible for conducting and documenting the results of the home visits, and the supervisory coordinators review the documentation for completeness and accuracy. Regulations state:

*At a minimum, such program assistance shall include: reviews of food service operations to assess compliance with meal pattern, recordkeeping, and other Program requirements. Such reviews shall be made not less frequently than three times each year at each day care home, provided at least one review is made during each day care home's first four weeks of Program operations and not more than six months elapse between reviews.<sup>12</sup>*

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<sup>12</sup> 7 CFR 226.16 (d)(4)(ii) dated January 1, 2000.

The field specialist documents the results of the home visit by completing a home visit form. The date of the visit is entered into a database to ensure that the required visits are made to each provider. We obtained a report from Crystal Stairs that detailed the visits conducted by each field specialist during FY 2000. Our review of the report disclosed that Crystal Stairs' field specialists were not in compliance in 258 instances for 207 of the day care home providers. For 34 of the homes, no visits at all were performed. Table 4 summarizes the results of our analysis.

**Table 4 – Monitoring Visits That Did Not Meet Requirements**

Number of Homes Where Visits Were Not In Compliance With Regulations:	207
<b>Examples of Non-Compliance:</b>	
No Visits Performed	34
Initial Visit More Than 4 Weeks After Start Date	46
Less Than 3 Visits In Fiscal Year	120
More Than 6 Months Between Visits	58
<b>Total</b>	<b>258</b>

We brought this issue to the attention of the supervisory coordinator. She was unable to provide an explanation as to why the required field visits were not performed in accordance with regulations.

In addition, we were unable to determine which field specialist performed home visits by reviewing the report. We found that the field specialists listed on the report did not necessarily conduct the home visits recorded under their names. We asked the supervisory coordinator about this. She informed us that the field specialists listed on the report were the ones assigned to the provider, but other field specialists were often called upon to perform visits when necessary.

Participation in the CACFP requires that providers prepare and serve meals that meet program requirements and maintain accurate records. Sponsors are responsible for enforcing these requirements by monitoring providers through field visits. The lack of adequate oversight by a sponsor can lead to program abuses. A sponsor must have some form of assurance that the provider is operating in accordance with program rules and regulations.

On October 4, 2001, we conducted a preliminary exit conference with Crystal Stairs' personnel. At this meeting, Crystal Stairs was able to provide documentation, which explained satisfactorily why many of the home visits were not performed. The reasons included providers who: 1) began the program in the middle of the fiscal year, 2) did not claim

consistently, and 3) moved or were suspended from the program. For these reasons, Crystal Stairs would have been exempt from making the required number of visits, for FY 2000. State instructions permit sponsors to prorate the required number of monitoring visits for day care homes that do not operate continuously during a fiscal year.<sup>13</sup> Crystal Stairs also provided us with documentation verifying that some home visits were made, even though they had not been entered into the tracking system.

After reviewing the most recent documentation provided by Crystal Stairs, we found that 41 home visits still were not performed. Crystal Stairs stated the visits were not performed because: 1) Crystal Stairs' staff was in transition, 2) visits were attempted unsuccessfully, and 3) field specialists could not communicate with Spanish-speaking providers.

### **Times Overlapped on Monitoring Forms**

We determined that field specialists were not accurately reporting their arrival or departure times when conducting home visits. Field specialists are required to record the arrival and departure times, date, and results of visit on the monitoring forms.

The California Department of Education Manual states:

*Financial and administrative responsibilities generally include keeping accurate records of administrative costs and program management.*<sup>14</sup>

We reviewed the database report that identified all home visits conducted during fiscal year 2000. For three judgmentally selected field specialists, we analyzed all of their visits to calculate the average number of visits conducted on a daily basis. For the three field specialists selected, we reviewed the actual monitoring forms when seven or more visits were performed in 1 day. Based upon our review of the monitoring visit database, our interview with the field specialist coordinator for Los Angeles County, and our experience conducting home visits, we determined that conducting seven or more home visits in 1 day was improbable.

