



**U.S. Department of Agriculture
Office of Inspector General
Audit Report**

**FOOD AND NUTRITION SERVICE
NATIONAL SCHOOL LUNCH
AND BREAKFAST PROGRAMS
DISTRICT OF COLUMBIA**

Audit Report No.
27010-15-HY
August 1998





UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Northeast Region
Suite 2-2230
5601 Sunnyside Avenue, Stop 5300
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DATE: August 28, 1998

REPLY TO

ATTN OF: 27010-15-Hy

SUBJECT: Food and Nutrition Service
National School Lunch and Breakfast Programs
District of Columbia

TO: Christopher J. Martin
Administrator
Mid-Atlantic Region
Food and Nutrition Service

This report presents the results of the subject audit. Your written response is included as Exhibit E of the report.

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

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

A handwritten signature in cursive script that reads "Marlane T. Evans".

MARLANE T. EVANS
Regional Inspector General
for Audit

TABLE OF CONTENTS

CHAPTER 1 - EXECUTIVE SUMMARY	1
PURPOSE	1
RESULTS IN BRIEF	1
KEY RECOMMENDATIONS	3
AGENCY RESPONSE	3
<hr/>	
CHAPTER 2 - INTRODUCTION	4
BACKGROUND	4
OBJECTIVES	7
SCOPE	7
METHODOLOGY	8
<hr/>	
CHAPTER 3 - ISSUE I	
NSLP AND SBP FUNDS WERE USED FOR UNAUTHORIZED PURPOSES	11
Finding No. 1	11
Recommendation No. 1a	12
Recommendation No. 1b	13
<hr/>	
CHAPTER 4 - ISSUE II	
THE SA CLAIMED MEALS THAT DID NOT MEET NUTRITIONAL REQUIREMENTS	14
Finding No. 2	14
Recommendation No. 2a	15
Recommendation No. 2b	15

CHAPTER 5 - ISSUE III

THE SFA CLAIMED REIMBURSEMENT FOR MORE MEALS
THAN THE NUMBER OF ELIGIBLE APPLICANTS 16

Finding No. 3 - SFA Did Not Properly Count
Program Applicants 17

 Recommendation No. 3a 18
 Recommendation No. 3b 18

Finding No. 4 - Attendance Reports May Not Have
Been Accurate 18

 Recommendation No. 4a 21
 Recommendation No. 4b 21

Finding No. 5 - Excess Meals Claimed For
Reimbursement 21

 Recommendation No. 5 22

CHAPTER 6 - ISSUE IV

PROGRAM MONITORING NEEDS IMPROVEMENT 23

Finding No. 6 - The SA And SFA Do Not Operate
Independently 23

 Recommendation No. 6 24

Finding No. 7 - The SA Did Not Adequately Monitor
SFA Operations 24

 Recommendation No. 7a 25
 Recommendation No. 7b 26

Finding No. 8 - The SFA Did Not Conduct Reviews Of
District Of Columbia Public Schools 26

 Recommendation No. 8a 27
 Recommendation No. 8b 27
 Recommendation No. 8c 27

Finding No. 9 - Coordinated Reviews Did Not Follow
Up On Critical Violations 28

Recommendation No. 9a	30
Recommendation No. 9b	30
Recommendation No. 9c	30

CHAPTER 7 - ISSUE V

IMPROVEMENTS ARE NEEDED IN CONTRACT ADMINISTRATION	31
Finding No. 10 - Terms And Conditions Of The Contracts Were Not Met	32
Recommendation No. 10	34
Finding No. 11 - Contractors Did Not Comply With Invoicing Procedures	34
Recommendation No. 11a	36
Recommendation No. 11b	36
Recommendation No. 11c	36
Recommendation No. 11d	36
Recommendation No. 11e	36
Recommendation No. 11f	37
Recommendation No. 11g	37
Finding No. 12 - Payments for Food Service Workers Exceeded Contract Amount	37
Recommendation No. 12a	40
Recommendation No. 12b	40
Recommendation No. 12c	40
Recommendation No. 12d	40

CHAPTER 8 - ISSUE VI

CONTROLS OVER PERSONNEL POSITIONS AND SALARY COST ALLOCATIONS WERE INADEQUATE	41
Finding No. 13 - Unallowable Salary Costs Were Charged to the NSLP and SBP	42
Recommendation No. 13a	43
Recommendation No. 13b	44
Recommendation No. 13c	44
Recommendation No. 13d	44
Finding No. 14 - Personnel Positions Had Not Been Properly Approved	44

Recommendation No. 14a	45
Recommendation No. 14b	45
Recommendation No. 14c	45

CHAPTER 9 - ISSUE VII

GRANT FUNDS WERE IMPROPERLY USED FOR REDUCTION-IN-FORCE AND RETIREMENT INCENTIVE PAYMENTS	46
Finding No. 15	46
Recommendation No. 15a	47
Recommendation No. 15b	47

CHAPTER 10 - GENERAL COMMENTS 48

CHAPTER 11 - EXHIBIT A - SUMMARY OF MONETARY RESULTS 50

CHAPTER 12 - EXHIBIT B - EXCESS REIMBURSEMENT RECEIVED FOR FREE
AND REDUCED PRICE MEALS 51

CHAPTER 13 - EXHIBIT C - COMPARISON BETWEEN FNS 10 REPORT,
WEEKLY TALLY REPORT, AND TRANSMITTAL FORM 59

CHAPTER 14 - EXHIBIT D - AUDIT SITES 60

CHAPTER 15 - EXHIBIT E - FNS' RESPONSE TO THE DRAFT
AUDIT REPORT 61

CHAPTER 16 - ABBREVIATIONS 62

CHAPTER 1 - EXECUTIVE SUMMARY

Purpose

This report presents the results of our audit of the District of Columbia's operation of the National School Lunch Program (NSLP) and the School Breakfast Program (SBP), both administered by the U.S. Department of Agriculture, Food and Nutrition Service (FNS). Our audit was performed at the request of FNS officials, and was also included as part of the Office of Inspector General (OIG) Fiscal Year (FY) 1998 Annual Plan.

Each school district that offers these programs establishes a school food authority (SFA) to oversee the day-to-day operations of the programs, and each State agency (SA) monitors the SFA's within its State. In the District of Columbia, the functions of both the SFA and SA are performed by the same division of the public school system.

We reviewed program operations for school years (SY) 1995/1996 and 1996/1997. Our objectives were to determine if the programs were properly monitored, if procurement policies were adhered to, and if financial controls over program funds and reimbursement claims were adequate.

Results In Brief

We found that the District's school system did not provide adequate oversight of the operation of the NSLP and the SBP during SY's 1995 and 1996. Financial controls over program funds and reimbursement claims were inadequate, procurement policies were not always adhered to, and monitoring activities did not always disclose deficiencies or ensure that those deficiencies that were disclosed had been corrected.

A March 1998 Coordinated Review Assessment conducted by the FNS Mid-Atlantic Regional Office (MARO) identified similar weaknesses in program operations. To date, controls have not been established to reduce the occurrence of problems identified during our review. Therefore, MARO and the SA need to develop a comprehensive plan for improving management controls in all areas of the NSLP and SBP.

The former Controller for District of Columbia Public Schools (DCPS) improperly approved program funds to pay nonprogram costs, and schools claimed reimbursement for meals that were ineligible. Monitoring activities conducted by the SA and SFA did not detect these deficiencies.

- The District used \$4.2 million in program funds to pay school utility bills and special education expenses. In neither case did the Board of Education authorize the payments.
- The District claimed reimbursement for meals that did not contain the required meal components. The vendor delivering the meals violated the terms of its contract. Procurement officials were aware the violation occurred on at least 2 days, but the accounts manager who filed the \$44,994 reimbursement claim for the 2 days was not told of the discrepancies. The contract was in effect for more than 150 days.
- Because the SFA did not verify school attendance and did not reconcile the number of students participating in the program with the number of meals actually served, schools claimed meals in excess of their eligible applications. For the seven schools we reviewed, the overclaim totaled \$6,839.

We also determined that the school system needed to improve its administration of school lunch contracts. Payments for food service workers exceeded the \$340,000 contract by \$631,472. In addition, \$113,548 of this amount was not used for allowable program purposes. In a separate case, a vendor failed to deliver on its contract in spite of repeated warnings of damage assessments by the District. Another \$2.4 million in program costs was not supported by delivery documents.

Controls over the payment of salaries and bonuses were insufficient to preclude the use of program funds to pay for activities that were not in support of the NSLP and SBP. The programs were charged \$399,745 for the salaries of employees who no longer worked for the programs and employees whose hiring had not been approved. The programs were also

charged \$160,210 for retirement and severance payments even though officials of DCPS did not obtain FNS' approval for this use of funds.

We found that State revenue matching requirements for the NSLP had been met in each year reviewed.

Key Recommendations

We recommend that \$4.2 million be refunded to the program for unallowable expenses and another \$250,941 be refunded to FNS for contract overpayments, reimbursement of ineligible meals, excessive reimbursements for meals served, and nonprogram employee salaries. In addition, the District needs to support \$2.4 million in contract payments and obtain approval of \$325,184 in salaries and \$160,210 in severance payments, or refund the amounts to FNS.

To improve future operations, we recommend that the District develop procedures which, among other things, ensure that (1) costs charged to the NSLP and SBP are allowable, (2) figures for school enrollment, attendance, and program participation are accurate, (3) invoices are reconciled to delivery documents, and (4) employees paid from NSLP and SBP funds are performing duties in support of these programs.

Agency Response

The results of the audit were discussed with FNS officials on August 26, 1998. FNS agreed with the issues and recommendations reported and will work with the District to obtain corrective action.

CHAPTER 2 - INTRODUCTION

Background

On June 4, 1946, Congress passed the National School Lunch Act (42 U.S.C. 1751) which authorizes Federal school lunch assistance. The intent of the National School Lunch Act is to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food by helping States provide food and facilities for the operation of non-profit school lunch programs.

The National School Lunch Act, as amended, authorizes the payment of general and special cash assistance funds to States based on the number and category of lunches served, whether free, reduced price, or paid. General program requirements are outlined in Title 7, Code of Federal Regulations (7 CFR), Part 210.

Section 4 of the Child Nutrition Act of 1966, as amended, authorizes payments to the States to assist them to initiate, maintain, or expand nonprofit breakfast programs in schools. General program requirements are outlined in 7 CFR, Part 220.

