



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

FOOD AND NUTRITION SERVICE  
CHILD AND ADULT CARE FOOD PROGRAM  
CALIFORNIA DEPARTMENT OF EDUCATION  
STATE OVERSIGHT OF SMALL,  
INDEPENDENT CENTERS



**Report No.  
27010-20-SF  
November 2000**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Western Region - Audit

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DATE: November 30, 2000

REPLY TO  
ATTN OF: 27010-20-SF

SUBJECT: FNS Child and Adult Care Food Program - California Department of  
Education - State Oversight of Small, Independent Centers

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

ATTN: Tony Sommer, Sr.  
Acting Director  
Financial Management

This report presents the results of our audit of the oversight of small, independent child care centers by the State of California. Your written response to the draft report is included as exhibit E to the report. We have made several revisions to the report based on the suggestions in your written response.

We have accepted your management decision on all recommendations in the report. The Office of the Chief Financial Officer (OCFO), U.S. Department of Agriculture, has responsibility for monitoring and tracking final action on the findings and recommendations. Please note that final action on the findings and recommendations should be completed within 1 year to preclude listing in the Semiannual Report to Congress. Follow your agency's internal procedures for forwarding final action correspondence to OCFO.

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

/s/ by Fred San Buenaventura for

SAM W. CURRIE  
Regional Inspector General  
for Audit

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# EXECUTIVE SUMMARY

## FOOD AND NUTRITION SERVICE CHILD AND ADULT CARE FOOD PROGRAM CALIFORNIA DEPARTMENT OF EDUCATION STATE OVERSIGHT OF SMALL, INDEPENDENT CENTERS

AUDIT REPORT NO. 27010-20-SF

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### RESULTS IN BRIEF

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We performed a review of the California Department of Education's (CDE) oversight of independent child care centers participating in the Child and Adult Care Food Program (program). Although day care home providers require a sponsor to participate in the program, independent centers may operate on their own, with direct State oversight. Our review sample consisted of 15 centers that were operated by private, nonprofit organizations and that managed 3 or fewer sites. We focused on these "small" centers because our previous audits of the program found that small private, nonprofit organizations were most apt to lack the controls needed to comply with program requirements. There were 287 small, independent centers in the State in fiscal year 1998.

We found multiple deficiencies at each of the 15 centers we visited. We considered the deficiencies found at three of the centers to be serious enough to warrant that CDE determine if the centers should be considered seriously deficient. All three of the centers claimed meals served to ineligible children who were attending schools that were collocated with the day care centers. Two of the centers claimed meals near or at their licensed capacity, even though the meal counts we observed were much less. One of the "nonprofit" centers was being run by a for-profit organization that received over \$100,000 in program funds over a 5-year period.

Largely, CDE was unaware of the severity of the deficiencies at the three centers. One CDE reviewer noted that one of the centers appeared to be commingling school-aged and preschool children in

order to maximize meal claims, but the State's actions to stop the center's overclaims had no effect. This center could not produce adequate records during our visit and refused to let us look at its bank statements and checkbook register, which were its only record of deposits and expenditures of program funds.

The 3 above centers shared deficiencies with the remaining 12 in our sample. Specifically,

- all 15 centers made errors in determining the eligibility category of their enrolled children and reporting this information to CDE,
- five centers served meals which did not meet program nutritional standards,
- eight centers did not exercise sufficient care in their handling of food to ensure the risk of contamination was minimized,
- three centers did not have the required number of adults present to care for the number of children in attendance, and
- all 15 centers did not comply with one or more other program requirements, including areas such as monitoring and training of staff and maintenance of menu production records.

In several cases, it was apparent that center operators and staff were unaware of program requirements. CDE provides most of its training informally during its triennial visits to the centers. It invites center employees to receive formal training but on a volunteer basis only. Ten of the 15 program directors had not attended CDE-sponsored training since September 1998. They said the training was not required and was inconvenient. Although CDE reviewers found many of the same deficiencies we found, the informal training they conducted onsite did not result in any long-term correction; the types of deficiencies still existed at the time of our audit.

In some cases, we concluded the noncompliance was willful. We believe that CDE should revise its review procedures to require unannounced visits. Because unannounced visits provide

reviewers with a more accurate picture of a center's operations, these visits would allow CDE reviewers to better detect instances of noncompliance with program requirements and better prevent their recurrence.

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## **KEY RECOMMENDATIONS**

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We recommend that the Food and Nutrition Service

- Require CDE to recover \$101,668 paid to Shelton's Primary Education Center.
- Recommend that CDE revise its review procedures to make unannounced visits to centers part of its normal review process.
- Require CDE to revise its training requirements to improve centers' compliance with program requirements. The revisions should include a requirement that key employees from each center annually attend CDE-provided or approved training, and that recordkeeping requirements be covered.
- Require CDE to revise its review procedures relating to certain critical licensing requirements, such as safe food handling and staff/child ratios.
- Require CDE to take specified steps to ensure compliance by centers with the requirement that they operate their food services in a nonprofit manner.
- Require CDE to take follow-up action to review the operations of three of the centers we visited at which we found serious deficiencies.

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## **AGENCY RESPONSE**

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In its response, the Food and Nutrition Service (FNS) concurred with the findings and recommendations except for Recommendations No. 4 and 13. FNS suggested revisions to these two recommendations. The response is included in its entirety as exhibit E to this report.

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## **OIG POSITION**

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Based on the suggestions in FNS' written response, we have revised the wording of Recommendations No. 4 and 13. Based on these changes, we have accepted FNS' management decision on all recommendations.

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## INTRODUCTION

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### BACKGROUND

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The Child and Adult Care Food Program (program) is designed to ensure that children or adults in nonresidential day care facilities receive nutritious meals. The program initially began as the Special Food Service Program for Children, established in 1968 by Public Law 90-302 and subsequently extended to 1975, when Public Law 94-105 amended the National School Lunch Act to create the Child Care Food Program. Program funding nationwide for fiscal year (FY) 1999 was \$1.6 billion, and for FY 2000, funding is approximately \$1.8 billion.

The program is administered at the Federal level by the FNS and in most States by a State agency. In California, the administering State agency is the California Department of Education (CDE). Facilities eligible to participate are categorized either as day care homes or child care centers (centers). Program regulations impose significantly different eligibility and operating requirements for these two types of institutions. Homes can only participate in the program through the auspices of a sponsor, whereas centers may participate either through a sponsor or by contracting directly with the State agency.

Centers participating in the program are responsible for serving well-balanced, nutritious meals to children in a safe and healthy environment and maintaining records supporting their reimbursement claims. To be claimed for reimbursement, meals must meet certain nutritional standards as defined in Federal regulations. Based on the child's household income and number of people living in the home, centers determine the eligibility of each enrolled child for free, reduced-price, or paid meals.<sup>1</sup> Centers receive the most reimbursement for a free meal and the least reimbursement for a paid meal.

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<sup>1</sup> Children from households with the highest income or who choose not to complete a center Eligibility Application are eligible for paid meals. Children from households with the lowest income are eligible for free meals.



Centers submit reimbursement claims to CDE on a monthly basis. The information submitted includes both the total number of meals being claimed by type (i.e., breakfast, lunch, supper, or snack) and eligibility information to determine the per-meal reimbursement rate (free, reduced-price, or paid). See Finding No. 1 for further details of the claiming process. Centers are responsible for maintaining accurate, detailed records supporting their claims and must operate their food service on a nonprofit basis, primarily for the benefit of the enrolled children. In California, centers that participate in the program must be licensed and must comply with all licensing policies.

CDE is required to provide program oversight primarily to ensure that centers participating in the program are claiming reimbursement only for nutritious meals served to eligible children in a safe and healthy environment. To this end, CDE is required to visit each center at least once every 4 years and to report on whether the center has complied with program regulations. CDE also provides training for employees at participating centers and recently issued a manual providing additional guidance.

During FY 1998, CDE contracted directly with 652 organizations to administer the program at 3,850 child care centers that they owned and operated. Participating organizations were classified as follows:

TYPE OF ORGANIZATION	NUMBER OF ORGS.	PERCENT-AGE OF ORGS.	NUMBER OF SITES
Nonprofit Organizations	417	64%	2,057
School Districts	158	24%	1,497
Military Organizations	30	5%	67
Institutions of Higher Education	19	3%	57
Indian Tribal Councils	15	2%	30
Governmental Agencies	12	2%	140
Hospital	1	0%	2
TOTAL	652	100%	3850

**Figure 1: Organizations Participating in the Program, by Type**

CDE paid meal reimbursements totaling approximately \$62 million to the 652 organizations with which it contracted directly during FY 1998.

The 417 nonprofit organizations received approximately \$33 million, more than half (53 percent) of the total paid by CDE. Of the 417 nonprofit organizations, 287 organizations operated three or fewer child care sites and received \$7.8 million, 24 percent of the total paid to nonprofit organizations and 13 percent of the total paid to all organizations.

The scope of this audit was limited to program operations at nonprofit organizations that operated three or fewer sites.<sup>2</sup> These smaller nonprofit organizations constituted the most typical type of center participating in the program in California. Overall, nonprofit organizations in California that operated three or fewer sites represented 69 percent of all participating nonprofit organizations.