In addition to the above records, we also obtained at least one additional

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<sup>13</sup> California Department of Education Nutrition Services Division Management Bulletin, No. 01-210, dated August 2001.

<sup>14</sup> California Department of Education, Day Care Home Sponsors Administrative Manual, page 200.1, dated September 1995.

month of monitoring forms for these three field specialists. Our review identified 21 instances where arrival or departure times overlapped with other home visits (see Table 5).

**Table 5 – Data Showing Home Visits with Overlapping Times**

Field Specialist	Provider	Date	Arrival Time	Departure Time
A	589	10/13/99	11:35 a.m.	12:05 p.m.
A	243	10/13/99	11:45 a.m.	12:25 p.m.
A	2219	10/25/99	12 p.m.	12:30 p.m.
A	564	10/25/99	12 p.m.	1:10 p.m.
A	2041	10/25/99	12:40 p.m.	1:15 p.m.
A	2157	10/28/99	12:10 p.m.	12:40 p.m.
A	2143	10/28/99	12:30 p.m.	1 p.m.
A	2339	12/6/00	10:40 a.m.	1:15 p.m.
A	504	12/6/00	11:25 a.m.	11:55 a.m.
A	1162	12/6/00	12 p.m.	12:30 p.m.
A	900	12/6/00	12:15 p.m.	12:50 p.m.
D	685	1/25/00	8:35 a.m.	9:05 a.m.
D	1545	1/25/00	8:45 a.m.	9:20 a.m.
D	703	1/25/00	10:30 a.m.	11:10 a.m.
D	537	1/25/00	11 a.m.	11:35 a.m.
D	526	1/25/00	11:35 a.m.	12:15 p.m.
D	143	1/25/00	11:45 a.m.	12:20 p.m.
D	1074	5/3/00	11:30 a.m.	12:15 p.m.
D	687	5/3/00	11:45 a.m.	12:20 p.m.
F	146	10/12/00	1:05 p.m.	1:35 p.m.
F	152	10/12/00	1:15 p.m.	2 p.m.

We discussed this issue with the Program Manager and she stated that the field specialists inadvertently recorded the wrong times on the forms and their supervisor did not detect the errors.

We have no assurance that the times recorded by the field specialists were accurate. Therefore, we cannot determine if the time field specialists devoted to home visits was adequate to review provider records, determine whether the provider was complying with program requirements, provide training, or prescribe a corrective action program, when appropriate.



### **Times Were Altered on Monitoring Forms**

We reviewed 42 monitoring forms completed by field specialist A in October 1999. Our review disclosed that the arrival and departure times appeared to have been altered on nine monitoring forms. We were only able to contact six of the nine providers, who received a copy of the monitoring form, to verify the accuracy of the information on the forms. Two of the providers could not locate the appropriate monitoring forms, one confirmed the information was accurate, and the three remaining providers stated that the information conflicted with their copies of the monitoring form.

**Table 6 – Data From Altered Monitoring Forms**

Provider Number	Sponsor Date	Provider Date	Sponsor Arrival Time	Provider Arrival Time	Sponsor Departure Time	Provider Departure Time
589	10/13/99	10/13/99	11:35 a.m.	10:35 a.m.	12:05 p.m.	12:05 P.M.
564	10/25/99	10/26/99, 10/25/99	12 p.m.	12 p.m.	1:10 p.m.	1:10 P.M.
2041	10/25/99	10/25/99	12:40 p.m.	12:20 p.m.	1:15 p.m.	12:50 P.M.

When we contacted provider 564, she stated that on this particular monitoring form there were two problems. First, the field specialist inadvertently left two documents with the provider, a copy of the monitoring form, and an internal memo transmittal addressed to a Crystal Stairs' program assistant. The monitoring form was dated October 25, 1999, which agreed with the Crystal Stairs database report. However, the memo transmittal was dated October 26, 1999, which agreed with the program specialist's timesheet, but conflicted with the monitoring form. The provider also stated that although the times matched, they in fact were inaccurate. The field specialist never spent more than 30 minutes during home visits, but recorded longer durations on the monitoring forms. The provider said she knowingly signed incorrect forms to avoid confrontation with the field specialist.