The FNS is the U.S. Department of Agriculture (USDA) agency responsible for administering the NSLP and SBP. FNS is headquartered in Alexandria, Virginia, and has seven regional offices nationwide which administer the NSLP and SBP. The FNS Mid-Atlantic Regional Office (MARO), located in Robbinsville, New Jersey, is responsible for overseeing the NSLP and the SBP in the District of Columbia.

Each State agency (SA) is required to enter into a written agreement with FNS to administer the NSLP and SBP. SA's enter into agreements with school food authorities (SFA) to oversee the day-to-day operation of the NSLP and SBP. The SFA's represent the governing body that administers the NSLP and SBP in one or more schools. The District of Columbia SA has oversight responsibility for the DCPS SFA and the SFA's for six private schools. For SY 1996, the District of Columbia SFA received reimbursements totaling about \$17 million for meals claimed under

the NSLP and SBP.

SA's are required to conduct a coordinated review of SFA's every 5 years. Coordinated reviews include a review of the SFA's eligibility certification, applications, benefits issuance, meal counting and claiming, meal components, eligibility requirements for free and reduced price meals, civil rights compliance, and monitoring responsibilities for meal counting and claiming. The SA's are required to complete a minimum number of coordinated reviews based on a formula provided by FNS. During the 5-year reporting period ending June 1997, the DCPS SA was required to complete 21 school reviews.

Each SFA is required to perform an annual onsite review of each school within its jurisdiction. This includes a review of the certification, meal counting, and claiming systems used in each school. In SY's 1996 and 1997, the DCPS SFA was required to complete 161 onsite reviews.

Eligibility of children for free or reduced price meals is based upon their family's household size and income. States are reimbursed at specific rates for each free, reduced price, and paid lunch or breakfast served by the SFA. The rates are established by FNS on an annual basis, effective for the period July 1 to June 30.

Section 111 of Public Law 103-448 amended Section 11(a) (1) of the National School Lunch Act to provide a new meal counting and claiming procedure for schools with high percentages of children eligible for free and reduced price meals referred to as Provision 3. Schools opting for this alternative are not required to make annual free and reduced price eligibility determinations or take daily meal counts. Meal reimbursement and commodity assistance are provided at the same level as the school received in the last year free and reduced price applications were taken and daily meal counts by category were made, adjusted for inflation and enrollment.

Under Provision 3, schools (1) serve meals free to all children for a period not to exceed 4 successive school years; (2) receive Federal cash and commodity assistance equal to the level of assistance the school received for the last year in which free and

reduced price eligibility determinations and meal counts by eligibility category were made (the "base year"), adjusted annually to account for changes in inflation and school enrollment; and (3) must make up the difference between Federal program assistance and the cost of the meals from sources other than Federal funds.

Over the last several years, there has been a large-scale restructuring of the District's public schools, including the replacement of high level officials. In 1996, Congress appointed the District of Columbia Financial Responsibility and Management Assistance Authority, more commonly referred to as the "Control Board," to oversee the financial management of the District of Columbia and work towards a balanced budget. To address concerns within the public school system, the Control Board established the Emergency Transitional Education Board, which appointed the school superintendent as its chief executive officer (CEO).

Within the District's public school system, the CEO is responsible for overall operations and management. Four offices report to the CEO. Our audit focused primarily on operations carried out by two of these: the Office of the Chief Operating Officer and the Office of the Chief Financial Officer. As part of our review of contracts, we also reviewed procurement issues within the Contract Administration Division which handles all large purchases of the school district.

The Office of the Chief Operating Officer delivers services that support the educational mission of the District's public school system. Seven divisions provide integrated core support services. One division, the Division of Food and Nutrition Services, provides Federal school lunch, breakfast, and special nutrition programs, and oversees the dining facilities operation, inventory storage and delivery, and manages Federal, State, and local funds to ensure regulatory compliance. In the District's public school system, the Division of Food and Nutrition Services performs functions of both the SFA and the SA.

The Office of the Chief Financial Officer is responsible for planning and monitoring the financial needs of the school system. There are two divisions under this office: the Division of Finance and the Division of Budget Services. The Division of Finance is responsible for providing accounting services to the school system, and the Budget Services Division is responsible for budget analysis and implementation, and for grant analysis.

Objectives

The objectives of our audit were to determine (1) whether monitoring activities over NSLP and SBP operations were adequate, (2) whether financial controls over NSLP and SBP reimbursements and expenditures were functioning as intended, (3) whether procurement policies were being adhered to, and (4) whether financial controls over State revenue matching requirements for the NSLP were adequate.

Scope

Our review focused on the District schools' administration of the NSLP and SBP and covered SY's 1995/1996 and 1996/1997 operations, with other years reviewed as deemed necessary. We performed audit work at the FNS Regional Office in Robbinsville, New Jersey, and the District school's divisions under the Chief Operating Officer and Chief Financial Officer located in Washington, DC.

In SY's 1995 and 1996, there were 121 elementary schools, 22 junior high schools, and 18 high schools for public education in Washington, D.C. Of these, 161 public schools and 6 private schools participated in the NSLP and SBP. We conducted a review of seven schools, which included four elementary schools, one junior high school, and one high school, each having the largest student enrollments over 500 at their respective educational levels. We also selected one additional elementary school with an enrollment of less than 500 students to include audit coverage at the smaller schools. (See exhibit D.)

As part of our review, we evaluated controls over the \$22,056,526 in expenses charged to the NSLP and SBP for SY 1996 by evaluating 57 percent of the costs charged to the grants, reimbursements claimed, and administrative expenses charged by the District. Our review of the SFA's claims for reimbursement encompassed an evaluation of the SFA's prior and

current procedures for recording meals and documenting claims for reimbursement under the NSLP and SBP.

We evaluated the adequacy of procedures used to ensure compliance with provisions of contract agreements and applicable laws and regulations for the procurement of goods and services to determine if weaknesses disclosed in prior contracts could occur under current methods of operation.

During the audit, we encountered difficulties obtaining specific documentation needed to satisfy the audit objectives. We were not provided with contract files for one of the contracts selected for review. Therefore, we were unable to fully evaluate the selection process or the vendor's qualifications to satisfy the contract requirements.

Officials responsible for NSLP and SBP operations during our review period were no longer employed with the DCPS system, and additional turnover of key personnel occurred during our field work. Therefore, we had to obtain much of our information from newly employed officials with limited knowledge of prior operations as they relate to the NSLP and SBP.

Audit work was performed in accordance with generally accepted government auditing standards.

Methodology

To accomplish our audit objectives, we performed the following in our evaluation of DCPS operations of the NSLP and SBP.

- We discussed current operations with officials of the MARO, SFA, SA, and divisions within the DCPS Office of the Chief Financial Officer.
- We reviewed School Lunch and Breakfast Program regulations and procedures, Single Audit reports for the DCPS for FY's ending 1993 through 1996, United States Code Title 31, 7 Code of Federal Regulation (CFR) 3015, and DCPS procurement policies and other applicable regulations.
- We evaluated the adequacy of controls over expenses charged to the NSLP and SBP grants by selecting the major cost categories of charges

against the grants for SY 1996, with other years' activities reviewed as necessary.

- We reviewed personnel charges to the NSLP and SBP grants, which included a review of employees personnel files and related documents, in addition to conducting interviews with selected employees.
- We reviewed compliance with the State revenue matching requirements.
- We reviewed supporting documentation for enrollment, approved applications, and meals claimed at selected schools for SY's 1995 and 1996.
- We analyzed the monitoring efforts of the SFA through a review of all 138 onsite reviews conducted during SY 1995 and 80 reviews in SY 1996.
- We analyzed the monitoring efforts of the SA through a review of all 25 school reviews completed in SY's 1995 and 1996.
- In SY 1995/1996, there were 121 elementary schools, 22 middle schools, and 18 high schools for public education in Washington, D.C. According to FNS officials, participation in the NSLP and SBP has traditionally been higher in elementary schools as compared to participation at the middle school and high school levels. Therefore, our sample universe included 40 elementary schools with a student enrollment of 500 or more.

We randomly selected 4 of these elementary schools, namely, Turner, Wilkinson, Raymond, and Meyer, to determine compliance with performance standards related to eligibility certification, counting, and claiming. We also randomly selected Amidon school from our universe of 8 elementary schools with an enrollment of less than 500 students. For representation at the middle and high school levels, we selected Lincoln and Eastern, respectively because each maintained the largest enrollments at their educational

levels. Three of these schools (Wilkinson, Lincoln, and Raymond) were converted to Provision 3 schools in school year 1996. Under Provision 3, schools serve all meals at no charge for a period of 4 successive years. Free and reduced price eligibility determinations and meal counts are not required.

CHAPTER 3 - ISSUE I
NSLP AND SBP FUNDS WERE USED
FOR UNAUTHORIZED PURPOSES

Finding No. 1

Controls over National School Lunch Program (NSLP) and School Breakfast Program (SBP) funds were inadequate to ensure that funds were properly accounted for and used only for purposes authorized under the Federal/State Agreement for the District of Columbia State Agency (SA). Monitoring and oversight by the SA and the School Food Authority did not ensure the program was operating as intended (see Issue IV). As a result, unallowable costs exceeding \$4.2 million were charged to the NSLP. (See exhibit A.)

We found two instances in which the DCPS used NSLP and SBP funds to pay expenses that were not related to either of these programs. Regulation¹ requires revenues received by school food services to be used only for the operation or improvement of the nonprofit food service. In addition, regulation² requires that effective control over and accountability for all USDA grant or subgrant funds shall be maintained. Recipients shall adequately safeguard all such property and shall ensure that it is used solely for authorized purposes.

On July 1, 1996, the former controller of the DCPS Division of Finance approved a journal entry to transfer utility expenses from a District appropriated account to the NSLP. As a result of this approval, \$2.5 million in District utility expenses were charged to the NSLP.

The former controller stated that in June 1996, the DCPS was billed \$2.5 million for its schools' use of gas. The District of Columbia Budget Office would not allow the bill to be paid from general school

¹ 7 CFR 210.14(a), dated January 1, 1996.

² 7 CFR 3015.61(c), dated January 1995.

funds due to a shortage. Since there was a balance of approximately \$8 million in the NSLP account, the decision was made to transfer funds from the NSLP to pay the gas bill.

A similar transaction occurred on August 21, 1995. The former controller approved a journal entry to transfer \$1,747,700 in personnel expenses for special education to the NSLP and SBP because of an available balance of approximately \$9 million. The journal entry memo stated that the transfer had been approved by the Board of Education. The former controller added that he thought these matters were brought before the school board for approval.