None of these smaller centers expended more than \$200,000 during FY 1998. As a result, none were subject to Federal audit requirements applicable to centers that expend more than \$300,000 per year.

Regulations governing the program are located in 7 Code of Federal Regulations (CFR), Section 226. Program requirements are also found in the Child Care Centers Handbook prepared by FNS. Financial management requirements are outlined in FNS Instruction 796-2 (Revision 2, dated June 28, 1994).

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## **OBJECTIVES**

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Our audit objectives were to determine (1) the effectiveness of the State agency's oversight and administration of the program at centers, and (2) whether these centers were serving nutritious meals to children in a safe and healthy environment, submitting accurate claims and maintaining adequate documentation, using and accounting for program funds as required, and, generally, complying with program regulations.

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## **SCOPE**

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The scope of this audit included a review of program operations at judgmentally selected nonprofit child care centers in California that participated in the program during FY 1998 and operated three or fewer sites. We focused on these small centers because our previous audits of the program found that small, private, nonprofit organizations participating in the program were most apt to lack the controls needed to comply with program requirements. In FY 1998, there were 287 such centers participating in the program statewide. We visited 15 centers located in three geographically dispersed counties (5 in Los Angeles County, 5 in Alameda County, and 5 in

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<sup>2</sup> As shown on State agency records. The number of sites is equal to the number of licenses held by the center. A separate license is required for different age groups. Three licenses would be required to care for children of all ages. A center may hold up to three licenses for one physical location. Therefore, the number of locations operated by an organization may be considerably fewer than its number of sites.

Sacramento County). (See exhibit B for the locations of the centers visited). These centers received \$483,240 (or 6 percent) of the \$7.8 million paid to nonprofit organizations.

The 15 centers were judgmentally selected within the 3 counties based on whether the centers appeared to be claiming at their licensed capacity, whether the most recent administrative review performed by the State agency indicated negative findings, and whether the centers were in close proximity of each other (for convenience of review).

We made unannounced visits to all 15 selected centers. At each center, we reviewed FY 1999 operations. Fieldwork was performed between December 1999 and April 2000. We visited each center once and most of the centers twice. We observed a total of 44 meal services. Prior to beginning fieldwork, during October and November 1999, we reviewed CDE's program and review files for each of these centers.

We conducted our review in accordance with generally accepted government auditing standards.

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## **METHODOLOGY**

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To accomplish our objectives, we performed the following procedures:

- We interviewed CDE officials in Sacramento, California, to gain an understanding of the program and background information about the centers. We reviewed program and review files and obtained records regarding meal claim reimbursement and prior State agency reviews.
- We visited 15 judgmentally selected centers and interviewed the staff to obtain an understanding of their operating procedures. We reviewed and obtained copies of records, including attendance logs, meal counts, eligibility applications, and licenses. We counted the children in attendance and observed the preparation and service of meals, as well as conditions in general.

- We analyzed the data obtained from CDE and the centers. We conducted follow-up visits at 12 of the 15 centers we initially visited and compared the centers' claims to our observations.

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## FINDINGS AND RECOMMENDATIONS

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<b>CHAPTER I</b>	<b>THE STATE AGENCY NEEDS TO ENSURE THAT CENTER PERSONNEL RECEIVE ADEQUATE GUIDANCE AND TRAINING IN PROGRAM REQUIREMENTS</b>
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CDE needs to improve its oversight procedures to better prevent recurrences of the types of deficiencies we found at the centers we visited. We reviewed operations at 15 child care centers that operated 3 or fewer sites in 3 California counties. We found that all 15 of the centers made errors in the process of determining or reporting the eligibility of their enrolled children, in some cases resulting in incorrect program payments. Nine of the centers did not maintain required meal production records. Five centers did not consistently serve meals meeting nutritional requirements to children in their care, and seven centers did not take sufficient care to minimize the risk of food contamination. On our visits to these seven centers, we observed that three of the centers did not have sufficient staff to supervise children in compliance with State licensing policies.

In many instances, the deficiencies we found had been in evidence during CDE's most recent reviews of the same centers. Thirteen of the fifteen centers we visited continued to have deficiencies of the type identified during those State agency reviews, most of which were over 2 years old. We concluded that CDE needs to institute mandatory training for key personnel in all centers, with special emphasis on recordkeeping procedures. The table on the following page lists the 13 centers with recurring deficiencies, the dates of the State reviews, the areas in which the State found deficiencies, and whether or not we found these same types of deficiencies.

(X = Noncompliance Not Corrected, O = Noncompliance Corrected)

Centers	Date of State Review	Eligibility	Nutrition	Meal Counts	Menus	Monitoring	Menu Production Records	Commodities	Excessive Meals Claimed
Cal State Sacramento	Jan 7, 1999	X	X			X	X		
Wonderland	Nov 15, 1999	X	O						
Wee Lil' People	Jan 10, 1997	X		X					
Shelton's	Nov 13, 1997	X	X						
Broderick Christian Ctr.	Sept 29, 1998	X			O	X			
Grace Day Home	Dec 14, 1999	X	O	O		O	X	O	
Oak Park	Aug 10, 1999	X	O	X		X	O		
Ebony Learning Tree	Dec 11, 1998	X							
D&L Carousel	July 16, 1997	X							X
Tomi's Preschool	July 21, 1997	X	O						
Community Dev. Ctr.	March 3, 1994	X							
Faithful Central	May 13, 1997	X	X	X		O			
Lossieland Preschool	Sept 24, 1998	X			O	O	O		

**Figure 2: Types of Deficiencies noted during State reviews that were still in evidence at the time of the OIG Audit.**

As the table shows, we found the same types of deficiencies during our audit that the State had found in its reviews. We concluded that CDE is not adequately gaining compliance with the program and needs to increase its guidance and technical assistance to the centers. Current onsite training is inadequate; CDE needs to require training for key personnel to ensure that appropriate staff at each center fully understands the program rules described in the program manual.

See Exhibit D for a summary of the deficiencies we noted at each of the centers.

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**FINDING NO. 1**

**CENTERS SUBMITTED INACCURATE OR INADEQUATELY SUPPORTED CLAIMS**

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All 15 centers we visited submitted inaccurate or insufficiently supported reimbursement claims during fiscal year 1999 (October 1998 to September 1999). We concluded that some center employees did not know how to prepare the documentation needed to support their claims and had not been adequately trained. However, in some cases, managers may have willfully decided not to comply with requirements. For further discussion related to willful instances of noncompliance, see Chapter II. We concluded that in those cases in which centers are unaware of program requirements, CDE's oversight practices need to be improved to better prevent these types of errors from occurring.

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Centers submit monthly claims to CDE, reporting the number of meals claimed during the month. CDE reimburses the centers based on the information on the claim. The amount paid is dependent on the number of children in each of three categories: free, reduced-price, and paid.<sup>3</sup> Free and reduced-price meals are reimbursed at a higher rate than paid meals, with free meals receiving the highest reimbursement. The category is determined based on each child's household circumstances (income, household size, etc.).

Federal regulations require that the centers report information in accordance with the financial management system established by the State agency, and in sufficient detail to justify the amount claimed. Centers must certify that their claims are correct and that records are available to support them.<sup>4</sup>

CDE issued a "Sponsors of Child Care Centers Administrative Manual" in October 1998 that provides guidance to center operators, including instructions about what is needed to support claims. Centers are required to maintain records documenting attendance, enrollment, eligibility, and the number, type, and description of meals prepared and served (meal counts, menus, and menu production records).<sup>5</sup>

Regulations also require the State agency to provide sufficient consultative, technical and managerial personnel to administer the program, and provide sufficient training and technical assistance to institutions.<sup>6</sup> We found, however, that CDE only offers formal training for center employees on a voluntary basis. CDE does not require that the center employees attend any formal CDE training. Although the manual mentioned above is helpful, not all centers appear to have read or understood it, and few appear to have adequately applied the recordkeeping requirements described in it.

We found recordkeeping deficiencies at all of the 15 centers we visited. Specifically, we found that:

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<sup>3</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 512, dated October 1998.

<sup>4</sup> 7 CFR, Chapter II, Subpart D, Section 226.10, Paragraph C, dated January 1, 1999.

<sup>5</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 320, dated October 1998.

<sup>6</sup> 7 CFR, Chapter II, Subpart D, Section 226.6, Paragraph C, dated January 1, 1999.

- All of the fifteen centers made errors in the process of determining or reporting the eligibility of their enrolled children.
- Seven centers had inaccurately computed or transferred meal counts to the claim submitted to the State agency.
- Nine centers had not actually recorded meals at the point of service. Five of these nine centers claimed reimbursement based on attendance records or the number of children present, rather than on the number of meals served.
- Four centers had claimed reimbursement for ineligible meals.

Although CDE found these same types of problems at 13 of the 15 centers, its technical assistance to the centers was insufficient to gain their compliance.

#### **CENTERS SUBMITTED INACCURATE ELIGIBILITY DATA TO STATE AGENCY, RESULTING IN INCORRECT PAYMENTS**

We found that each of the 15 centers reviewed had made errors in the process of determining the eligibility of their enrolled children or reporting this information to CDE.