The California Department of Education Manual states:

*Financial and administrative responsibilities generally include keeping accurate records of administrative costs and program management.<sup>15</sup>*

Inadequate oversight can lead to a lack of integrity in the program. Had the

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<sup>15</sup> California Department of Education, Day Care Home Sponsors Administrative Manual, page 200.1, dated September 1995.

supervisor properly reviewed the monitoring forms, it would have led her to question the irregularities we noted.

### **Field Specialists Did Not Accurately Record Mileage**

We determined that field specialists did not accurately record their mileage. Crystal Stairs requires each field specialist to complete a program specialist timesheet on a daily basis. The program specialist timesheet is used to record the field specialists' daily activities such as office hours, home visits, meetings, and mileage to places of business. Crystal Stairs requires the field specialist to record their beginning and ending odometer reading and total miles for each day they use their vehicles for business.

A sponsor can claim for reimbursement the transportation cost associated with monitoring visits to the homes. Records of each trip shall include date, driver's name, car license number, mileage, beginning and ending odometer readings, the origin and destination and the reason.<sup>16</sup>

We reviewed the FY 2000 mileage records for six of the field specialists (A, D, F, and three others) and determined that none of the six accurately recorded their mileage. They incorrectly computed mileage, recorded odometer readings that conflicted with previous days' readings, and failed to record beginning and/or ending odometer readings. In addition, two field specialists had not recorded their mileage for an entire month.

We discussed this issue with the supervisor and she stated that the errors occurred because she did not properly review the mileage records and therefore did not detect any problems.

In our opinion, the supervisor had not exercised proper oversight when reviewing monthly mileage reports. As a result, inaccurate forms were being filed which did not support actual mileage.

### **Timesheets Were Missing for One Field Specialist**

We asked Crystal Stairs for copies of the FY 2000 timesheets for the six field specialists mentioned above. The sponsor was unable to provide us with several timesheets for field specialist D.

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<sup>16</sup> California Department of Education Day Care Home Sponsors Administrative Manual, Section 500.17, dated September 1995.

The California Department of Education Manual states:

*Records must be maintained for a minimum of three years after the end of the fiscal year to which they pertain.<sup>17</sup> Sponsors must be prepared to...accept all financial and administrative responsibilities for program operation. Financial and administrative responsibilities generally include keeping accurate records of administrative costs and program management.<sup>18</sup> Sponsors may be terminated from participation in [CACFP] [for] failure to maintain adequate records.<sup>19</sup>*

The timesheets consist of two forms. The program specialist timesheet details the hours charged to provider visits, meetings, and office work, as well as the mileage claimed per task. The employee offsite timesheet provides a recap of the total hours worked and the mileage claimed per day. Field specialists are required to complete these forms on a daily basis.

We initially requested copies of these two forms for the six field specialists in February 2001. In a memo dated April 27, 2001, the Program Manager stated that not all of the records for field specialist D could be found, and she could not provide an explanation for this deficiency. Table 7 lists the missing documentation.

**Table 7 – Field Specialist D’s Missing Timesheets**

Date	Program Specialist Timesheet	Employee Offsite Timesheet
10/1/99 – 10/15/99	X	
10/16/99 – 10/31/99	X	
1/14/00	X	
1/16/00 – 1/31/00	X	X
4/16/00 – 4/30/00	X	X
9/1/00 – 9/15/00	X	X
9/16/00 – 9/30/00	X	X

The missing timesheets for field specialist D totaled approximately \$7,200

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<sup>17</sup> California Department of Education, Day Care Home Sponsors Administrative Manual, page 400.1, dated September 1995.

<sup>18</sup> California Department of Education, Day Care Home Sponsors Administrative Manual, page 200.1, dated September 1995.

<sup>19</sup> California Department of Education, Day Care Home Sponsors Administrative Manual, page 200.8, dated September 1995.

in wages and benefits. Although we did not question whether field specialist D actually worked during these times, we believe the sponsor should have exercised greater control over payroll documentation.