We reviewed the Board of Education's reprogramming request file. This file included a record of decisions made by the Board of Education to reprogram or transfer funds from one account to another. However, we were unable to identify any reprogramming requests that would support the 1995 transfer of special education expenses or the 1996 transfer of gas expenses to the NSLP.

When costs are allocated in accordance with a government-wide cost allocation plan or when treated as indirect costs, acceptance of the costs as part of the indirect cost rate or cost allocation plan constitutes approval. Recognizing that gas may be an operating cost of the NSLP and SBP, we reviewed the FY 1996 budget for the DCPS' Division of Food and Nutrition, and documents obtained from the Financial Management System for FY's 1995, 1996, and FY 1997 through August to determine how gas costs are allocated or charged. We noted that gas was not a budgeted item.

DCPS officials could not provide us with an indirect cost plan outlining the allocation for gas expenses to support the charge to the NSLP and SBP. In addition, the SA director, who is responsible for the use of Federal funds, was not notified that NSLP funds were used to pay gas expenses. (She had not been SA director at the time the special education expenses were transferred.)

**Recommendation
No. 1a**

Direct the SA to require the DCPS to refund, to the school food service account, the \$4,247,700 in unallowable costs charged to the NSLP and SBP.

**Recommendation
No. 1b**

Direct the SA to require the SFA to develop controls to ensure that costs charged to the NSLP and SBP are allowable and in accordance with terms and conditions of the grant agreement.

CHAPTER 4 - ISSUE II
THE SA CLAIMED MEALS THAT DID NOT MEET
NUTRITIONAL REQUIREMENTS

Finding No. 2

The SFA did not always have an adequate supply of menu components to ensure that meals claimed under the NSLP and SBP met the minimum requirements of the USDA School Lunch pattern. The contractor, Harbor Peak, violated provisions of its contract to provide the components, but the SFA improperly included the meals in its reimbursement claim. The SFA did not recognize the meals as ineligible because it did not properly monitor the program (see Issue IV). We reviewed claims for 2 days of the 1996 school year and question reimbursements totaling \$44,994 for ineligible lunches served on those 2 days. (See exhibit A.) The SA claimed and received reimbursements for 4,687,767 lunches and 1,526,107 breakfasts served during the entire period the contract was in effect (January to June 1996).

According to 7 CFR 210.2 and 210.9, the SFA shall enter into a written agreement with the SA which states that the SFA and participating schools under its jurisdiction shall serve lunches which meet the minimum requirements as prescribed in 7 CFR 210.10. In addition, 7 CFR 210.10a(b), states, in part, that the SFA shall ensure that participating schools provide nutritious and well-balanced lunches to children, and that the SFA shall ensure that sufficient quantities of food are planned and produced so that lunches provided contain all the required food items.

According to 7 CFR 220.8a, a breakfast eligible for Federal cash reimbursement shall contain, at a minimum, the following food components in the quantities specified: a serving of fluid milk served as a beverage or on cereal; a serving of fruit or vegetable or both, or full-strength fruit or vegetable juice; and, two servings from a bread/bread alternate or meat/meat alternate.

The former Superintendent for DCPS entered into a contract with Harbor Peak to provide preplated

breakfast and lunch menu components to 110 District public schools to be phased in as the schools obtained the necessary equipment to warm and store the preplated meals. Harbor Peak was to provide meat and meat alternates, fruits and vegetables, bread and bread alternates, desserts, and breakfast items as outlined in the planned menu prepared by the quality control unit for the District's schools. Harbor Peak submitted a written acknowledgement showing receipt of the menu which represented a binding commitment to supply food components as specified.

We noted that in correspondence to the procurement branch, the SFA Director expressed concerns regarding Harbor Peak's failure to deliver meals and various meal components. In a May 3, 1996, memorandum to procurement branch officials, the SFA Director requested that reimbursement be obtained from the contractor because on April 25 and 26, 1996, the contractor failed to deliver 26,826 complete meals to 54 schools. The SFA Director further stated that the meals lacked a fruit or vegetable, and as a result, \$44,994 in USDA reimbursements was lost.

We reviewed the weekly tally sheets for 5 of the 54 schools referred to in the May 3, 1996, memorandum and noted that the SFA claimed and received reimbursement from USDA for 4,046 free, reduced-price, and paid preplated meals served at the 5 schools on April 25 and 26, 1996. An SFA official stated that reimbursements were received for all 26,286 meals, and the accounts payable manager stated that she was not informed that the \$44,994 claim was not to be made for the meals served on those 2 days.

***Recommendation
No. 2a***

Direct the SA to require the SFA to develop controls to improve the process for claiming reimbursements.

***Recommendation
No. 2b***

Establish a claim for the \$44,994 identified in this review for meals that did not meet Federal requirements for reimbursements.

**CHAPTER 5 - ISSUE III
THE SFA CLAIMED REIMBURSEMENT FOR
MORE MEALS THAN THE NUMBER
OF ELIGIBLE APPLICANTS**

Procedures used to ensure the accuracy of claims submitted to FNS for reimbursement of meals served under the NSLP and SBP were inadequate. The SFA did not verify student attendance at each school in the District and did not reconcile the number of students participating in the program with the number of meals actually served. A March 1998 review conducted by MARO confirmed systemic meal counting and claiming problems.

Inaccuracies in the SFA's claims were not detected because of inadequate monitoring and oversight by the SA (see Issue IV). We determined that for the 1995 and 1996 school years, the District's claims for reimbursement for the schools reviewed³ exceeded the number of eligible applicants by 4,160 free meals, valued at \$6,779, and 48 reduced price meals, valued at \$60. (See Finding No. 5.)

Regulations⁴ require each SFA to ensure that claims for reimbursement are limited to the number of free, reduced price, and paid lunches served to eligible children for each day of operation. To provide this assurance, the SFA is required to establish internal controls, to include comparisons of daily free, reduced price, and paid lunch counts against data which will assist in the identification of excess lunch counts.

The data commonly used to establish accurate lunch counts is the number of eligible applicants and the attendance at each school. Our audit of

³ In school year 1996, three of the seven schools selected for audit were converted to Provision 3 schools, which are permitted to serve free meals to all students. Therefore, we did not include these three schools in our calculations of overclaims for school year 1996.

⁴ 7 CFR 210.7(c) and 7 CFR 210.8(a), dated January 1, 1996.

reimbursements for seven District schools determined that the SFA did not count the schools' eligible applicants properly and did not ensure that schools attendance figures were accurate.

Finding No. 3
SFA Did Not Properly
Count Program
Applicants

Procedures followed by the SFA to determine the number of eligible applicants for the NSLP and SBP were flawed. We found that the SFA (1) did not recognize students who had transferred between or out of the District schools, (2) counted some applicants twice, and (3) did not detect duplicate applications. Therefore, required controls to assist in identifying excessive lunch counts were not functioning. As a result, we questioned the eligibility of 537 student applicants at the 7 schools tested.

Transfers Were
Not Recognized

As authorized under Section 9(b)(C) of the National School Lunch Act, children in families receiving food stamps or Aid to Families With Dependent Children (AFDC), which was replaced by Temporary Assistance for Needy Families, automatically qualify for free lunches under what is called "direct certification." The District's Department of Human Services (DHS) maintains a file of food stamp and AFDC recipients, and the school system matches this file with each school's roster to produce a list of students that automatically qualify for free meals. This match is based on a school's final enrollment at the end of the school year and is used to support the number of eligible applications for the next school year, beginning in September. However, the final enrollment may not reflect student transfers between the end of one school year and the beginning of the next.

SFA officials stated that school rosters are used to document transfer students, and that there should be a reconciliation of these transfers on the direct certification listing using the September school roster. However, we found that in six of the seven schools reviewed, a record of transfers was not adequately documented on school rosters or on the direct certification listing.

Applicants Were
Counted Twice

According to 7 CFR 210.8(b)(2), the SA is required to obtain, every October, the enrollment and number of applications for each school. This information is to be used to compare eligible meals against actual meals claimed. For students who qualify for the NSLP

and SBP under direct certification, no application is required, although SFA's are not prohibited from requesting them.

As part of our review, we compared the applications approved for SY's 1995 and 1996 to the applicable direct certification lists. We found that for the seven schools tested, 459 students who appeared on the direct certification list also submitted applications, which resulted in double counting. A reconciliation between the direct certification list and applications had not been conducted to reduce the occurrence of double counting.

***Duplicate
Applications Were
Not Detected***

We also found that the SFA's procedures did not detect duplicate applications. For the seven schools in our review, we identified 63 cases in SY 1995 and 15 cases in SY 1996 where two applications were approved for the same person. As a result, there was a greater possibility that the number of students determined as eligible for participation in the NSLP and SBP was inflated.

***Recommendation
No. 3a***

Direct the SA to require the SFA to develop procedures to ensure the accuracy of each school's reported attendance and the number of students eligible to participate in the NSLP and SBP.

***Recommendation
No. 3b***

Direct the SA to require the SFA to develop procedures that require that a reconciliation be performed between the direct certification list, the applications received from households, and an updated school roster that accurately reflects transfer students.

***Finding No. 4
Attendance Reports
May Not Have Been
Accurate***

According to 7 CFR 210.8(a)(3), the SFA is required to conduct an edit check by comparing each school's daily counts of program lunches against the number of eligible applicants, adjusted by an attendance factor. The attendance factor is a percentage, developed no less than once each school year, that accounts for the difference between enrollment and attendance. We questioned the attendance factors calculated for four of the seven schools reviewed.

SFA officials explained that homeroom teachers take daily attendance and report the results to a data entry clerk in the school principal's office. The attendance data is entered into the Student

Information System (SIS), and an attendance factor is calculated.

In the District school system, the attendance factor is developed each month, based on the prior month's attendance. Cafeteria managers stated that they prepare Weekly Tally Sheets by using the attendance factor from the previous month's activity. They also stated that attendance factors and enrollment figures are only provided verbally from the principal's office. Therefore, we were unable to review the source documents for the attendance factors and enrollment as shown on the Weekly Tally Reports.