Centers claiming reimbursement for free and reduced-price meals must obtain an eligibility application containing household information for each child, such as the household size and income. The center must certify that the application has been properly completed, signed, and dated. Based on the information on the application, the center determines each child's eligibility for free, reduced-price, or paid meals. The application is valid for no more than 12 months, and must be resubmitted each year.<sup>7</sup>

Claiming percentages (the percentage of a center's total enrollment in each of the three eligibility categories) are established by CDE based on the number of children in each eligibility category reported by a center on its claim form. These percentages are used in determining

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<sup>7</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 610, dated October 1998.



the amount of payment due to a center. Centers are allowed to use the same claiming percentages for up to a year (called the fixed percentage claiming method), allowing the center to avoid having to identify each month, for each meal claimed, the eligibility category of the child it was served to. All of the centers we visited elected to use this method. In California, centers electing to use this method report the numbers of children in each category on the October claim each year. Centers are required to maintain a roster that includes information on each enrolled child's eligibility status to support the October claim.

The problems we noted included the following:

- Some centers listed children on the roster who had not attended during October when the roster was compiled. These children may have attended either before or after October. Including these children in the October claim caused CDE to establish erroneous claiming percentages, resulting in incorrect payments to the centers.
- Some centers incorrectly determined the eligibility category for some of their enrolled children. These errors also resulted in erroneous claiming percentages and, therefore, incorrect payments.
- Some centers did not have eligibility applications on file for some of the children they included in their counts of children eligible for free or reduced price meals. Children without eligibility applications must be considered by centers to be eligible only for paid meals.
- Some centers did not have valid eligibility applications on file for all of the children they included in their counts. Some applications had not been properly completed by the parents (centers are required to certify that the applications are complete and accurate). In other cases, applications had not been certified by the center or the eligibility determination had not been recorded.

For example,

- At **Wee Li'l People**, there were 52 children listed on the center's October 1998 roster; however, only 33 children (63 percent) had attended classes during that month. Also, in some cases, the monthly earnings section of the eligibility application had been completed by the center rather than by the parent or guardian.
- The **Day Care Center of Oak Park United Methodist Church** reported on its October 1999 claim that 50 children (30 free, 7 reduced-price, and 13 paid) were enrolled, but the center's records did not support this number. However, the center did not have a roster identifying the eligibility category of each enrolled child participating in the program. Furthermore, the center's October 1999 attendance log recorded only 48 children attending during the month, and did not show their eligibility category. Of the 48 children listed, only 41 had eligibility applications on file. A center official recomputed the eligibility categories as follows: 26 free, 7 reduced, and 15 paid. Consequently, the center could not reconcile its numbers with those reported to CDE on its October 1999 claim form.
- At **Associated Students – California State University, Sacramento (AS-CSUS) Children's Center**, we reviewed a sample of 67 names out of a total of 271 listed on the October 1999 roster and found that there were no applications on file for 3 names listed on the roster, 9 applications were not fully completed, and 5 applications had not been certified by the center.

#### **CENTERS DID NOT ACCURATELY COMPUTE AND TRANSFER MEAL COUNTS TO REIMBURSEMENT CLAIMS**

Meals served to enrolled children must be recorded at the point of service.<sup>8</sup> Separate counts must be kept for each day and meal. Each month, the center totals the daily counts and files a claim for the month, reporting the number of meals claimed by type (breakfast, lunch, supper, or snack). We found seven centers did

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<sup>8</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 323, dated October 1998.

not accurately report the number of meals served on their claims. Some centers did not accurately calculate the total number of meals served and others transferred information incorrectly from meal count records to the reimbursement claim.

For example,

- **Wee Li'l People**, on its March 1999 reimbursement claim, reported serving 1,973 meals (604 breakfasts, 646 lunches, and 723 snacks). We recomputed the total number of meals served during that month, using daily meal counts, and determined that the center's daily records supported their serving only 1,905 meals (580 breakfasts, 627 lunches, and 698 snacks), an overclaim of 68 meals. We believe the overclaim was unintentional, because the center had no procedures in place to ensure that the total number of meals claimed for reimbursement was accurately computed.
- **Ebony Learning Tree Child Care Center** made mathematical errors in summarizing meal count information on its February, April, May, and November 1999 meal count sheets. As a result, the center underclaimed a total of 10 breakfasts, 112 lunches, and 66 supplements. In addition, although the center was closed for Martin Luther King's Birthday on January 18, 1999, it claimed 21 breakfasts for this day, resulting in an overclaim of 21 meals.
- **Change Thru Xanthos** prepared summary meal count records to support their reimbursement claims. We reviewed the claims submitted during FY 1999 and found that for five months during that period, the total number of meals on the summary meal count records did not equal the number of meals recorded on the daily meal count records. In addition, there were instances where the meals claimed were not supported by daily meal count records. As a result, the center overclaimed a total of 371 breakfasts, 633 lunches, and 240 snacks during FY 1999.

#### **CENTERS CLAIMED REIMBURSEMENT BASED ON ATTENDANCE AND DID NOT RECORD MEAL COUNTS WHEN MEALS WERE SERVED**

As discussed previously, centers are required to count and record the number of meals served at the time the meal is actually served

(point of service). The Sponsor’s Administrative Manual specifically states that “Attendance records cannot be used as meal counts.”<sup>9</sup> We identified nine centers that did not actually record meals at the point of service. Five of those nine centers claimed reimbursement based on attendance records, rather than by counting the actual number of meals served.

The supervisor at **Ephesian Children’s Center**, told us that they used “sign-in records”<sup>10</sup> as meal counts. She said that when they served meals, the meal was offered to all children. However, we observed that not all children present actually participated in the meal service. We compared the number of children signed-in to the number of meals served on February 7 and 8, 2000, the days we visited. As shown in the following table, neither the number of children present nor the number of children participating in the meal service always equaled the number of children signed-in.

DATE/TYPE OF MEAL SERVED	NUMBER OF CHILDREN SIGNED-IN	NUMBER OF CHILDREN PRESENT	NUMBER OF CHILDREN PARTICIPATING
February 7, 2000: Morning Snack	13	13	10
Lunch	13	12	12
February 8, 2000: Morning Snack	11	12	6
Lunch	11	12	12
Total	48	49	40

**Figure 3: Comparison of the Number of Children Signed-in, Present, and Served During 2 Days at the Ephesian’s Children Center**

If, as this center stated they had done in the past, they had used the attendance records as the basis for claiming reimbursement on these two days, the claim would have overstated the number of meals actually served by 20 percent (48 claimed versus 40 served).

At another center, the **Day Care Center of Oak Park United Methodist Church**, an [employee] was responsible for recording the number of meals served. The [employee] told us that the [employee] prepares afternoon snacks based on the number of children signed-in,

<sup>9</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 321, dated October 1998.

<sup>10</sup> An adult who is responsible for the child “signs-the child in or out” indicating the time the child arrived at and left the center.

and records this number as the number of snacks served, since the [employee] leaves before the snack is actually served. On February 23, 2000, we observed that 12 kindergarten children were present when the afternoon snack was served. The snack was served on a tray, but only one child actually took the snack. The [employee] had recorded that 12 snacks were served, but the [employee] corrected the records after we explained what we had seen.

Eight other centers did not record meals served at the point of service. An [employee] at **Shelton's Primary Education Center** said that the [employee] recorded the number of meals served, based on the [employee's] memory, once a week on Fridays and never claimed more than the center's license capacity. The director at the **Broderick Christian Center** (operated under the United Christian Center of Greater Sacramento) said that they used attendance records to record the number of meals served. They did this because they always seated all children present at a table before the meal was served.

#### **CENTERS CLAIMED REIMBURSEMENT FOR INELIGIBLE MEALS**

Centers are allowed to claim reimbursement for meals served to children only at sites approved by CDE.<sup>11</sup> Also, meals served to non-enrolled persons must be recorded, but cannot be claimed for reimbursement.<sup>12</sup>

We found that one center, **Wee Li'l People**, had claimed reimbursement for a meal purchased at a fast food restaurant during a fieldtrip. Three other centers, **D&L Carousel**, **Ebony Learning Tree**, and **Shelton's Primary Education Center**, had claimed reimbursement for meals served to ineligible school children. These three centers failed to comply with several other program requirements, as discussed in Chapter II.

#### **STATE'S TECHNICAL ASSISTANCE DID NOT GAIN COMPLIANCE**

For 13 of the 15 centers described above, the State agency had documented similar concerns. During its most recent reviews, CDE had found that the 13 centers had made inaccurate or unsupported eligibility determinations, and that 4 of the 15 had

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<sup>11</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 240, dated October 1998.

<sup>12</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 323, dated October 1998.

arrived at improper meal counts. However, as our audit demonstrates, the deficient centers did not improve and were still making inaccurate eligibility determinations at the time of our visits. In the case of the **Community Development Center**, the type of deficiency CDE found on its last visit on March 3, 1994 was still occurring. We concluded that CDE needs to strengthen its provisions for gaining compliance through technical assistance, or terminate the centers, if permanent corrective action does not occur.