CDE needs to ensure that Crystal Stairs performs the required number of home visits annually and utilizes a tracking system that accurately reflects home visits performed. In addition, CDE needs to ensure that Crystal Stairs' supervisors are adequately reviewing monitoring forms and timesheets submitted by field specialists and that timesheets are maintained for the required period of time.

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### **RECOMMENDATION NO. 3**

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Instruct CDE to ensure that Crystal Stairs performs the required number of home visits annually and utilizes a tracking system that accurately reflects home visits performed.

#### **Agency Response**

In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to instruct CDE to ensure that Crystal Stairs performs the required number of home visits annually and utilizes a tracking system that accurately reflects home visits performed.

#### **OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

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### **RECOMMENDATION NO. 4**

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Instruct CDE to require Crystal Stairs to ensure monitoring forms are adequately reviewed by supervisors and accurately reflect the dates and times of the visits.

#### **Agency Response**

In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to instruct CDE to require Crystal

Stairs to ensure monitoring forms are adequately reviewed by supervisors and accurately reflect the dates and times of visits.

**OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

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**RECOMMENDATION NO. 5**

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Instruct CDE to require Crystal Stairs to ensure that program specialist and employee offsite timesheets are maintained for the required period of time, and are adequately reviewed by supervisors and accurately reflect mileage claimed for reimbursement by field specialists.

**Agency Response**

In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to instruct CDE to require Crystal Stairs to ensure that program specialist and employee offsite timesheets are maintained for the required period of time, and are adequately reviewed by supervisors and accurately reflect mileage claimed for reimbursement by field specialists.

**OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

<b>CHAPTER 3</b>	<b>CRYSTAL STAIRS DID NOT SUBMIT REVISED ADMINISTRATIVE CLAIMS TO REFLECT ADJUSTMENTS MADE DURING FY 2000</b>
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**FINDING NO. 3**

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Crystal Stairs did not submit revised claims to reflect adjusted expenditures. According to officials at Crystal Stairs, revised claims were not submitted because adjustments to the

claims were not realized until after deadlines to submit them had passed. Crystal Stairs' officials acknowledged that during this period they had a period of high employee turnover and were unable to maintain an experienced staff to accurately complete the claim for reimbursement. Without an accurate and supported claim, CDE cannot ensure that its chosen method of reimbursement is the lesser of the three alternatives available—claimed costs, budgeted costs, or approved rates and that Crystal Stairs is not being over-reimbursed.

Regulations state that:

*Claims for reimbursement shall report information in accordance with the financial management system established by the State agency, in sufficient detail to justify the reimbursement claimed*<sup>20</sup>.

Throughout FY 2000, reimbursement to Crystal Stairs was based on the homes-times-rates formula. CDE found this formula to be the lesser of the three alternative methods of reimbursement, compared to the budget and the claims of actual administrative costs that Crystal Stairs submitted to CDE.

To verify that the homes-times-rate formula was in fact less than the actual costs, we reviewed Crystal Stairs' claims for actual costs. We obtained the amount of administrative expenditures reported to CDE and compared that amount to supporting schedules maintained by Crystal Stairs. Our review disclosed that the scheduled expenditures did not support the amount Crystal Stairs claimed for reimbursement. For example, while the November 1999 claim disclosed that Crystal Stairs expended \$128,970 for program purposes, our review disclosed Crystal Stairs maintained scheduled expenditures supporting \$122,547 in

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<sup>20</sup> 7 CFR 226.10(b)(4)(c), dated January 1, 2000.

expenses. We noted, however, that this scheduled amount was still greater than that produced by the homes-times-rate formula: \$103,219.

Table 8 documents the total claim amount, the scheduled expenditures, and the homes-times-rate amount upon which Crystal Stairs' reimbursement was based for FY 2000.