The SFA informed us that attendance factors are also published in the DCPS' Average Daily Attendance report. We selected four schools and compared the attendance factors shown on each school's Weekly Tally reports for October 1996, to the September 1996 attendance factor published in the Average Daily Attendance report. We found that the attendance factors for all four schools reviewed did not agree, as follows:

School	Weekly Tally Report	Daily Average Attendance Report	Difference
Turner	91.0%	93.6%	2.6%
Meyer	93.0%	92.9%	.1%
Eastern	96.0%	93.9%	2.1%
Amidon	94.0%	97.3%	3.3%

To determine the accuracy of enrollment figures, we compared the enrollment as reported on the Weekly Tally Reports for the week ending October 4, 1996 to the Official Membership report for the 1996 school year obtained from the SIS. We found differences in reported enrollment for three of four schools, as follows:

School	Weekly Tally Report	Membership Report	Difference
Turner	661	661	0
Meyer	602	609	7
Eastern	1,512	1,229	283
Amidon	402	409	7

Each year, the SA is required to submit to FNS a Form FNS-10, "Report of School Program Operations," which details the number of children enrolled on the last day of October and the number of children approved for free and reduced price meals. Because the figures on the FNS-10 are derived from the Weekly Tally Reports, as prepared by the cafeteria managers, the two reports should agree.

We compared enrollment and lunch data, as shown on the October 1995 and 1996 FNS-10's, to the Weekly Tally reports for the same period. Since the number of students approved for free lunch was much greater than those approved for reduced price lunches, we focused on the free lunches for the seven schools in our sample.⁵ The October 1995 and 1996 FNS-10 reports for these schools included 11 line items for total enrollment and total free lunch applicants. We noted differences between the FNS-10's and the Weekly Tally reports for five enrollment line items and eight free lunch line items. In five cases, the Weekly Tally report figures for the number of free lunches served were greater than those figures shown on the FNS-10's.

We noted one case in which enrollment data reported on the FNS-10 did not agree with enrollment figures shown on the transmittal form that accompanies the Weekly Tally report. The FNS-10 also did not agree with free lunch figures on the transmittal forms from three schools. (No enrollment data was reported on the October 1995 transmittal for Eastern, and the October 1995 transmittal for Wilkinson could not be located. (See exhibit C).

⁵ For Wilkinson, Raymond, and Lincoln/Bell schools, no data was required by FNS in October 1996 because they were Provision 3 schools during that year.

Since the Weekly Tally reports are used as the basis for reimbursements, inaccuracies in these reports could result in inflated claims. The differences in figures shown on documentation used to support enrollment, attendance factors, and students eligible to participate in the program suggest that edit checks currently in place cannot ensure the accuracy of claims for reimbursement of meals served under the NSLP and SBP.

**Recommendation
No. 4a**

Direct the SA to require the SFA to maintain documentation to support attendance factors and enrollment figures used on Weekly Tally reports.

**Recommendation
No. 4b**

Direct the SA to develop procedures and edit checks, to include a reconciliation between FNS-10's and reimbursement claims, to ensure the accuracy of attendance factors, enrollment figures, and students eligible to participate in the NSLP and SBP.

**Finding No. 5
Excess Meals Claimed
for Reimbursement**

For five of the schools in our sample (Turner, Meyer, Wilkinson, Raymond, and Amidon), the SA was reimbursed for more meals than the maximum number it could claim. DCPS was unable to provide documentation to support the excess meals claimed.

To determine the number of students eligible to participate in the NSLP and SBP, we made adjustments for duplicate applications, students that were counted twice because they submitted applications and also appeared on the direct certification list, and transfer students that were not accounted for (see Finding No. 3). To determine the maximum number of eligible meals that each school could claim for reimbursement, we multiplied the number of students eligible to participate in the program by the attendance factor as provided on the Weekly Tally reports for October 1995 and October 1996 at each school selected for review (see Finding No. 4).

We compared our results showing the maximum number of meals that could be claimed by each school to the number of meals claimed on the Weekly Tally reports for October 1995 and October 1996. We provided our analysis of the overclaims for Turner, Meyer, and Wilkinson schools to SA officials since these schools represented the majority of the overclaims. At the time of our review, Turner had 2,996 overclaimed meals valued at \$4,973. The SA later provided

additional applications obtained from Turner, which reduced their overclaim to 776 meals, valued at \$1,228. Therefore, for the five schools, we found that the SA claimed reimbursement for 4,160 free meals valued at \$6,779, and 48 reduced-price meals valued at \$60 in excess of the maximum number of meals that could be claimed. (See exhibits A and B).

SA officials commented that transfers and reconciliations should have been documented. They also said that more applications might be found at the schools. Officials at Meyer School stated that copies of all applications are provided to the SA, but that it had been their experience that applications were misplaced.

**Recommendation
No. 5**

Direct the SA to determine if a claim should be established for the 4,160 free meals and 48 reduced price meals identified in our review valued at \$6,839.

**CHAPTER 6 - ISSUE IV
PROGRAM MONITORING NEEDS IMPROVEMENT**

The SA did not adequately monitor SFA operations to ensure that the programs were operating as intended. In addition, the SFA did not perform proper onsite reviews of program activities and did not followup on those areas where deficiencies were noted. Monitoring was ineffective, in part, because the two administrative units involved, the SA and the SFA, were not independent in their monitoring and reporting responsibilities. The lack of adequate monitoring has resulted in reduced assurance that the NSLP and SBP were being operated in accordance with applicable regulations and guidelines.

***Finding No. 6
The SA and SFA
Do Not Operate
Independently***

A lack of separation of functions between the SA and the SFA contributed to the ineffective monitoring of NSLP and SBP activities as described in Finding No. 7. According to 7 CFR 210.19, the SA is responsible for ensuring that the SFA administers the two programs in accordance with applicable requirements, and that program integrity is maintained. However, administration of these programs in the District of Columbia is unique in that both the SA and the SFA are organizationally located within the same agency, the Division of Food and Nutrition Services (DFNS).

DFNS is responsible for (1) providing Federal school lunch, breakfast, and area special nutrition programs, (2) managing Federal, State, and local funds, and (3) ensuring regulatory compliance. DFNS is headed by the Chief, Division of Food and Nutrition Services, who also performs in the capacity of SA Director. A review of the organizational chart for DFNS clearly shows that all lines of authority and responsibility for the SA and SFA report to the Chief, Division of Food and Nutrition Services, that is, the SA Director.

Daily operational activities within DFNS are supervised by the Director of Operations. The Manager of Field Operations, who reports to the Director of Operations, is responsible for carrying

out SFA monitoring requirements, and the manager of a second operations unit, who reports to the same director, is responsible for carrying out SA monitoring duties. Requiring the officials responsible for both SA and SFA monitoring to report to the same individual does not provide for a separation of duties or for proper oversight of critical NSLP and SBP operations.

Program regulations require each SA to sign an agreement with the Food and Nutrition Service, and each SFA to sign an agreement with the SA. For the DCPS, the SFA's agreement with the SA was signed by the SA Director representing the SA, and DFNS' Manager of Field Operations representing the SFA. Again, the Manager of Field Operations reports to the Director of Operations, who ultimately reports to the SA Director. In our opinion, a separate SA and SFA would assist in ensuring the administrative independence of both functions.

The absence of adequate separation of responsibilities between SA and SFA functions has resulted in a breakdown in the internal controls that are essential to the effective operation of the NSLP and SBP.

**Recommendation
No. 6**

Require the SA to develop a comprehensive management plan that establishes an organizational structure to clearly define the SA's and SFA's independence and the separation of administrative, financial, and reporting responsibilities necessary to ensure compliance with NSLP and SBP regulations.

**Finding No. 7
The SA Did Not
Adequately Monitor
SFA Operations**

The SA had not adequately monitored activities of SFA operations to ensure that onsite school reviews were performed as required. The SA had also not conducted reviews of other SFA program management areas, including program expenditures, program compliance, and allowable costs. The SA had not developed procedures to review these areas. Consequently, FNS and the SA had reduced assurance that NSLP and SBP operations were functioning as intended.

We evaluated SA and SFA administrative reviews, program expenditures, and compliance programs for SY's 1995 and 1996 to determine whether meal claims were substantiated, costs were allowable, and internal controls were properly functioning. We

found that the SA did not have adequate internal control procedures in place. In the absence of controls, the following SA program oversight responsibilities had not been fulfilled.

- The SA did not determine the accuracy of information obtained from the Department of Human Resources, namely, the direct certification list, which was used as a basis for establishing students' eligibility for the NSLP and SBP.⁶ An SA official stated that this was the responsibility of individual schools, but school officials stated that this was the responsibility of the SA. (See Finding No. 3.)
- The SA did not monitor onsite reviews conducted by the SFA and did not ensure that these reviews took place. In addition, the SA did not ensure that the SFA conducted accountability reviews for all meal counting and claiming systems in the District's schools. (See Findings Nos. 2, 3, 4, 5, and 8.)
- The SA did not review expenditures, allowable costs, net cash resources, SFA management practices, program compliance, fiscal actions for overclaims, and contract expenditures. (See Findings Nos. 1, 2, 3, 4, and 5.)
- The SA did not ensure the SFA's compliance with the requirement to limit its net cash resources to an amount that does not exceed 3 months average expenditures from its nonprofit school food service. We found that in SY 1994, the NSLP and SBP accounts maintained a balance of \$8,212,000, or \$3,746,874 in excess of the 3-month average expenditure. In subsequent school years, the fund balance was not in excess of the 3-month average expenditure.

**Recommendation
No. 7a**

Require the SA to establish written procedures to ensure that the SA conducts and documents annual reviews of the SFA's onsite review program.

⁶ This and the other acts of noncompliance listed on this page are violations of requirements set forth in 7 CFR 210.18 and 210.19.

**Recommendation
No. 7b**

Require the SA to establish written procedures to ensure that SA program monitoring includes an evaluation of SFA expenditures, allowable costs, net cash resources, SFA management practices, contract expenditures, and other required areas of program management and compliance.

**Finding No. 8
The SFA Did Not
Conduct Reviews of
District of Columbia
Public Schools**

The SFA had not conducted all of the required onsite reviews of District of Columbia public schools to ensure the accuracy of meal counts prior to the submission of the monthly claim for reimbursement. In addition, for those reviews that had been conducted, we were unable to locate documentation to support any followup or administrative actions taken by the SFA. Although some onsite reviews had disclosed 5,845 excessive meal claims in SY's 1995 and 1996, no recovery actions were initiated on \$9,465 in overclaims.

According to 7 CFR 210.8, the SFA is required to establish internal controls to ensure the accuracy of lunch counts prior to the submission of the monthly claim for reimbursement. At a minimum, these internal controls should include an onsite review of the eligibility of children approved for free and reduced price lunches, the lunch counting and claiming system, and a system for following up on those lunch counts that suggest problems. Every school year, prior to February 1, the SFA is required to perform at least one onsite review of each school under its jurisdiction.

To comply with these requirements, the SFA developed accountability reviews. These reviews covered lunch counts at the point of service, recording and reporting meal counts, and student eligibility.