Under current operations, CDE will notify the center of a deficiency during the review and may provide technical assistance (training) at the site. Also, as mentioned earlier, sites may refer to a copy of the program manual, which includes guidance on recordkeeping as well as other program requirements. However, because the types of problems found by CDE reviewers were still in evidence during our audit, we concluded that the manual was not being followed and that the training process could be improved.

CDE also invites center employees to receive formal training but on a volunteer basis only. It has not made such training mandatory, and center employees generally do not attend. We learned that 10 of the 15 program directors (**D&L Carousel, Ebony Learning Tree, Tomi's Preschool, Shelton's Primary Education Center, Wee Li'l People Preschool, Lossieland Daycare, Day Care Center of Oak Park, Wonderland Preschool, Broderick Christian Center, and Grace Day Home, Inc.**) had not attended CDE sponsored training since September 1998. They told us that they had not attended training because it was not required, and was too costly, time-consuming, and inconvenient. Two directors told us that the only training they received was when CDE reviewed their operations (once every 3 years).

We concluded that formal training provided or approved by CDE should be mandatory for key personnel at each center. Personnel responsible for keeping records at each center should especially attend annual training at which recordkeeping requirements are adequately covered.

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## RECOMMENDATION NO. 1

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Require CDE to revise its training procedures to include a requirement that key employees from each center annually attend CDE-provided or approved training and that recordkeeping requirements be adequately covered.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.

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## RECOMMENDATION NO. 2

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Require CDE to provide technical assistance to the 15 centers reviewed, through the training process discussed in Recommendation No. 1 or other means, regarding the deficiencies noted in this audit report. Perform followup visits to the 15 centers to determine if the deficiencies noted have been corrected, and if not, take appropriate steps to attain compliance with program requirements or terminate the centers from the program.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.

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**FINDING NO. 2**

**CENTERS SERVED MEALS  
THAT DID NOT MEET  
NUTRITIONAL STANDARDS**

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Five of the 15 centers we visited did not consistently serve meals that met program nutritional requirements. See Exhibit C for details of the deficiencies. Some of the meals we observed did not contain all required meal components or did not contain a sufficient quantity of each component. At one center, the director was unaware that lunch required two kinds of vegetables and fruits, while at another, an [employee] did not want to serve the required amount of milk because she believed that the children would not drink all of it. Consequently, children in care did not always receive meals containing minimum nutritional levels. We concluded that CDE's training requirements need to be revised to improve centers' compliance with these requirements.

Centers are reimbursed for meals served to eligible enrolled children. To be eligible for reimbursement, meals must meet nutritional standards that specify the types of food (meal component) and the minimum quantity of each component that must be served. These requirements are established by Federal regulation and vary depending on meal type, as follows:

- **Breakfast** must include milk, vegetable(s) or fruit(s) or full-strength vegetable or fruit juice, and bread or bread alternates.
- **Lunch** and **supper** must include milk, two kinds of vegetables or fruits, bread or bread alternates, and meat or meat alternates.
- A **snack** must include two of the following: milk, vegetable(s) or fruit(s) or full-strength vegetable or fruit juice, bread or bread alternates, and meat or meat alternates.



The regulations also specify how much of each food component must be served at each meal. These amounts vary by age group. For instance, if a center served milk, fruit, and biscuits as breakfast, the following amounts would be required, according to age groups:

COMPONENT	AGE 1-2	AGE 3-5	AGE 6-12
Milk	1/2cup	3/4cup	1 cup
Fruit	1/4cup	1/2cup	1/2cup
Biscuit (Bread)	1/2serving	1/2serving	1 serving

**Figure 4: Program Requirements for Breakfast**

Instead of serving each child individual portions of each meal component, centers may elect to use a “family-style” meal service. During this type of meal service, food is served on common platters, and children are allowed to serve themselves. Children are encouraged to take a full serving of each required component. The center is required to place enough food at each table so that each child can receive the minimum required amount of each meal component.

We observed 44 meal services at 15 centers. Nine of these meal services (20 percent) did not meet all nutritional standards. All of the noncomplying meals were served at 5 of the 15 centers. The noncomplying meals represented 64 percent of the 14 meals we observed at these centers. In some cases, there was more than one deficiency noted with a meal.

**AS-CSUS Children’s Center, Sacramento**

At the AS-CSUS Children’s Center, we observed supper on February 23, 2000, and breakfast and lunch on February 24, 2000.

Quantities served at two of the three meals were inadequate. This center used a family-style meal service.

The supper served to toddlers (ages 1 through 2), lacked the required vegetable component.

At lunch, the center included less than the required amount of peanut butter on its peanut butter and jelly sandwiches served to preschool children. It should have served 3 tablespoons for each preschool child. (Note: This requirement could also be satisfied by serving specified quantities of meat or other meat alternates.)

When CDE reviewed this center on January 7, 1999, the State reviewer concluded, based on an analysis of specific menu production records, that incomplete meals and/or inappropriate foods were served.

### **Faithful Central Educational Center, Los Angeles**

At the Faithful Central Educational Center, we observed lunch on December 6, 1999, and breakfast on December 7, 1999. The breakfast lacked the required fruit or vegetable component.

When CDE reviewed the center on May 13, 1997, the State reviewer found instances where the center served meals that did not contain an adequate quantity of milk to meet nutritional standards.

### **Shelton's Primary Education Center, Berkeley**

At Shelton's Primary Education Center, we observed breakfast and lunch on February 1 and 2, 2000. Three of the four meal services either lacked a required component or the amount served was inadequate. This center served each child individually.

The center served each child a glass containing  $\frac{1}{4}$  cup of milk at breakfast and lunch on February 1, 2000. Children aged 1 to 2 years should be served  $\frac{1}{2}$  cup of milk, those aged 3 to 5 years should be served  $\frac{3}{4}$  cup, and those aged 6 through 12 years should be served 1 cup at each meal. At the breakfast, there were 18 preschoolers present, and at the lunch there were 44 preschoolers, 15 kindergarteners, and 14 first graders and older. An [employee] stated that pouring more than  $\frac{1}{4}$  cup of milk could be wasteful because the children might not drink all of it.

In addition, the breakfast lacked a fruit or vegetable, and the lunch included an inadequate quantity of meat (in the spaghetti sauce). An [employee] told us that the [employee] should have broken up the meat better in the sauce, but that the [employee] did not always serve meat to the smaller children because they did not like it. Regulations require that 1 ounce of meat or meal alternate be served to children aged 1 to 2 years, 1½ ounces be served to those aged 3 to 5 years, and 2 ounces be served to those aged 6 to 12 years.

On February 2, the lunch did not meet the requirement to have two kinds of vegetables and/or fruits. For ages 1 through 2 years old, 3 through 5 years, and 6 through 12 years, regulations require that ¼ cup, ½ cup, and ¾ cup, respectively, of fruit and/or vegetable, be served.

When CDE reviewed the center on November 13, 1997, the State reviewer noted that meals did not contain all required food components, and immediately provided training to the [employee].

### **Ebony Learning Tree Child Care Center, Los Angeles**

At Ebony Learning Tree Child Care Center, we observed lunch on December 15, 1999, and breakfast and snack on February 16, 2000. We concluded that two of the three meals either lacked a required food component or the quantity served was inadequate.

On December 15, 1999, the teachers poured approximately ¼ to 1/3 cup of milk into each child's glass during the lunch service. As previously stated, regulations stipulate that children should be served between ½ and 1 cup of milk, depending on age. Also, during the lunch service, the center served one fruit rather than two kinds of vegetables or fruits as required. The director stated that she did not realize that two vegetables or fruits were required.

Breakfast on February 16, 2000, did not include a fruit or vegetable. A minimum of ¼ cup to ½ cup of vegetables or fruit is required, depending on age.

## **Broderick Christian Center, Sacramento**

At the Broderick Christian Center, we observed breakfast and lunch on February 25, 2000. At the breakfast, the center did not serve an adequate quantity of milk. Three cups of milk were poured over oatmeal and served to 15 children, only 1/5 cup per child. This center used a family-style meal service.

As mentioned, CDE had found these same nutritional deficiencies during its own reviews and in most cases provided technical assistance onsite. However, the technical assistance provided at the time was not effective. We concluded that more formal training on nutrition and program rules was needed, and we are recommending that this training be included in the training requirements discussed in Recommendation No. 1.

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### **RECOMMENDATION NO. 3**

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Require CDE, in implementing Recommendation No. 1, to include in its training sessions training on nutritional requirements.

#### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

#### **OIG Position**

We accept FNS' management decision on this recommendation.

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### FINDING NO. 3

## CENTERS DID NOT MAINTAIN ENVIRONMENTS FREE OF HEALTH AND SAFETY RISKS

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Seven of the 15 child care centers that we visited did not exercise sufficient care in their handling of food to minimize the risk of contamination. We concluded that this occurred, in part, because neither the State agency nor DSS, the licensing agency, provided sufficient detailed guidance on food handling. Furthermore, during our visits

we found that three of the seven centers did not maintain required staffing levels. Consequently, the health and safety of children in care may have been at risk.

DSS licenses child care centers and issues policies governing operations, including food service. These policies stipulate that all food must be selected, stored, prepared, and served in a safe and healthful manner. In addition, licensing policies also require centers to maintain a specified ratio of teachers to children, based on age.