**Table 8 – Comparison of Crystal Stairs' Claimed Expenses, Scheduled Expenses, and Reimbursement Amount**

<b>FY 2000 MONTH</b>	<b>CLAIMED AMOUNT</b>	<b>SCHEDULED AMOUNT</b>	<b>REIMBURSED AMOUNT</b>
October	\$116,185	\$122,099	\$103,793
November	\$128,970	\$122,547	\$103,219
December	\$146,149	\$122,441	\$103,096
January	\$128,617	\$125,519	\$103,342
February	\$122,878	\$121,145	\$103,793
March	\$158,263	\$162,827	\$105,105
April	\$119,570	\$115,454	\$105,802
May	\$120,033	\$116,509	\$106,376
June	\$128,336	\$137,631	\$105,802
July	\$142,001	\$134,552	\$107,746
August	\$130,762	\$129,824	\$109,048
September	\$136,874	\$136,836	\$109,132

We discussed this issue with sponsor representatives and they informed us that, "amounts reported on the claims for reimbursement were different from supporting schedules because adjustments to the general ledger were made after the final claim had been prepared. These adjustments were necessary due to the following: a) changes in allocations, b) expenses posted in the incorrect month, and c) late receipt of invoices for payment."

We noted that for all 12 months of FY 2000, Crystal Stair's reimbursement amount was still less than the actual costs it claimed, after adjusting for unsupported costs. Had actual costs fallen below the homes-times-rate formula, Crystal Stairs would have been reimbursed by an amount, which could not be supported.

According to the regulations, administrative reimbursement is limited to the lesser of (1) approved homes times rates, (2) actual expenditures for the cost of administering the program less income to the program, or (3) the amount of administrative costs approved by the State agency in the annual budget.

In addition, during any fiscal year, administrative payments to a sponsoring organization may not exceed 30 percent of the total amount of administrative payments and food service payments for day care home operations.<sup>21</sup>

We concluded that Crystal Stairs' method of accounting for adjustments to costs, after cost claims were submitted for reimbursement, was not in conformance with CDE's approved financial management systems. Although Crystal Stairs was not reimbursed based on its claim, there exists an opportunity for it to be reimbursed for a claim that was inaccurate. Such a claim may have occurred prior to our audit period, and it may occur in the future unless CDE ensures that Crystal Stairs' submits a final claim that reflects its actual expenditures.

### **Budget Revisions Not Submitted**

We also compared the amounts claimed by Crystal Stairs for FY 2000 to the budget for FY 2000. We determined that Crystal Stairs had claimed \$1,578,638 in administrative expenses for FY 2000, but according to the budget was only approved to expend \$1,500,276. Because Crystal Stairs did not submit budget revisions, CDE could not adequately monitor the sponsor's expenditures. The sponsor is required to submit a budget revision when there is an increased expenditure for a budget line item.<sup>22</sup>

Crystal Stairs did not submit a budget revision in FY 2000 for the \$78,362, which exceeded its approved budget.<sup>23</sup>

CDE also identified this issue during its review of Crystal Stairs' operation in October 1999. Crystal Stairs submitted a corrective action plan to CDE that stated:

*We recognize that there was a lack of monitoring the FY 1999 CACFP budget, and budget revisions should have been submitted for approval as required by the CACFP. We have established a procedure to monitor budgeted to actual revenues and expenditures monthly and to revise the budget as appropriate. Fiscal staff are preparing monthly budgeted to actual report and submit to Fiscal Manager/Associate Director of Finance for review. If a*

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<sup>21</sup> 7 CFR 226.12(a), dated January 1, 2000.

<sup>22</sup> California Department of Education Day Care Home Sponsors Administrative Manual, Section 561, dated September 1995.

<sup>23</sup> Unlike the case of claimed expenses, Crystal Stairs' failure to revise its budget upward would only have an adverse affect on Crystal Stairs, not on CACFP funding.

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*budget modification is necessary the Fiscal department will submit in accordance with CACFP guidelines.*

However, our review disclosed that the sponsor had not implemented the corrective action that it agreed to implement. The sponsor stated that a budget revision was not necessary because the over-budget expenditures were paid for by Crystal Stairs and not CDE. However, since Crystal Stairs claimed these expenditures on its claim to CDE, a budget revision was necessary and required.