We obtained copies of the accountability reviews completed for SY's 1995 and 1996. During these years, there were 161 public schools within the SFA's jurisdiction where an accountability review should have been conducted. We found that the SFA did not complete all the necessary reviews for either year.

- For SY 1995, the SFA conducted reviews at 138 schools, or 86 percent. Of these 138 reviews, 102 were completed before February 1 and 36 were completed after February 1. In addition,

6 reviews were incomplete or prepared incorrectly, and 68 disclosed problems in either the lunch counting system, recording and reporting meal counts, or student eligibility. Twelve of these 68 reviews disclosed 3,859 overclaimed meals valued at \$6,260.

- In January of SY 1996, the SFA conducted reviews at 80 schools, or 50 percent. Twenty of these reviews were incomplete or prepared incorrectly, and 19 disclosed problems with the lunch counting system, recording and reporting meal counts, or student eligibility. Eight of the 19 reviews disclosed 1,986 overclaimed meals valued at \$3,204.

Documentation for the 1995 and 1996 reviews did not indicate that the SFA had required a refund for the overclaimed meals. There was evidence that the findings had been discussed with school officials, but no additional followup actions were documented.

FNS officials stated that accountability reviews should have been performed at all schools during SY's 1995 and 1996. For Provision 3 schools, the SFA should have reviewed the meal component standard to ensure that meals contained the nutritional elements as required by NSLP and SBP regulations.

**Recommendation
No. 8a**

Direct the SA to require the SFA to develop a system to ensure that accountability reviews are timely and accurately completed for all schools, each school year.

**Recommendation
No. 8b**

Direct the SA to require the SFA to develop a control process to ensure that all finding areas are fully documented, and that timely followup actions are taken on all recommendations for improvement or collection.

**Recommendation
No. 8c**

Direct the SA to require the SFA to refund the overclaims identified in accountability reviews, including overclaims totaling \$9,465 identified during SY's 1995 and 1996.

Finding No. 9

Six of the 25 SA school reviews we examined

**Coordinated Reviews
Did Not Follow Up On
Critical Violations**

identified significant violations in critical areas of school lunch operations, yet only 1 of those 6 reviews resulted in any followup at the schools to correct the problems. Our review found that for two of these critical areas, meal claims and eligibility, problems remained during our audit fieldwork. In SY 1997, 5 schools claimed 4,208 more meals than they had eligible students, and two schools claimed 112 more program participants than they had applications on file.

Regulations⁶ require the SA to conduct administrative reviews of all SFA's at least once during a 5-year review cycle beginning July 1, 1992. Administrative reviews represent the initial comprehensive onsite evaluations of all SFA's participating in the NSLP and SBP. FNS refers to these administrative reviews as CRE's. The DCPS SA completed their review cycle during the period between July 1, 1993 and June 30, 1995, and included 162 public schools and six private schools. The minimum number of schools the SA could include in its CRE was 15 public schools and all six private schools.⁷ The SA actually evaluated 20 public schools and 5 private schools.

CRE's include a review of "critical areas" of program compliance directly linked to reimbursements, such as eligibility certification, counting, and claiming for Performance Standard 1. The "critical area" for Performance Standard 2 is meal counting. Each performance standard has its "review threshold," or degree of error which, if exceeded, triggers a followup review. Review thresholds apply only to the critical areas and are designed to limit followup reviews to those SFA's with serious problems. The SA is required to notify FNS of the names of large SFA's exceeding critical area review thresholds. The focus of our review was specific critical areas of Performance Standard 1.

⁶ 7 CFR 210.18(c)(1), dated January 1, 1996.

⁷ The number of schools is outlined in Table A of 7 CFR 218(e)(1), which requires the SA to review all schools with a free average daily participation of 100 or more and a free participation factor of 100 percent or more.

Under Performance Standard 1, the review threshold is exceeded for eligibility if 10 percent or more of the free and reduced price lunches at a given number of schools are claimed incorrectly due to errors of certification, benefit issuance, or updating of eligibility status. For counting and claiming, the review threshold is exceeded if three or more schools are found to be inadequate in these areas.

Our review of 25 school reviews found critical area violations that exceeded the threshold limitation in 1 of the 5 private schools, and 5 of 20 public schools; however, FNS was not notified of these violations as required. The review conducted at the private school identified problems with eligibility certification in more than 10 percent of the applications. In this instance, the file showed that the CRE compliance staff made a followup review and that the problem had been corrected. The reviews conducted at the five public schools identified inadequate systems of counting and/or claiming. However, the CRE file did not indicate that a followup review sample had been selected or that corrective actions had been taken. The total overclaim for the five public schools was \$6,156. (For followup reviews, a new sample must be selected that includes those schools with inadequate systems, plus additional schools needed to equal the number of schools in the first review sample).

We selected a judgmental sample of seven schools (Turner, Wilkinson, Raymond, Meyer, Amidon, Lincoln, and Eastern) to determine compliance with the elements of Performance Standard 1 relating to eligibility certification, counting and claiming. We reviewed meal claims for the months of October 1995 and October 1996.⁸ Our review showed that Turner, Meyer, Wilkinson, Raymond and Amidon schools claimed reimbursement for 4,208 more meals than the number of eligible students enrolled in the program. These overclaims were not identified as part of the SA's CRE.

⁸ In school year 1996, Wilkinson, Lincoln, and Raymond were converted to Provision 3 schools, which are not required to conduct meal counts. Therefore, we only reviewed meals claimed at these schools for October 1995.

Our review of documentation also showed that Wilkinson claimed to have 711 free and reduced price applications on file; however, our count of applications for Wilkinson totaled 607. Raymond likewise claimed to have 513 free and reduced price applications on file, but we counted only 505. For Provision 3 schools such as these, since free and reduced price eligibility determinations are not required for a 4-year period, any error in the number of eligible students claimed in 1995 (the base year) is carried over and will have an impact on the accuracy of meals claimed for reimbursements for each subsequent school year.

***Recommendation
No. 9a***

Require the SA to prepare "supervisory review documentation" that shows the recommended and actual resolution of findings and overclaims.

***Recommendation
No. 9b***

Require the SA to establish controls to ensure that FNS is notified, and followup reviews are conducted where critical area violations exceed threshold limitations.

***Recommendation
No. 9c***

To ensure the accuracy of meals claimed for reimbursement, require the SA to review eligibility certifications for all Provision 3 schools in SY's 1995 and 1996, and report the results to FNS.

**CHAPTER 7- ISSUE V
IMPROVEMENTS ARE NEEDED IN
CONTRACT ADMINISTRATION**

Contracts awarded for goods and services in support of the NSLP and SBP are not properly administered. The DCPS did not adhere to its procurement procedures, and did not enforce the terms and conditions of contracts. We question \$1,729,424 in unsupported payments to one contractor who did not provide goods and services in accordance with provisions of the contract. We also question an overpayment of \$10,999 and \$728,485 in unsupported costs paid for milk products, and \$113,548 in NSLP and SBP funds used to pay for salaries of non-food service workers and overtime that exceeded the contract terms.

As of April 1997, the District had entered into 25 active contracts that were over \$10,000 each. Of these contracts, which totalled \$20,860,315, we judgmentally selected four food contracts with a total value of \$15,781,435, and one milk product contract valued at \$1,202,791. These five contracts were selected because of their high dollar value.

Two of the contracts were included in our sample because they were awarded during the period that the District of Columbia Financial Responsibility and Management Assistance Authority, known as the Control Board, was in place. The Control Board was responsible for reviewing the complete bid package that had been submitted by the vendor and approved by the contracting and procurement branch. However, the types of problems identified during our review of contracting procedures would not be detected as part of the Control Board's review. In addition, current controls in place are not adequate to prevent problems identified in our review from recurring.

We reviewed the selected contracts to determine whether they were properly approved, their terms and conditions were met, their stipulated amounts were not exceeded, and the payments made under them were in accordance with procurement procedures.

***Finding No. 10
Terms And Conditions
Of The Contracts
Were Not Met***

The District entered into a contract with the newly formed Harbor Peak on December 14, 1995, to provide preplated breakfast and lunch menu components to District public schools. The contract was for 1 year with the option for four additional 1-year renewals based on the appropriation of funds and satisfactory performance. The total value of the contract with the renewals was \$9,139,110.

The SFA Director stated that this contract was in place when she started and was a "fiasco" from the start. She stated that she constantly brought the contractor's lack of performance to the attention of Procurement Branch officials. The contractor failed to obtain a necessary line of credit and failed to consistently deliver food components called for in the contract.

***Contractor Did
Not Obtain a Line of
Credit***

According to page 45 of the contract, Item 33(k), the prospective contractor must provide documentation verifying adequate capital assets and resources to procure the food items from suppliers within 48 hours. However, as early as December 1995, the contractor had failed to make payments to vendors supplying food for delivery to DCPS. In addition, the contractor is required to have a line of credit of at least \$700,000 with a financial institution to exclusively support the contract. However, correspondence in the SFA contract file and discussions with procurement officials disclosed that this line of credit was not in place when the contract was awarded, nor did they provide it at a later date. We were unable to determine why this requirement was not enforced.

***Contractor Did
Not Deliver All Food
Components***

Memoranda dating from March 26, 1996, to June 12, 1996, from the SFA Director to the procurement branch identified contractor defaults in critical areas, including late delivery and nondelivery of food items, insufficient quantities of food delivered to the schools, perishable foods delivered in unrefrigerated trucks, and the delivery of food items that did not appear to be fresh and did not meet program requirements.

In her March 26, 1996, memorandum, the SFA Director expressed her concerns about Harbor Peak:

"The vendor's failure to deliver products in compliance with the delivery schedule and instruction clearly violates the contract agreement. This failure to deliver product as specified will result in the component feeding schools being unable to meet the established USDA school lunch meal pattern requirement.... The Food Services Branch feels that Harbor Peak is not responding properly to its contract obligations, thereby underserving students and forcing the [School District] to expend funds to service the Joint Venture contract as to assure not forfeiting approximately \$100,000 in reimbursement."

In an April 29, 1996, memorandum, the SFA Director requested an emergency purchase order to pay for food delivered by another vendor as a result of Harbor Peak's nonperformance of the contract.

According to page 41 of the contract, Item 15, if the vendor fails to deliver food in conformance with the specifications, liquidated damages may be assessed. Correspondence showed that the SFA Director had requested reimbursements in accordance with the liquidated damage clause of the contract, but it did not show that any fines or assessments had been levied prior to August 7, 1996. On August 7, 1996, the SFA assessed fines against the contractor totaling \$193,640 for failure to deliver food and equipment from December 15, 1995, through June 7, 1996.