During our visits to 15 child care centers, we observed instances where center staffs did not handle food safely, did not properly clean tables before serving the meal, and did not provide enough teachers for the number and ages of children present.

### FOOD HANDLING

We observed the following conditions at some of the centers we visited:

- **Grace Day Care Home:** On February 29, 2000, we observed a semi-frozen turkey thawing in a pan outside of the refrigerator. An [employee] stated that the [employee] usually thawed meat in the refrigerator, and we observed some other meat being thawed in this manner.
- **Shelton's Primary Education Center:** On February 1, 2000, an [employee] left a frozen turkey sausage on the counter to defrost overnight. The next morning when we returned to the site, we observed the turkey sausage still on the counter. We then observed the [employee] place the sausage into the refrigerator.

The [employee] also acknowledged that sometimes the [employee] defrosted meat by unplugging the freezer in which it was stored, waiting for it to thaw, then transferring it to the refrigerator.

- **Ephesians Child Care Center:** On February 7, 2000, milk remained unrefrigerated for 45 minutes.
- **Ebony Learning Tree Child Care Center:** During the lunch meal service on December 15, 1999, milk served to children sitting outside was not kept on ice during the meal service.
- **Broderick Christian Center:** On February 25, 2000, an [employee] did not wear gloves while mixing meatloaf with her hands.
- **Wonderland Preschool:** During the afternoon snack on February 28, 2000, the children served themselves snack mix by reaching into a large container with their bare hands.

Licensing policies issued by DSS state that “all food shall be protected against contamination.” In addition,

*All foods or beverages capable of supporting the rapid and progressive growth of microorganisms that can cause food infections or food intoxications shall be stored in covered containers at 45 degrees F (7.2 degrees C) or less.*

*All persons engaged in food preparation and service shall observe personal hygiene and food service sanitation practices that protect food from contamination.*

However, the licensing requirements do not provide specific instructions concerning how to safely defrost food and how to handle and serve it so as to decrease the risk of food-borne illnesses.

#### **CLEANLINESS OF KITCHEN AREA**

Licensing policies require that “all kitchen, food preparation and storage areas shall be kept clean...” We observed the following conditions:

- **Ephesians Child Care Center:** On February 7 and 8, 2000, employees did not clean the tables before the snack was served to preschool children.
- **Ebony Learning Tree Child Care Center:** On December 15, 1999, employees did not use disinfectant to clean the tables before the meal was served. They only wiped the tables using a damp cloth or napkin.
- **Shelton's Primary Education Center:** On February 1, 2000, we observed that the hood above the stove was very dirty, with dust-covered grease dangling above a pot of spaghetti being prepared. An [employee] explained that another [employee] was new, and did not realize that the hood had to be cleaned. The next morning, the hood had been cleaned.

#### **STAFF/CHILD RATIO**

Licensing policies require 1 teacher for every 12 preschool children. At a school-aged center, there must be at least 1 teacher for every 14 children. During our visits, we observed the following deficiencies:

- **Shelton's Primary Education Center:** On February 1, 2000, 44 preschool children were served lunch; however, only 3 adults were present. Regulations require four adults. On February 2, 2000, 20 school-aged children were left unattended during the lunch service because the teacher went to have her lunch. There should have been two teachers present.
- **Ebony Learning Tree Child Care Center:** During separate lunch services on December 15, 1999, there was 1 adult supervising 14 preschool children at the first table, and only 1 adult supervising 15 preschool children at the second table.
- **Wee Li'l People:** On February 3, 2000, after the director took the school-aged children to school, only 1 teacher was present to supervise 23 kindergarteners. Two were required. On April 14, 2000, there were 2 adults supervising 32 to 33 children. Three adults were required.

A CDE representative told us that DSS (the licensing authority) does not license centers if they do not meet the health and safety standards outlined in the licensing policies. She explained that CDE uses these policies to determine, during their administrative reviews, whether centers are meeting licensing requirements. If the State reviewer observes unhealthy or unsafe conditions, the reviewer contacts a DSS representative. However, we noted that the administrative review guide for conducting reviews does not specify the need to contact DSS if health and safety or licensing concerns are noted.

Overall, we concluded that the lack of sufficient, detailed guidance on food handling provided by CDE and DSS, as well as the lack of sufficient staff to supervise and monitor children, were factors that contributed to the health and safety deficiencies we observed. We believe that additional health and safety instructions should be developed to ensure the appropriate staff-child ratios are maintained and to assist centers in protecting children from the risk of food-borne illnesses.

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## **RECOMMENDATION NO. 4**

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Require CDE to revise its review procedures to require CDE staff performing reviews to notify DSS when egregious health, safety, or sanitation violations are noted during an administrative review.

### **Agency Response**

In its written response to the draft report, FNS suggested changes to the wording of the recommendation.

### **OIG Position**

We revised the wording of the recommendation, and accept FNS' management decision on it.



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## RECOMMENDATION NO. 5

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Require CDE, in implementing Recommendation No. 1, to include coverage of safe food handling practices in its training sessions.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.

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## FINDING NO. 4

### **CENTERS NEED GUIDANCE ON RECORDKEEPING, MONITORING, AND TRAINING REQUIREMENTS**

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All 15 centers we visited did not comply with one or more administrative requirements concerning recordkeeping, monitoring, and training. Specifically, they did not maintain accurate daily menu production records, monitor food service operations, document monitoring activities, and document training provided to their staff. Moreover, they did not maintain an efficient recordkeeping system to provide the assurance that they were operating their food service on a nonprofit basis and principally for the benefit of the enrolled participants. We concluded that these instances of noncompliance occurred because CDE had not provided sufficient guidance or training. As a result, there is reduced assurance that these centers operate the program as intended and that funds are used only for allowable purposes.

Program requirements are established by regulations and State agency policy. To ensure that the program renders the benefits it is intended to provide, centers are required to offer staff training, at least annually, and to monitor food service operations throughout the year. Each center must document the dates and locations of training sessions, topics discussed, and names of attendees. Centers must also document their monitoring activities.<sup>13</sup>

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<sup>13</sup> FNS Child Care Centers Handbook, Chapter 8, p. 51-59, August 1995.

Centers are also required to operate the food service on a nonprofit basis. Costs charged to the program must have been incurred for food service primarily to enrolled participants. Centers must maintain documentation to support that they are operating a nonprofit food service and should have, at a minimum, records showing receipt of program payments and other income, and records of operating and administrative costs.<sup>14</sup>

Additionally, CDE requires centers to keep daily menu production records in addition to the daily meal counts, menus, and attendance records.<sup>15</sup> A menu production record is a written record of the quantity of food prepared for each menu item served and the amount or number of servings left over. These records help document whether an adequate amount of food was prepared and served.<sup>16</sup>

Finally, centers are required to maintain records to support program operations for at least 3 years. These records should be readily available for review or audit by appropriate U.S. Department of Agriculture representatives.<sup>17</sup>

#### **CENTERS DID NOT SUBSTANTIATE THAT THE FOOD SERVICE WAS OPERATED ON A NONPROFIT BASIS**

Five of the 15 centers we visited could not substantiate that they had operated their food service on a nonprofit basis principally for the benefit of the enrolled participants. These five centers (**D&L Carousel, Ebony Learning Tree, Tomi's Preschool, Lossieland, and Wee Li'l People**) either (a) did not have an adequate recordkeeping system to efficiently document allowable costs incurred or program funds received to support the nonprofit food service operations, or (b) erroneously allocated nonprogram costs as a food program expense.

Two of the centers, **D&L Carousel** and **Ebony Learning Tree**, were collocated with private schools. The food service at each center provided meals both for preschool children (enrolled in the program) and for school-aged children enrolled in the school but not in the day care center (not eligible for the program). These centers did not keep records, which would allow them to separate out the costs of the

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<sup>14</sup> FNS 796-2, Revision 2, I.A. & VI.A, June 28, 1994.

<sup>15</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 310, October 1998.

<sup>16</sup> FNS Child Care Centers Handbook, Chapter 8, p. 51-59, August 1995.

<sup>17</sup> FNS Child Care Centers Handbook, Chapter 8, p. 51-59, August 1995.

meals served to participating children from the costs of the meals served to nonparticipating children. Two other centers, **Lossieland** and **Wee Li'l People**, also commingled purchases of program and nonprogram goods and did not allocate any part of the expenditure as a nonprogram cost.

According to FNS guidance, provided in the Child Care Center Handbook, issued in August 1995:

*An efficient record keeping system that supports all payments received under the program must be maintained, and all allowable costs in support of the center's nonprofit food service must be documented.*

CDE officials told us that reviewers do not ordinarily examine the center's fiscal records when they visit a center. Consequently, CDE has no assurance that centers are operating nonprofit food services primarily for the benefit of the enrolled participants and are using funds only as allowed.

#### **CENTERS DID NOT MAINTAIN ACCURATE DAILY MENU PRODUCTION RECORDS**

Most centers (9 of the 15 we visited) did not maintain accurate daily menu production records. These records, required by CDE, are designed to provide documentation that centers had prepared food in sufficient quantities to meet nutritional guidelines. Some centers stated that they prepared the menu production records weekly or monthly, after the fact, rather than daily, basing the figures on attendance and memory rather than actual records of meals served.