CDE needs to instruct Crystal Stairs to track administrative costs monthly in order not to exceed the dollar amount approved in the budget and submit budget revisions when necessary.

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#### **RECOMMENDATION NO. 6**

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Require CDE to instruct Crystal Stairs to submit revised claims, in accordance with the CDE Day Care Home Sponsors Administrative Manual, when administrative expenses are adjusted.

##### **Agency Response**

In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to require CDE to instruct Crystal Stairs to submit revised claims, in accordance with the CDE Day Care Home Sponsors Administrative Manual, when administrative expenses are adjusted.

##### **OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

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#### **RECOMMENDATION NO. 7**

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Require CDE to instruct Crystal Stairs to submit budget revisions in accordance with the CDE Day Care Home Sponsors Administrative Manual.

##### **Agency Response**

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In its written response to the draft report, dated December 12, 2001, FNS concurred with the recommendation to require CDE to instruct Crystal Stairs to submit budget revisions in accordance with the Day Care Home Sponsors Administrative Manual.

**OIG Position**

In order to reach management decision, FNS needs to provide a timeframe for completing the recommended action.

## EXHIBIT A – RESULTS OF HOME VISITS

Exhibit A - Page 1 of 3

Home Number	Review Completed? Yes/No/ (Y/N/)	Concern Noted? Yes/No/ Inconclusive (Y/N/I)	Possible Overclaim	Health/ Safety	Nutrition/ Meal Service	Record Keeping
236	Y	Y	X			
298	Y	Y		X		
21	Y	N				
393	Y	Y				X
232	N	I				
292	Y	Y	X	X		
209	Y	Y	X			X
164	Y	N				
66	Y	Y	X	X		
394	Y	Y		X		
242	Y	Y		X	X	
408	Y	Y	X			
76	Y	N				
359	Y	Y		X		
27	Y	Y				X
116	Y	Y	X			
80	Y	Y	X			
35	Y	Y	X			
56	Y	N				
233	Y	Y	X			
305	Y	Y				X
247	Y	Y	X	X		X
59	Y	N				
349	Y	Y		X		
190	Y	Y	X	X		X
7	Y	Y	X			X
250	Y	N				
413	Y	Y		X		
273	Y	Y				X
60	Y	Y	X			
133	Y	Y	X	X		X

## EXHIBIT A – RESULTS OF HOME VISITS

Exhibit A - Page 2 of 3

Home Number	Review Completed? Yes/No/ (Y/N/)	Concern Noted? Yes/No/ Inconclusive (Y/N/I)	Possible Overclaim	Health/ Safety	Nutrition/ Meal Service	Record Keeping
225	Y	Y	X		X	X
146	Y	N				
237	Y	Y				X
373	Y	Y		X	X	
217	Y	Y			X	X
24	Y	Y		X		
339	Y	N				
16	Y	N				
384	Y	Y				X
333	Y	N				
383	Y	Y			X	X
128	Y	Y	X	X	X	X
261	Y	Y	X	X	X	X
31	Y	Y		X		
294	N	I				
34	Y	Y		X		X
115	Y	Y	X	X		X
112	N	I				
400	Y	Y	X		X	
374	Y	Y	X			X
267	Y	Y	X			X
347	Y	Y				X
169	Y	N				
170	Y	Y		X		X
182	Y	Y				X
216	Y	Y	X			
340	Y	Y	X			
214	Y	Y	X			
75	N	Y	X			
95	Y	N				
287	Y	Y	X			
119	Y	Y	X			

## EXHIBIT A – RESULTS OF HOME VISITS

Exhibit A – Page 3 of 3

Home Number	Review Completed? Yes/No/ (Y/N/I)	Concern Noted? Yes/No/ Inconclusive (Y/N/I)	Possible Overclaim	Health/ Safety	Nutrition/ Meal Service	Record Keeping
184	Y	Y	X	X	X	
187	Y	Y				X
181	Y	N				
127	Y	Y	X			X
46	Y	N				
92	Y	Y	X			X
86	N	I				
	<b>Yes – 65 No – 5</b>	<b>Yes - 52 No - 14 Inconclusive - 4</b>	<b>30</b>	<b>20</b>	<b>9</b>	<b>26</b>