In a July 1, 1997, memorandum to the DCPS Chief Executive Officer, Harbor Peak requested release of these funds. As of February 1998, the SA Director stated that they are continuing to withhold payment to the contractor for these assessments.

According to contract terms, the District may terminate all or part of the contract if the contractor fails to make delivery and does not cure such failure within a period of 10 days after being put on notice. Harbor Peak received "cure letters" dated March 26 and March 28, 1996, summarizing the unsatisfactory performance. However, the SFA continued to provide the procurement branch with documentation which outlined the continuing nondelivery of food items after March 29, 1996.

The contract was terminated on June 13, 1996, due to the contractor's inability to cure contract defaults. In November 1996 and October 1997, new contracts were awarded to three vendors to provide preplated breakfasts and lunches to District schools.

**Recommendation
No. 10**

Direct the SA to require the SFA to develop controls to ensure that timely actions are taken against contractors who are not performing in accordance with the terms and conditions of the contract, including assessing liquidated damages.

**Finding No. 11
Contractors Did Not
Comply With
Invoicing Procedures**

In spite of DCPS procurement procedures, SFA officials allowed contractors to submit invoices for payment even though the contractors had not obtained acknowledgment from school authorities that the deliveries were received by the schools. Two contractors submitted invoices that contained calculation errors. SFA officials did not always detect the errors and were not able to reconcile the invoices to delivery documents to determine if all deliveries were made. We found invoices for over \$2.4 million in deliveries that were not supported by delivery documents.

DCPS procurement procedures and the terms of each contract require that the contractor provide an invoice in triplicate for each delivery, with the original to be mailed to the DCPS Food Service Branch. Payments are to be made on a monthly basis after receipt of itemized invoices from the contractor to the receiving activity, and only after performance of the contract in accordance with all provisions.

A food service official responsible for handling invoices and shipping documents stated that when a vendor makes deliveries to the school cafeterias, the cafeteria worker performs an inventory of items received and makes corrections on the delivery document as needed. The cafeteria worker signs the delivery document and returns it to the vendor; however, a copy of the delivery document is not maintained by the cafeteria worker or forwarded to the accounting department. The vendor forwards the delivery document and invoice to the SFA. SFA personnel compare the invoices to the delivery document, and make corrections to the invoice to

reflect any differences. A voucher is prepared and submitted to finance authorizing payment.

We reviewed invoices submitted by Harbor Peak and Dairy Maid Dairy to assess the appropriateness of billings and payments to vendors.

**Harbor Peak
Joint Venture**

Harbor Peak submitted approximately 72 invoices for food services from December 22, 1995 through June 14, 1996, totalling \$1,814,915. However, SFA officials were able to provide us with delivery documents that supported only one invoice for \$85,491 in deliveries to schools for 5 days (January 5, and January 15-18, 1996). Because of the lack of supporting documentation for the remaining 71 invoices, we question the payment of \$1,729,424 to Harbor Peak. (See exhibit A.)

Our review of the delivery documents available disclosed that they were not always signed by a cafeteria worker. We noted delivery dates that were scratched out and replaced with another date, and notations of "can't get in" on delivery documents.

Harbor Peak did not always submit the delivery documents and invoices at the same time. Therefore, SFA officials did not always perform a reconciliation between the delivery documents prepared for each school and the vendor's invoices prior to forwarding vouchers to the Division of Finance to authorize payment. To date, such reconciliations are still not being performed by the SFA.

In February 1996, SFA officials began reviewing invoices submitted by Harbor Peak and found that 51 of the 72 invoices contained errors totaling \$51,122. We were unable to verify the accuracy of the SFA's reviews due to the lack of supporting documentation. The errors were in calculations of unit prices and quantities of items delivered to the schools. As a result, invoices from Harbor Peak were to be adjusted to reflect the billing errors. However, we noted that only \$1,469 of the \$51,122 was actually offset.

Dairy Maid Dairy

On March 30, 1996, DCPS entered into a contract with Dairy Maid Dairy to provide milk, cream, juice, and related products. According to the contract, deliveries were to include approximately 9,000 half

pints of milk needed daily for 30 days during June, July, and August to support the Summer Food Service Program for Children. The estimated value of the contract was \$1,202,791. Total purchases made against the contract amounted to \$779,831, of which the vendor had been paid \$739,484 at the time of our review. However, we were not provided with the delivery documents to support the receipt of goods. (See exhibit A.)

We reviewed all of the invoices submitted by Dairy Maid to determine if amounts billed were accurately computed and if unit prices were appropriately charged. We found that invoices were submitted for deliveries made "for principal's conferences," and to Martins, Inc., a vendor that supplied meals in support of the District's Summer Feeding Program. For these invoices, we found that unit prices charged were in excess of the contract price. We also noted items included in amounts charged that were not in the contract. We recomputed the invoices, compared them to amounts paid to Dairy Maid, and calculated \$10,999 of the \$739,484 paid to Dairy Maid as overpayments. (See exhibit A.)

**Recommendation
No. 11a**

Direct the SA to require the SFA to obtain documentation to support payment of \$1,729,424 to Harbor Peak, or refund the money to the school food service account.

**Recommendation
No. 11b**

Direct the SA to require the SFA to obtain documentation to support payment of \$728,485 to Dairy Maid Dairy, or refund the money to the school food service account.

**Recommendation
No. 11c**

Direct the SA to require the SFA to recover the \$10,999 in overpayments made to Dairy Maid Dairy.

**Recommendation
No. 11d**

Direct the SA to require the SFA to develop written procedures for the timely reconciliation of invoices to supporting documentation prior to authorizing payments to contractors.

**Recommendation
No. 11e**

Direct the SA to require the SFA to develop controls to ensure that delivery documents are properly approved by the receiving unit and forwarded independently to the SFA for reconciliation with vendor invoices prior to payment authorization.

**Recommendation
No. 11f**

Direct the SA to require the SFA to develop procedures to ensure that payments are made only for those items identified under the contract, and for the amount cited in the contract.

**Recommendation
No. 11g**

Require the SA to develop procedures to ensure that the SFA maintains documents for a period of 3 years after submission of the final claim for reimbursement for the fiscal year.

**Finding No. 12
Payments For Food
Service Workers
Exceeded Contract
Amount**

The SFA Director approved the continued employment of temporary food service workers after the amount of the contract they were employed under ran out after four months into the school year. Contract services provided under the 1-year contract totaled \$971,472 and were paid in full, even though the contract was awarded for \$340,000. We found that in addition to the \$631,472 paid in excess of the original contract amount, \$113,548 in NSLP and SBP funds were used to pay the salaries of non-food service workers and for overtime that exceeded the contract terms. (See exhibit A.) Given the circumstances of this case, we question the use of a 1-year contract as a vehicle to employ temporary workers.

Due to a freeze in hiring, the DCPS entered into a 1-year \$340,000 contract with Potomac Personnel in August 1995 to provide temporary food service employees to work in the DCPS Food Service Branch, or at any of the schools in the system for the upcoming school year. Multiple purchase orders could be issued against the contract, but only for amounts that did not exceed the total value of the contract.

According to 5 CFR 300, subpart 300.503, an agency may enter into a contract with a temporary help service firm for the brief or intermittent use of personnel where the agency must carry out work for a temporary period that cannot be delayed. Subpart 300.504(b) also states that an agency's use of private sector temporaries shall not exceed an overall duration of 120 calendar days.

In October 1995 and January 1996, the procurement branch approved purchase orders for \$68,000 and \$300,000, respectively, for services provided by Potomac Personnel. These purchase orders exceeded the contract amount by \$28,000. Documentation showed that the SFA Director notified the procurement

officer in a December 1995 memorandum that the current contract would require a \$1,020,000 addendum to purchase 120,000 man-hours needed to staff the school cafeterias through SY 1996. The SFA Director informed us that the contract hours estimated by the previous director were unrealistic, and that she knew during the initial phase of the contract that services ordered would exceed the contract amount.

The procurement officer approved a modification in February 1996 to increase the original contract from \$340,000 to \$368,000, but he denied the request for the \$1,020,000 increase. Nevertheless, the SFA Director continued to allow Potomac Personnel to provide services totaling \$971,472, which exceeded the purchase orders by \$603,472.

The SFA Director stated that she continued to order temporary workers because they were needed to operate the NSLP and SBP. The accounts payable manager submitted vouchers to the Division of Finance for payments to Potomac Personnel. However, payments were withheld by the Division of Finance because the contract amount had been exceeded.

In a March 1996 memorandum to the procurement officer, the SFA Director stated that while she did not receive a response to her December 1995 memorandum until February 1996, she approved the use of time, and thereby the expenditure, for the temporary workers. She also stated that they were using the Potomac Personnel because they could not fill vacant positions during the hiring freeze, they could not privatize the food services that year, and they could not get the procurement branch to put an addendum on the contract.

The procurement officer stated in an April 1996 memorandum to the legal branch that it would not be appropriate to increase the Potomac Personnel contract to \$1,020,000, and that the SFA Director had not provided a scope of work for a new contract even though Potomac Personnel was continuously providing services. The District finally approved a payment to Potomac Personnel under procedures⁹ allowing for

⁹ District of Columbia Public School's Procurement Procedures Manual, chapter 3, section 606.4, dated November 1987.

"quantum meruit," that is, payment for unauthorized services that are subsequently found to be in the best interests of the school system. A contract modification was approved in June 1996 to increase the cost to \$1,109,183.

Our review of the costs incurred under this contract also noted several inappropriate charges made to the NSLP and the SBP. Specifically,

- \$91,187 was used to pay for services provided by non-food service workers, including data entry personnel, a secretary, laborer, payroll clerk, administrative assistant, receptionist, and a supervisor,
- \$13,659 was charged to the contract for work performed during a period prior to the contract's existence, and
- \$8,702 was paid to food service workers for overtime that was charged at a rate of \$12 per hour instead of the \$8.50 per hour stated in the contract. Also, these workers exceeded the maximum 6 hours per shift, or 30 hours per week, as allowed by the contract.

The SFA Director stated that she was aware that some charges were not in accordance with the contract. The accounts payable manager stated that she knew of employees charged to the contract who were actually working at the Food Services Branch warehouse. The accounts payable manager also stated that the invoices should have been reviewed to determine compliance with the contract terms and ensure that the contract amount was not exceeded. However, this review was not performed.

Sections 606.1 and 606.3 of Chapter 3 of the DCPS Procurement Manual state that the school system shall not be bound by agreements made by persons to whom procurement authority has not been delegated, and that individuals making unauthorized purchases may become personally liable and subject to other disciplinary action.