CDE requires centers to complete menu production records daily. These records must include the name of the center, date, type of meal service (i.e., breakfast, lunch, supper, or supplement), number of participants planned for by age group, number of program adults planned for, meal components served, quantities of foods planned and served, and leftovers, if they are to be used in another reimbursable meal service.<sup>18</sup>

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<sup>18</sup> CDE Sponsors of Child Care Centers Administrative Manual, Sections 320, 327, 410, October 1998.

In total, nine of the centers we visited (**Faithful Central Education Center, D&L Carousel, Ebony Learning Tree, Shelton's Primary Education Center, Wee Li'l People, Ephesian Children's Center, AS-CSUS Children's Center, Broderick Christian Center, and Grace Day Care Home**) did not maintain menu production records as required. During our visit to **Shelton's Primary Education Center** in February 2000, we observed an [employee] preparing the menu production records for August 1999. At **Faithful Central Education Center**, we found that the center was not indicating, in all cases, the quantity of each meal item prepared (i.e., pounds of meat cooked). In many instances, the center was only recording the number of servings per meal item.

#### **CENTERS DID NOT DOCUMENT MONITORING ACTIVITIES AS REQUIRED**

About half the centers (7 of 15) had not documented their monitoring activities as required. Several directors told us that they monitored food operations frequently (daily or weekly) but did not document their observations.

State guidelines require that centers monitor food program operations not less than 3 times each program year with no more than 6 months elapsing between monitoring sessions. Two of these 3 times, the monitor must observe a meal service.

Four centers (**Tomi's Preschool, Shelton's Primary Education Center, Wee Li'l People, and Day Care Center of Oak Park United Methodist Church**) lacked documentation that they had monitored program activities for fiscal year 1999. **Broderick Christian Center** had documentation for just one monitoring session conducted in fiscal year 1999.

During our initial visits to **Ebony Learning Tree** and **D&L Carousel** in December 1999, the directors at both centers claimed to monitor meal service on a weekly basis, but stated that they did not keep records of this activity. However, when we visited each center again in February 2000, both directors provided documentation indicating that they had monitored food service operations. **Ebony Learning Tree** provided documentation for one monitoring session conducted in September 1998, and **D&L Carousel** provided documentation for five sessions conducted from February 1998 through November 1999. Based on the preceding, we questioned the validity of the records provided.

## **CENTERS MAY NOT HAVE PROVIDED ADEQUATE TRAINING**

Most of the centers we visited stated they provided program training for all employees that participated in program activities, but several had not maintained the required records describing when the training was provided, who was trained, and what training was provided. Directors told us that they held informal staff meetings to train their staff and to discuss program-related issues. The frequency of the training varied, with some centers holding weekly sessions and others limiting the sessions to one per year. Some directors held training sessions to impart what they had learned from the CDE training sessions they had attended, while others provided training only when a new employee was hired. Some directors added that they did not have sufficient staff to allow employees time to attend training.

We questioned whether center employees were receiving adequate training. As noted in this report, one-third of the centers lacked documentation to support the training provided, and the overall extent of deficiencies we found at the centers was significant.

Regulations require centers to provide orientation and ongoing training in child care for all caregivers. Additional training sessions are to be provided not less than annually.<sup>19</sup>

State policy also requires centers to conduct training sessions annually. These guidelines require centers to record the date, location, topic, and participants in attendance for each session held. The agenda should be attached to the documentation and retained for 3 years beyond the year of training.<sup>20</sup>

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<sup>19</sup> 7 CFR, Chapter II, Subpart D, Section 226.16 (d) (2) & (3), dated January 1, 1999.

<sup>20</sup> CDE Sponsors of Child Care Centers Administrative Manual, Section 230, October 1998.

In light of the significant level of noncompliance with program requirements we found during our center visits, we questioned the adequacy of the training provided by the 10 directors to their staffs. We believe that CDE should require the directors or their key staff to attend CDE-provided or approved training to ensure that each center has available within its organization necessary program information.

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## **RECOMMENDATION NO. 6**

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Instruct CDE to inform all centers of the requirement that they operate their food service on a nonprofit basis and of the records needed to support that they are in compliance with this requirement. In carrying out Recommendation No. 1, CDE should include training about these requirements in its annual training sessions.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.

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## **RECOMMENDATION NO. 7**

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Require CDE to inform centers concerning the requirement that monitoring of the food program must be performed and documented.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

**OIG Position**

We accept FNS' management decision on this recommendation.

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**RECOMMENDATION NO. 8**

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Require CDE to revise its review process to include an evaluation of whether centers are operating their food service operations on a nonprofit basis.

**Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

**OIG Position**

We accept FNS' management decision on this recommendation.

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**RECOMMENDATION NO. 9**

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Require CDE, in implementing Recommendation No. 1, to cover the requirements relating to maintenance of meal production records in its training sessions.

**Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

**OIG Position**

We accept FNS' management decision on this recommendation.

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## RECOMMENDATION NO. 10

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Require CDE to inform centers concerning the requirement that annual staff training be documented and retained for 3 years beyond the year of training.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.



<b>CHAPTER II</b>	<b>THREE CENTERS MAY NEED TO BE TERMINATED FROM THE PROGRAM FOR REPEATEDLY CLAIMING SUBSTANTIALLY MORE MEALS THAN THEY WERE ENTITLED TO</b>
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**FINDING NO. 5**

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We found serious deficiencies at three of the fifteen child care centers we visited (two in Los Angeles County and one in Alameda County) and these centers may need to be

terminated from the program if the deficiencies are not corrected. We found that these three centers had problems in most of the areas we reviewed. Most conspicuously, the centers repeatedly claimed substantially more meals than they were entitled to claim. All three centers were collocated with private schools, operated by the same or a related entity, and served meals to both preschool and school-aged children. The centers apparently were claiming ineligible school-aged children in addition to eligible preschool children. We concluded that two of the three centers had done this knowingly. In addition, one center (**Shelton’s Primary Education Center**) was not eligible to claim the reimbursement it received prior to January 2000 because the food program was actually operated by another, ineligible entity.

We believe that these centers require immediate attention from CDE. We are recommending that CDE perform a follow-up review, and based on the conditions we are reporting and the results of their review, determine if these centers are seriously deficient. If so determined, CDE should require the centers to timely correct the deficiencies or terminate them from the program.

Although CDE visits each center once every 3 years, many of the deficiencies we found were not noted during CDE’s most recent visits. For example, risks of food contamination and nonsupport for food costs were not recognized by CDE reviewers as problem areas at all three centers. We concluded that this occurred partly because CDE announces its visits in advance, allowing the centers to prepare for the reviews. By contrast, our audit consisted of unannounced visits. Since centers had no opportunity to prepare for our visit, we believe that what we observed was more representative of the centers’ normal operations. The following

table depicts those areas in which CDE noted deficiencies during its latest reviews (designated by “X”) and those areas in which we noted deficiencies during our audit (designated by “Y”).

Center	Eligibility	Nutrition	Computation or Data Transfer Error	Count Not at Point of service	Ineligible Meals Claimed	Health & Safety	Adult/Child Ratio	Food Costs Not Supported	No Daily MPR	Director With No Training	Records Not Readily	No Food Service	No Training Records
Shelton’s	XY	XY	Y	Y	Y	Y	Y		Y	Y		Y	Y
D&L Carousel	XY		Y	Y	XY			Y	Y	Y	Y	Y	
Ebony Learning Tree	XY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	

**Figure 5: Comparison of the areas of deficiency found during the State reviews (X) and the areas of deficiency found during the OIG audit (Y).**

We concluded overall that CDE needs to revise its review procedures to require that routine review visits to centers be unannounced, in order to more accurately measure their performance. For the centers listed in the table above, the claiming of ineligible meals was a conspicuous problem, but it remained undetected by CDE reviewers at two of the three centers. In the case of D&L Carousel, the CDE reviewer had noted that the center appeared to be improperly trying to maximize its meal claims, but when we visited the center more than 2 years later, we found the same conditions still existed.

### **Shelton’s Primary Education Center**

Shelton’s Primary Education Center (Shelton’s) (Agreement No. 01-1123-8A), a nonprofit corporation operating a private school located in Berkeley, has participated in the program since 1975, but was, in fact, ineligible to participate because it did not provide day care or serve the meals for which it claimed and was reimbursed for. These activities were carried out by a separate entity, a for-profit sole proprietorship named Shelton’s Day Care, which was collocated with the school. Shelton’s Day Care held the license to provide day care for up to 75 children ages 2 to 5. Its separate financial records for fiscal year 1998 reflected that it had, in fact, carried out the day care operations. It appeared that the center enrolled in the program under the name of Shelton’s Primary Education Center because program regulations generally limit participation in the program to Governmental entities and nonprofit organizations, so Shelton’s Day Care, as a for-profit business, would be ineligible to participate. At the time of our audit, for-profit entities were not allowed to participate in the program in California. As a result, Shelton’s received \$101,668

between October 1994 and January 2000 that it was not entitled to receive, and may have received additional amounts prior to October 1994.