## Exhibit B – Page 1 of 4



DEC 12 2001

**To:**

550 Kearny St. ■ Room 400 ■ San Francisco, CA 94108-2518

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## EXHIBIT B – FNS' WRITTEN RESPONSE TO THE DRAFT REPORT

Exhibit B – Page 2 of 4

to ensure it is complying with program requirements and to conduct unannounced provider visits to evaluate effectiveness. We will instruct CDE to implement the corrective actions, after we receive the final audit report from your office.

### Recommendation No. 2

Instruct CDE to advise Crystal Stairs of the providers that we found to be out of compliance with program requirements. CDE should instruct Crystal Stairs to follow up with these providers to correct the deficiencies. CDE should later perform follow-up visits to these providers to ensure deficiencies have been corrected.

### FNS Response

FNS concurs with the finding and recommendation. We will instruct CDE to require Crystal Stairs to follow up with those providers that were not complying with program requirements and instruct them to correct the deficiencies. We will instruct CDE to implement the corrective actions, after we receive the final audit report from your office.

### Recommendation No. 3

Instruct CDE to ensure that Crystal Stairs performs the required number of home visits annually and utilizes a tracking system that accurately reflects home visits performed.

### FNS Response

FNS concurs with the finding and recommendation and will instruct CDE to ensure Crystal Stairs performs the required number of visits annually and adequately document the home visits' results. We will instruct CDE to implement the corrective actions, after we receive the final audit report from your office.

### Recommendation No. 4

Instruct CDE to require Crystal Stairs to ensure monitoring forms are adequately reviewed by supervisors and accurately reflect the dates and times of the visits.

### FNS Response

FNS concurs with the finding and recommendation and will instruct CDE to require Crystal Stairs ensure its supervisors adequately review the monitoring forms and accurately reflect the dates and times of the visits. We will instruct CDE to implement the

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## EXHIBIT B – FNS’ WRITTEN RESPONSE TO THE DRAFT REPORT

Exhibit B – Page 3 of 4

corrective actions, after we receive the final audit report from your office.

Recommendation No. 5

Instruct CDE to require Crystal Stairs to ensure that program specialist and employee off site time sheets are maintained for the required period of time, and are adequately reviewed by supervisors and accurately reflect mileage claimed for reimbursement by field specialists.

FNS Response

FNS concurs with the finding and recommendation and will instruct CDE to require Crystal Stairs to comply with the regulations as cited in the audit report. We will instruct CDE to implement the corrective actions, after we receive the final audit report from your office.

Recommendation No. 6

Require CDE to instruct Crystal Stairs to submit revised claims, in accordance with the CDE Day Care Home Sponsors Administrative Manual, when administrative expenses are adjusted.

FNS Response

FNS concurs with the finding and recommendation and will instruct CDE to require Crystal Stairs to comply with CDE’s manual, for submitting revised claims. We will instruct CDE to implement the corrective actions, after we receive the final audit report from your office.

Recommendation No. 7

Require CDE to instruct Crystal Stairs to submit budget revisions in accordance with the Day Care Home Sponsors Administrative Manual.

FNS Response

FNS concurs with the finding and recommendation and will instruct CDE to require Crystal Stairs to comply with CDE’s manual, for submitting revised budgets. We will instruct CDE to implement the corrective actions, after we receive the final audit report from your office.

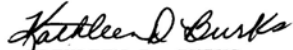


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## EXHIBIT B – FNS' WRITTEN RESPONSE TO THE DRAFT REPORT

Exhibit B – Page 4 of 4

If you have any questions, please call Etta Britton at (415) 705-1332, extension 225.



KATHLEEN D. BURKS  
Regional Director  
Financial Management  
Western Region

cc: Janet Allen, RD, SNP, WRO

DEC 17 10 47 AM '01  
OFFICE OF THE  
REGIONAL DIRECTOR  
WESTERN REGION

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