**Recommendation
No. 12a**

Direct the SA to require DCPS to reimburse \$113,548, to the school food service account, funds used to pay the salaries of non-food service workers and overtime that exceeded the contract terms.

**Recommendation
No. 12b**

Direct the SA to require the SFA to establish procedures to ensure that employees paid from NSLP and SBP funds are performing duties in support of these programs.

**Recommendation
No. 12c**

Direct the SA to require the SFA to develop procedures to ensure that contract modifications are processed in a timely manner to allow service delivery under a valid contract.

**Recommendation
No. 12d**

Direct the SA to require the SFA to determine the legality of using a 1-year contract for temporary workers.

**CHAPTER 8 - ISSUE VI
CONTROLS OVER PERSONNEL POSITIONS
AND SALARY COST ALLOCATIONS
WERE INADEQUATE**

Controls over the payment of salaries were insufficient to preclude the use of NSLP and SBP funds to pay for activities that were not in support of the program. Personnel files did not include personnel documents to support positions and salary costs charged to the NSLP and SBP grants. SFA officials were unaware of the requirement to perform semiannual reviews of payroll records to ensure that salaries paid to employees were for services performed solely in support of USDA grant activities. Also, employees' Time and Attendance (T&A) reports were signed and certified as correct by supervisory officials even though the T&A's did not accurately reflect where the work was performed.

We determined that \$74,561 in unallowable salary costs were charged to NSLP and SBP grant funds, and State administrative expense (SAE) funds for Child Nutrition Programs. In addition, \$325,184 was charged to the NSLP and SBP for employees who provided services while working in positions that had not been properly approved by the Chief Financial Officer.

To review personnel assignments and costs, we used a random numbers table and selected a sample of employees from the 608 food service employees who were paid salaries from NSLP and SBP grant funds and District matching funds in FY 1996. We selected 62 employees from 5 pay plans and 24 job classifications as shown on payroll records and the DCPS Management Information System data base. Our sample included 22 SFA employees who were paid from NSLP and SBP grant funds, 32 employees whose accumulated salaries had a one-time charge against NSLP and SBP grant funds, and 8 employees whose salaries were paid from District of Columbia appropriated money and counted towards the State revenue matching requirement.

Finding No. 13
Unallowable Salary
Costs Were Charged
To The NSLP And SBP

The salaries of two employees who had worked in the DCPS Office of Special Education and Division of Administrative Services were improperly charged to the NSLP and SBP grant funds. Payroll documents for these employees did not show a temporary transfer from program to nonprogram duties. The District paid these employees \$62,425 from NSLP and SBP funds, and \$12,136 from SAE funds for work performed that was not in support of these programs. (See exhibit A.)

OMB Circular No. A-87, Attachment A, states that a cost is allocable if the goods or services are chargeable in accordance with relative benefits received. In addition, direct costs are allowable costs chargeable to Federal awards for "compensation of employees for time devoted and identified specifically to the performance of those awards." The District's Office of Pay and Retirement Agency Time and Attendance Manual states that supervisors' certifications on T&A reports should confirm that the employees performed the services as recorded on the T&A reports, and that the employees' work location on the T&A report is correct.

Employee A worked for the SFA until February 7, 1996, and was detailed to the Office of Special Education, accounts payable branch on February 8, 1996, to handle invoices for services provided to handicapped children in District schools. The SFA approved this detail; however, neither the supervisor at the SFA nor the Office of Special Education processed a personnel action request form reflecting the detail.

In addition, employee A's immediate supervisor at the Office of Special Education certified that all T&A reports were correct even though the T&A showed that the work location was the SFA Food Service warehouse instead of the Goding Building, where the employee actually worked.

The employee's detail lasted from February 8, 1996, until he retired on March 30, 1997. During this period, employee A was paid \$62,425 from the NSLP and SBP grant funds for work performed as an accountant at the Office of Special Education.

Employee B worked at the SFA through the pay period ending January 18, 1997. Effective with the pay period beginning January 19, 1997, the employee was

detailed to the Office of Chief Operations Officer, Administrative Services Division, to work in supply acquisitions. Division officials stated that employee B's detail was intended to be temporary, and neither of the employee's immediate supervisors at either the Administrative Services Division or the SFA processed a personnel action request form. However, the division supervisor certified that all T&A reports were correct, even though they showed the Food Service warehouse as the work location instead of the Presidential Building, where the employee actually worked.

From the pay period beginning January 19, 1997, to July 19, 1997, the employee was paid \$12,136 from SAE funds for work performed at the Office of Chief Operations Officer.

Attachment B of the Circular also states that "where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually, and be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee." In addition, payrolls must be supported by T&A or equivalent records for individual employees.

The District of Columbia's Office of Pay and Retirement Agency Time and Attendance Manual states, in part, that supervisors are to ensure that employees for whom T&A reports are submitted have complied with all requirements for payment. The supervisor's certification confirms and asserts that the employees performed the services as recorded on the T&A reports, and that the employees' work location on the T&A report is correct. According to personnel officials, they were not aware of these regulations.

**Recommendation
No. 13a**

Direct the SA to require DCPS to refund to the school food service account, \$62,425 in salary paid to employee A for work performed that was not in support of the NSLP and SBP.

**Recommendation
No. 13b**

Require the SA to refund \$12,136 for work performed by employee B that was not in support of Child Nutrition Programs.

**Recommendation
No. 13c**

Direct the SA to require the SFA to establish controls to ensure that personnel files include updated documentation to support positions and salary costs charged to the NSLP and SBP grants.

**Recommendation
No. 13d**

Direct the SA to require the SFA to establish procedures for supervisors to periodically certify that the actual work performed by employees being paid from NSLP and SBP funds is in support of these programs.

**Finding No. 14
Personnel Positions
Had Not Been
Properly Approved**

Personnel positions had not been properly established and approved by the Chief Financial Officer prior to being filled. Consequently, \$325,184 was charged to the NSLP and SBP for employees who provided services while working in unapproved personnel positions. (See exhibit A.)

OMB Circular No. A-87, Attachment B, requires that individual employee compensation for personnel services follow an appointment made in accordance with the unit's laws and rules.

DCPS hiring procedures require all managers to fill vacancies by submitting personnel action request forms to the personnel office. Each request form indicates the funding source for the position and, if appropriate, the grant to be charged. The forms are routed to the Chief Financial Officer for approval of the position and funding. When the position is approved, an account code is set up which identifies all employment, payroll, and work location characteristics of the employee. The Chief Financial Officer is required to certify that the code is correct.

During our review, we noted that the personnel files did not always contain the required documents and records. A current personnel action request form could not be located in 20 of 62 personnel files reviewed. Additionally, the Chief Financial Officer had not certified to the accuracy of the account codes. Therefore, there was no evidence that these 20 positions were approved for funding, and NSLP and SBP grant funds should not have been used to pay

personnel costs totaling \$325,184 for unapproved positions.

Personnel units are required to review all personnel files on an annual basis and adjust or correct any missing or inaccurate records at the time of their review. These reviews were inadequate.

**Recommendation
No. 14a**

Direct the SA to require the SFA to perform a review of all food service employees' personnel files to identify those personnel actions that have not been approved by the Chief Financial Officer.

**Recommendation
No. 14b**

For any unapproved personnel positions, including those disclosed in our review with personnel costs totaling \$325,184, require the SA to refund the salaries to FNS or the school food service account, as appropriate.

**Recommendation
No. 14c**

Require the SA to develop procedures to ensure that all personnel actions are properly approved by the Chief Financial Officer.

**CHAPTER 9 - ISSUE VII
GRANT FUNDS WERE IMPROPERLY USED FOR
REDUCTION-IN-FORCE AND RETIREMENT
INCENTIVE PAYMENTS**

Finding No. 15

The Division of Finance did not obtain FNS' approval to charge grant funds for reduction-in-force (RIF) severance payments and retirement incentive payments (RIP). DCPS officials were not aware of procedures requiring approval from FNS before grant funds were used for these payments. As a result, in SY's 1995, 1996 and 1997, \$160,210 in NSLP and SBP program funds were paid to former employees for severance and incentive payments. (See exhibit A.)

Federal guidance¹⁰ states that "abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal Agency."

The District's schools offered a retirement incentive in the form of a cash bonus to employees who retired as of June 30, 1993. The bonus was to be paid in three equal annual installments. An additional retirement incentive was offered to employees in August 1994 to be paid in 24 equal monthly installments. In 1996, the District schools implemented a RIF policy and provided severance payments. Neither the retirement nor the RIF procedures included a requirement that FNS approve the incentive payments on a case-by-case basis.

At our request, the SFA provided a list of food service employees who had retired or who had been terminated or forced to resign in SY 1996. For each of these employees, the personnel office provided the date separated, terminated, or retired. We also obtained the District's payroll cost report, which showed the payments made to employees receiving RIF pay for each pay period, and we reviewed the District's "Bonus Book," which showed the payments

¹⁰ OMB Circular No. A-87, "Cost Principles for State, Local, and Indian Tribal Governments, attachment B, dated May 4, 1995.

made to employees receiving retirement incentives. We determined that during FY's 1995 through 1997 grant funds were used without FNS approval to provide retirement incentives and RIF bonuses totaling \$160,210.

TYPE OF SEVERANCE PAYMENT	FISCAL YEAR	SUMMARY OF EXPENDITURES
Easy Out RIP	1995	\$2,810.67
Easy Out RIP	1996	21,053.34
Easy Out RIP	1997	116,218.20
TOTAL RIP PAYMENTS		140,082.21
TOTAL RIF SEVERANCE PAYMENTS	1997	20,127.78
TOTAL DISALLOWED COST		\$160,209.99

**Recommendation
No. 15a**

Require the SA to obtain FNS' approval for severance payments totaling \$160,210, or refund these payments to the school food service account.

**Recommendation
No. 15b**

Require the SA to incorporate OMB Circular A-87 requirements into DCPS RIF and RIP policies as they relate to cognizant Federal agency approval of severance payments.

CHAPTER 10 - GENERAL COMMENTS

According to 7 CFR 210.5(d)(2), the SA is required to provide a Financial Status Report, SF-269, on a quarterly basis. The SA is also required to submit an Annual Report of Revenues, FCS-13, which identifies the State revenues to be counted toward the State revenue matching requirements. For SY 1996/1997, the minimum amount of revenue match required from the District's SA was \$530,758, which was met.

The SA maintains responsibility for ensuring that these documents are submitted timely and accurately in order to continue participating in the program. However, we found that the SF-269's and FCS-13's were prepared by the Division of Finance and signed by the controller without being provided to the SA for review prior to being forwarded to FNS.