After our initial visit on February 1, 2000, Shelton’s reorganized its operations. It dissolved the sole proprietorship and Shelton’s Primary Education Center began operating the day care center. Shelton’s Primary Education Center obtained a license to provide day care effective February 15, 2000.<sup>21</sup>

The following table summarizes the above information:

TIMEFRAME	SHELTON’S PRIMARY EDUCATION CENTER	SHELTON’S DAY CARE
Through 1999	<ul style="list-style-type: none"> <li>• not-for-profit corporation</li> <li>• ineligible participant in program</li> </ul>	<ul style="list-style-type: none"> <li>• for-profit sole proprietorship</li> <li>• operator of day care</li> <li>• holder of day care license</li> <li>• reports day care operations on its financial statements</li> </ul>
After 1999	<ul style="list-style-type: none"> <li>• absorbed Shelton’s Day Care, operates day care</li> <li>• obtained day care license (effective 2/15/00)</li> <li>• continues to participate in program</li> </ul>	<ul style="list-style-type: none"> <li>• dissolved</li> </ul>

**Figure 6: Summary of Licensing Activity of One Center (Shelton’s)**

We noted a number of other serious concerns about Shelton’s operations. Shelton’s regularly and, we believe intentionally, claimed a substantial number of ineligible meals served to school-aged children. It did not maintain adequate records to support its claims. We also noted two health and safety concerns which we reported to DSS.

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<sup>21</sup> The license authorized Shelton’s to care for 70 children aged 2 to first grade entry.

We made unannounced visits to Shelton's on February 1 and April 28, 2000. The director stated that the center prepared and served meals only to preschool children and that school-aged children brought their lunches and ate in their classrooms or out-of-doors. However, based on our observations and other information we obtained, we concluded that Shelton's was, in fact, serving and claiming substantial numbers of ineligible meals served to school-aged children.

- During our initial visit on February 1, we observed 73 lunches served: 59 to preschoolers and kindergarteners and 14 to school-aged children. Shelton's subsequently claimed 68 lunches, but only 59 meals were eligible. We saw no school-aged children eating lunches they had brought to school. Some school-aged children told us that their teachers had taken them out for lunch on the day of our visit. Usually, they said, they ate a center-prepared meal in the center's lunch area after the preschool children had eaten. An [employee] later told us that the [employee] regularly served lunches to preschool, kindergarten-aged, and 10 to 12 school-aged children. Earlier that day, we observed 18 eligible preschool children eating center-prepared breakfasts, but the center claimed 20.

As discussed below, the center usually claimed about 75 meals, equal to its licensed capacity.

- On Friday, April 28, we observed that the center did not serve lunch. An [employee] had previously told us that the [employee] did not prepare lunches on Fridays, and we saw signs stating that Fridays were bag lunch days. We saw preschool, kindergarten-aged and school-aged children eating lunches they had brought with them.

An [employee] had prepared four bag lunches and stated that these were for any children who might have come without lunches. We also saw a small quantity of tuna prepared, but an [employee] explained that this was for the staff's lunch, not for the children.

We were unable to obtain Shelton's April claim, but noted that, according to the center's records for FY 1999, the center regularly claimed about 75 lunches and snacks on a daily basis, including Fridays. Looking specifically at the meals claimed on Fridays, we found that during approximately 1½ years (from October 1998 to March 2000), the center claimed more than 70 lunches on all but 5 Fridays. The center supported their claims with menus and menu production records also indicating they prepared and served lunches on Fridays. For April 28, 2000, the menu listed tuna, sliced carrots, fresh fruit, bread and milk.

Based on the evidence we obtained, we concluded that Shelton's likely should not have been reimbursed for any of the lunches it claimed on Fridays.

We also found problems with the center's records. Its eligibility roster for October 1998 listed 72 children, but the center had applications on file for only 53 preschool children (aged 5 years or younger). Of those 53 applications, 5 were incorrect; 4 applications were incomplete and/or not signed by the parent, and 1 applicant's eligibility status was incorrectly determined by the center. In addition, the center incorrectly reported on its October 1998 claim a total of 75 children rather than 72 as indicated on the roster. The center also did not have attendance records for any period prior to January 2000. The director said that these records had been destroyed because she was unaware that they should be retained. However, regulations require records to be maintained for a minimum of 3 years.

We also observed the center serving meals that did not meet program nutritional standards. For example, the center served no fruit or vegetable component at breakfast, too small a portion of vegetables at lunch, and too little milk. An [employee] said that even though fruit juice was listed on the breakfast menu, they did not serve juice (or fruit) at breakfast except to one child whose parents required it.

We noted, and reported to the Department of Social Services, that the range-hood in the kitchen had not been adequately cleaned and that meat was left defrosting on a kitchen counter overnight. We also observed during both visits that there were too few adults supervising preschool children playing out-of-doors.

## D&L Carousel Pre-School, Inc.

D&L Carousel Pre-School, Inc. (D&L) (Agreement No. 19-2158-5A), in Los Angeles, claimed a substantial number of meals, which were unallowable because they were served to school-aged children. D&L was also unable to make records available in a timely manner to support their claims and use of program funds.

D&L was licensed to care for up to 45 children aged 2 to 6 years, and was collocated with a private school. The center's food service provided meals for both preschool and school-aged children. The director stated that the center did not claim reimbursement for meals served to the school-aged children. However, we determined that D&L was in fact claiming a significant number of meals served to school-aged children.

We made unannounced visits to D&L on December 8, 1999, and February 14, 2000, and observed three meal services. Subsequently, we obtained and reviewed their claims and supporting records for the dates of our visits.

On December 8, we observed lunch service and on December 9, we observed both breakfast and lunch. At each meal service, the same meal was served to both the preschool and school-aged children. Subsequently, the center claimed reimbursement for significantly more meals than we observed being served to preschool children on both days, as detailed below:

DATE MEAL OBSERVED	TYPE OF MEAL OBSERVED	NUMBER OF MEALS SERVED TO PRESCHOOL CHILDREN		
		PER OIG OBSERVATION	CLAIMED BY CENTER	DIFFERENCE
12/08/99	Lunch	19 allowable (37 total)	44	25
12/09/00	Breakfast	6 allowable (9 total)	33	27
12/09/00	Lunch	21 allowable (21 total)	44	23

**Figure 7: Comparison of Meals Claimed by D&L Carousel and Observed by OIG**

We noted that the number of meals claimed exceeded the total number served, even when including ineligible meals served to school-aged children. We reviewed D&L's claims for all of fiscal year 1999, and found that the center regularly claimed reimbursement for 40 to 45 lunches (near or equal to the center's licensed capacity), indicating that the overclaiming was a longstanding, ongoing practice.

CDE had noted this concern in its earlier review. On a visit in July 1997, a CDE reviewer reported that the center consistently claimed reimbursement for the number of meals that equaled the center's licensed capacity (45). She concluded that the center appeared to be commingling school-aged children and preschool children in order to maximize the number of meals claimed.

D&L was also unable to provide adequate and timely records to support their claims. On our initial visit on December 8, the director said the records were at her home and that she would provide them the following morning, but subsequently she told us that she could not provide them until after January 1. We revisited the center on February 14, and obtained a limited number of records the following day.

However, the records were not adequate to support the number of meals claimed or the expenditure of program funds. The eligibility roster for October 1998, which listed 45 children (the center's licensed capacity), had not been completed correctly. It included the names of children for whom there were no eligibility applications on file. The records also did not adequately support program expenditures, the number of meals claimed for August 1999 (our test month), or costs associated with providing meals to the school-aged children. The director also refused to allow us to examine the center's bank statements or checkbook, which, according to her, was the only record of deposits of program funds and payments for food service expenditures.

### **Ebony Learning Tree Child Care**

Ebony Learning Tree Child Care (Ebony) (Agreement No. 19-2111-2A), in Los Angeles, claimed a substantial number of meals that were unallowable because they were served to school-aged children. We believe that this may have occurred because the executive director and an [employee] did not understand program

requirements. Ebony was also unable to make records available in a timely manner to support their claims and use of program funds, and it served meals, which did not contain all required components.

Ebony was licensed to care for up to 50 children aged 2 to 6 years old, and was collocated with a private school. According to the director, their claims are based on the number of meals served, as recorded by an [employee] at each meal service. She also said that they did not claim reimbursement for the meals served to the school-aged children. However, we observed that this process was not followed.

We made unannounced visits to Ebony on December 15, 1999, and February 16, 2000. Subsequently, we obtained and reviewed their claims and supporting records for the dates of our visits.

- On December 15, we observed that lunch was served to 46 preschool children, but on its December claim, Ebony claimed only 43 lunches.
- On February 16, we observed two meals: breakfast and snack. Twenty-two breakfasts were served, but only 11 were eligible to be claimed, as the other 11 had been served to school-aged children. A teacher who assisted during the breakfast service told us that the number of breakfasts served and the ages of the children served were typical. In December 1999, Ebony claimed an average of 26 breakfasts per day, indicating that the claiming of both preschool and school-aged children was a normal practice.
- On the same date, we observed that 26 snacks had been served to preschool children, but Ebony subsequently claimed 33 snacks. An [employee] had recorded 33 snacks, the number the [employee] had prepared, not the number actually served. We were told that this was done every day, as the [employee] left before the snacks were served.



Our observations are summarized in the following table:

DATE MEAL OBSERVED	TYPE OF MEAL OBSERVED	NUMBER OF MEALS SERVED TO PRESCHOOL CHILDREN		
		PER OIG OBSERVATION	CLAIMED BY CENTER	DIFFERENCE
12/15/99	Lunch	46	43	-3
02/16/00	Breakfast	11	22	11
02/16/00	Snack	26	33	7

**Figure 8: Comparison of Number of Meals Claimed by Ebony Learning Tree and Observed by OIG**

Ebony was also unable to provide adequate and timely records to support their claims. Such records should be available for review immediately upon the request of an authorized U.S. Department of Agriculture reviewer. However, at our initial visit in mid-December, the director told us she could not make the records available to us until after January 1. Upon our revisit in February, Ebony did generally provide the records we needed for our review.

Regulations require centers to operate nonprofit food services, meaning that all program funds are expended on allowable program expenses. The director told us that program funds were used to purchase food for both the preschool and school-aged children, and that she did not maintain records to allocate costs between them. We were therefore unable to verify if Ebony operated its program food service on a nonprofit basis. However, we noted that CDE had not explicitly notified the centers of the need to do so.

We also found that Ebony did not always adhere to program nutritional requirements. Both the lunch and breakfast we observed lacked the required fruit or vegetable component. We also noted that the amount of milk served at lunch was less than the required amount.

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## RECOMMENDATION NO. 11

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Require CDE to evaluate the operations of the three centers discussed in this finding to determine if they are seriously deficient in their operation of the program. To carry out this recommendation, CDE should promptly conduct unannounced visits to the three centers to review their operations. If the reviews disclose serious deficiencies, CDE should require their prompt correction. If any center fails to correct its deficiencies, CDE should terminate the center's participation in the program.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.

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## RECOMMENDATION NO. 12

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Instruct CDE to recover the \$101,668 paid to Shelton's Primary Education Center. In addition, instruct CDE to determine the overclaim amount for the period of time not covered by our audit in which the center was not eligible to participate in the program, and establish a claim against the center in that amount.

### **Agency Response**

In its written response to the draft report, FNS agreed with the recommendation.

### **OIG Position**

We accept FNS' management decision on this recommendation.

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## RECOMMENDATION NO. 13

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Require CDE to revise its review procedures to make unannounced visits part of its normal review process.

### **Agency Response**

In its written response to the draft report, FNS suggested changes to the wording of the recommendation.

### **OIG Position**

We revised the wording of the recommendation, and accept FNS' management decision on it.

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**EXHIBIT A – SUMMARY OF MONETARY RESULTS**

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
12	Ineligible Meal Reimbursement Paid to Shelton's Primary Education Center	\$101,668	Questioned Cost – Recovery Recommended
TOTAL MONETARY RESULTS		\$101,668	

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## EXHIBIT B – LOCATIONS VISITED

ORGANIZATION / ENTITY	LOCATION (COUNTY)	AGREEMENT NUMBER
Food and Nutrition Service	San Francisco	
California Department of Education	Sacramento	
Change Thru Xanthos	Alameda	01-1108-9A
Community Development Center	Los Angeles	19-2014-8A
Associated Students - California State University, Sacramento Children's Center	Sacramento	34-1511-4A
D&L Carousel Preschool	Los Angeles	19-2158-5A
Day Care Center of Oak Park	Sacramento	34-1500-7A
Ebony Learning Tree	Los Angeles	19-2111-2A
Ephesian Children's Center	Alameda	01-1142-8A
Faithful Central Education Center	Los Angeles	19-1364-8A
Grace Day Home, Inc.	Sacramento	34-1513-3A
Lossieland Daycare	Alameda	01-2357-1A
Shelton's Primary Education Center	Alameda	01-1123-8A
Tomi's Preschool	Los Angeles	19-2264-9A
Broderick Christian Center	Sacramento	34-1882-9A
Wee Li'l People Preschool	Alameda	01-2362-5A
Wonderland Preschool	Sacramento	34-1875-3A

## EXHIBIT C – CENTERS SERVING MEALS THAT DID NOT MEET NUTRITIONAL STANDARDS

CENTER NAME	DATE OF VISIT	MEAL OBSERVED	DEFICIENCY NOTED	COMMENTS
Associated Students - California State University, Sacramento Children's Center	2/23/00	Supper	X	Toddler's classroom did not serve vegetables.
	2/24/00	Breakfast		
	2/24/00	Lunch	X	Insufficient meat/alternate, fruits, vegetables served
Ebony Learning Tree	12/15/99	Lunch	X	Inadequate quantity of milk and lacked two kinds of vegetables or fruits
	2/16/00	Breakfast	X	No fruit or vegetable served
	2/16/00	Snack		
Faithful Central Education Center	12/6/99	Lunch		
	12/7/99	Breakfast	X	No fruits / vegetables served
Shelton's Primary Education Center	2/1/00	Breakfast	X	Not enough milk and no fruit / juice / vegetable served
	2/1/00	Lunch	X	Not enough milk and meat served
	2/2/00	Breakfast		
	2/2/00	Lunch	X	Not enough fruit and no vegetable served
Broderick Christian Center	2/25/00	Breakfast	X	Not enough milk for all children
	2/25/00	Lunch		
Total		14	9	

## EXHIBIT D – SUMMARY OF DISCREPANCIES NOTED

Centers	Finding No. 1					Finding No. 2	Finding No. 3	
	Eligibility Incorrectly Determined	Computation or Data Transfer Errors	Claims Based on Attendance Records/ Number of Children Present	Counts Not at Point-of - Service	Claimed Ineligible Meals	Meals Did Not Meet Nutritional Standards	Health & Safety Deficiency	Adult/Child Ratio
AS-CSUS Children's Center	X	X		X		X		
Change Thru Xanthos	X	X		X				
Community Development Center	X							
D&L Carousel	X	X		X	X			
Ebony Learning Tree	X	X	X	X	X	X	X	X
Ephesian Children Center	X		X	X			X	
Faithful Central	X		X	X		X		
Grace Day Home	X						X	
Lossiland Preschool	X							
Oak Park	X		X	X				
Shelton's Primary Education Ctr.	X	X		X	X	X	X	X
Tomi's Preschool	X							
Broderick Christian Center	X		X	X		X	X	
Wee Li'l People	X	X			X		X	X
Wonderland	X	X					X	

## EXHIBIT D – SUMMARY OF DISCREPANCIES NOTED

	Finding No. 4					
	Food Costs Not Supported	No Daily MPR	No Food Service Monitor	No Staff Training Records	Directors With No Training	Records Not Readily Available
Centers						
AS-CSUS Children's Center		X		X		
Change Thru Xanthos						
Community Development Center						
D&L Carousel	X	X	X		X	X
Ebony Learning Tree	X	X	X		X	X
Ephesian's Children Center		X				
Faithful Central		X				
Grace Day Home		X			X	
Lossiland Preschool	X			X	X	
Oak Park			X	X	X	
Shelton's Primary Education Ctr.		X	X	X	X	
Tomi's Preschool	X		X		X	
Broderick Christian Center		X	X		X	
Wee L'il People	X	X	X	X	X	
Wonderland					X	



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



United States Department of Agriculture  
Food and Nutrition Service

Western Region

Reply to  
Attn of: 27010-20-SF

NOV 13 2000

Subject: Child and Adult Care Food Program - State Oversight of Small, Independent Centers - State of  
To: California

Sam W. Currie  
Regional Inspector General for Audit  
Office of Inspector General

This responds to your memorandum dated September 29, 2000, requesting our comments on the official draft report of the subject audit.

In general, we are in concurrence with the audit findings and recommendations except Recommendations Number 4 and 13.

Recommendation No. 4 - Currently, CACFP regulations (7 CFR 226.6) do not require State agencies to determine compliance with child care health and safety standards during an administrative review unless the State is using alternate approval procedures in lieu of State licensing. The Department of Social Services (DSS), the State licensing agency, is responsible for determining compliance with health, safety and sanitation requirements.

Please change the recommendation to state: Include in an administrative review guidance a procedure which requires CDE reviewers to notify DSS when egregious health, safety and sanitation violations are noted during an administrative review.

Recommendation 13 - FNS requests this recommendation be revised to state: CDE should revise its review procedures to make unannounced visits to centers part of its normal review process. This will make it consistent with Page iii, first bullet under Key Recommendations.

In addition to the comments above, we noted some miscellaneous items we are requesting your office to change or correct:

Page 2, first paragraph, second sentence - Please change "enrollment information" to "eligibility information".

Page 14, "State's Technical Assistance", first paragraph, last sentence - We concluded that CDE needs to strengthen its provisions for gaining compliance through technical assistance or **terminate the centers, if permanent corrective action does not occur.**


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

Page 33, first line - Change “CDE does not allow for-profit entities to participate in the program in California” to “Up to the time of the audit, for-profit entities were not eligible to participate in the program in California”.

If you have any questions, please call Etta Britton of my staff at (415) 705-1330, extension 225.

Sincerely,

  
TOMY I. SOMMER, SR.  
Acting Regional, Director  
Financial Management  
Western Region

cc: Janet Allen, RD, SNP