Our review of the FCS-13 for the school year ended June 30, 1996, disclosed that the Division of Finance reported \$2,335,392 as the amount to be counted towards the SA's revenue matching requirement. This included personnel costs from September 1995 through September 1996 totaling \$1,463,103, and cafeteria sales of \$872,289. However, the reporting period should have been from September 1995 through June 1996, with personnel costs of \$1,460,361. In addition, the cafeteria sales should not have been counted towards the revenue match since funds generated from this activity are considered as part of net cash resources. Therefore, the \$2,335,392 reported on the FCS-13 as the revenue match was overstated by \$875,031.

The SA Director stated that she was aware that cafeteria sales should not have been included as part of the revenue matching requirement and would have corrected this if the FCS-13 had been presented to her for review. The \$1,460,361 that the SA actually paid towards the revenue match was sufficient to satisfy the minimum matching requirement.

To improve the accuracy of the FCS-13, procedures should be developed to ensure that financial reports

related to the NSLP and SBP are reviewed for accuracy by SA officials before being forwarded to FNS.

**CHAPTER 11 - EXHIBIT A
SUMMARY OF MONETARY RESULTS**

Finding No.	Description	Amount	Category
1	Unallowable expenses paid from NSLP and SBP Funds	\$4,247,700	Questioned Costs Recovery Recommended
2	Reimbursements received for Ineligible Meals Served	\$44,994	Questioned Costs Recovery Recommended
5	Excess reimbursement received for free and reduced price meals served (See exhibit B)	\$6,839	Unsupported Costs Recovery Recommended
11	Unsupported payments made to Harbor Peak	\$1,729,424	Unsupported Costs Recovery Recommended
11	Unsupported payments made to Dairy Maid Dairy	\$728,485	Unsupported Costs Recovery Recommended
11	Overpayments made to Dairy Maid Dairy	\$10,999	Questioned Costs Recovery Recommended
12	Salaries paid to non-food service workers and excessive overtime	\$113,548	Questioned Costs Recovery Recommended
13	Salaries paid to employees for work performed that was not in support of the NSLP and SBP	\$74,561	Questioned Costs Recovery Recommended
14	Unapproved Personnel Positions	\$325,184	Unsupported Costs Recovery Recommended
15	Unapproved Severance Payments	\$160,210	Unsupported Costs Recovery Recommended
TOTAL:		\$7,452,943	

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **RAYMOND**

CALENDAR DAYS FOR OCTOBER 1995	FREE LUNCHES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE FREE APPLICATIONS	FREE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.6225 PER FREE MEAL
2	500	468	32	\$51.92
3	490	468	22	\$35.70
4	500	468	32	\$51.92
5	500	468	32	\$51.92
6	500	468	32	\$51.92
10	500	468	32	\$51.92
11	500	468	32	\$51.92
12	500	468	32	\$51.92
13	490	468	22	\$35.70
16	350	468	0	\$0.00
17	485	468	17	\$27.58
18	435	468	0	\$0.00
19	444	468	0	\$0.00
20	444	468	0	\$0.00
23	440	468	0	\$0.00
24	443	468	0	\$0.00
25	450	468	0	\$0.00
26	440	468	0	\$0.00
27	445	468	0	\$0.00
30	450	468	0	\$0.00
31	450	468	0	\$0.00
Total			285	\$462.42

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: WILKINSON

CALENDAR DAYS FOR OCTOBER 1995	FREE LUNCHESES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE FREE APPLICATIONS	FREE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.6225 PER FREE MEAL
2	610	575	35	\$56.79
3	658	575	83	\$134.67
4	652	575	77	\$124.93
5	633	575	58	\$94.11
6	638	575	63	\$102.22
10	627	575	52	\$84.37
11	620	575	45	\$73.01
12	613	575	38	\$61.66
13	617	575	42	\$68.15
16	139	575	0	\$0.00
17	621	575	46	\$74.64
18	613	575	38	\$61.66
19	616	575	41	\$66.52
20	602	575	27	\$43.81
23	621	575	46	\$74.64
24	622	575	47	\$76.26
25	608	575	33	\$53.54
26	612	575	37	\$60.03
27	614	575	39	\$63.28
30	620	575	45	\$73.01
31	601	575	26	\$42.19
Total			918.00	\$1,489.49

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **AMIDON**

CALENDAR DAYS FOR OCTOBER 1996	FREE LUNCHES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE FREE APPLICATIONS	FREE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.66 PER FREE MEAL
1	229	226	3	\$4.98
2	230	226	4	\$6.64
3	228	226	2	\$3.32
4	217	226	0	\$0.00
7	201	226	0	\$0.00
8	199	226	0	\$0.00
9	202	226	0	\$0.00
10	204	226	0	\$0.00
11	203	226	0	\$0.00
15	212	226	0	\$0.00
16	201	226	0	\$0.00
17	227	226	1	\$1.66
18	205	226	0	\$0.00
21	214	226	0	\$0.00
22	214	226	0	\$0.00
23	214	226	0	\$0.00
24	214	226	0	\$0.00
25	214	226	0	\$0.00
28	221	226	0	\$0.00
29	220	226	0	\$0.00
30	217	226	0	\$0.00
31	220	226	0	\$0.00
Total			10	\$16.60

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **AMIDON**

CALENDAR DAYS FOR OCTOBER 1995	FREE LUNCHES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE FREE APPLICATIONS	FREE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.6225 PER FREE MEAL
2	230	219	11	\$17.85
3	227	219	8	\$12.98
4	224	219	5	\$8.11
5	195	219	0	\$0.00
6	199	219	0	\$0.00
10	225	219	6	\$9.74
11	229	219	10	\$16.23
12	211	219	0	\$0.00
13	205	219	0	\$0.00
16	123	219	0	\$0.00
17	211	219	0	\$0.00
18	211	219	0	\$0.00
19	198	219	0	\$0.00
20	208	219	0	\$0.00
23	224	219	5	\$8.11
24	229	219	10	\$16.23
25	230	219	11	\$17.85
26	229	219	10	\$16.23
27	231	219	12	\$19.47
30	217	219	0	\$0.00
31	220	219	1	\$1.62
Total			89	\$144.42

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **TURNER**

CALENDAR DAYS FOR OCTOBER 1996	FREE LUNCHES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE FREE APPLICATIONS	FREE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.66 PER FREE MEAL
1	590	508	82	\$136.12
2	543	508	35	\$58.10
3	555	508	47	\$78.02
4	549	508	41	\$68.06
7	559	508	51	\$84.66
8	520	508	12	\$19.92
9	532	508	24	\$39.84
10	568	508	60	\$99.60
11	551	508	43	\$71.38
15	513	508	5	\$8.30
16	549	508	41	\$68.06
17	510	508	2	\$3.32
18	420	508	0	\$0.00
21	506	508	0	\$0.00
22	562	508	54	\$89.64
23	528	508	20	\$33.20
24	529	508	21	\$34.86
25	515	508	7	\$11.62
28	548	508	40	\$66.40
29	566	508	58	\$96.28
30	569	508	61	\$101.26
31	580	508	72	\$119.52
TOTAL			776	\$1,288.16

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **TURNER**

CALENDAR DAYS FOR OCTOBER 1996	REDUCED PRICE LUNCHESES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE REDUCED PRICE APPLICATIONS	REDUCED PRICE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.26 PER REDUCED PRICE MEAL
1	0	1	0	\$0.00
2	0	1	0	\$0.00
3	0	1	0	\$0.00
4	0	1	0	\$0.00
7	5	1	4	\$5.04
8	5	1	4	\$5.04
9	6	1	5	\$6.30
10	5	1	4	\$5.04
11	3	1	2	\$2.52
15	0	1	0	\$0.00
16	0	1	0	\$0.00
17	1	1	0	\$0.00
18	1	1	0	\$0.00
21	2	1	1	\$1.26
22	2	1	1	\$1.26
23	2	1	1	\$1.26
24	1	1	0	\$0.00
25	3	1	2	\$2.52
28	3	1	2	\$2.52
29	3	1	2	\$2.52
30	3	1	2	\$2.52
31	3	1	2	\$2.52
TOTAL			32	\$40.32

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **MEYER**

CALENDAR DAYS FOR OCTOBER 1995	REDUCED PRICE LUNCHESES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE REDUCED PRICE APPLICATIONS	REDUCED PRICE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.2225 PER REDUCED PRICE MEAL
2	6	9	0	\$0.00
3	6	9	0	\$0.00
4	6	9	0	\$0.00
5	0	9	0	\$0.00
6	0	9	0	\$0.00
10	9	9	0	\$0.00
11	10	9	1	\$1.22
12	12	9	3	\$3.67
13	11	9	2	\$2.45
16	2	9	0	\$0.00
17	10	9	1	\$1.22
18	9	9	0	\$0.00
19	3	9	0	\$0.00
20	5	9	0	\$0.00
23	0	9	0	\$0.00
24	10	9	1	\$1.22
25	12	9	3	\$3.67
26	8	9	0	\$0.00
27	8	9	0	\$0.00
30	14	9	5	\$6.11
31	5	9	0	\$0.00
Total			16	\$19.56

**CHAPTER 12 - EXHIBIT B
EXCESS REIMBURSEMENT RECEIVED
FOR FREE AND REDUCED PRICE MEALS**

SCHOOL: **MEYER**

CALENDAR DAYS FOR OCTOBER 1995	FREE LUNCHES CLAIMED PER WEEKLY TALLY REPORT	OIG'S COUNT OF ELIGIBLE FREE APPLICATIONS	FREE MEALS OVERCLAIMED	OVERCLAIMED AMOUNT @ \$1.6225 PER FREE MEAL
2	459	369	90	\$146.03
3	457	369	88	\$142.78
4	461	369	92	\$149.27
5	475	369	106	\$171.99
6	470	369	101	\$163.87
10	501	369	132	\$214.17
11	478	369	109	\$176.85
12	500	369	131	\$212.55
13	497	369	128	\$207.68
16	211	369	0	\$0.00
17	501	369	132	\$214.17
18	492	369	123	\$199.57
19	429	369	60	\$97.35
20	469	369	100	\$162.25
23	479	369	110	\$178.48
24	472	369	103	\$167.12
25	475	369	106	\$171.99
26	446	369	77	\$124.93
27	489	369	120	\$194.70
30	472	369	103	\$167.12
31	440	369	71	\$115.20
Total			2,082	\$3,378.07

**CHAPTER 13 - EXHIBIT C
COMPARISON BETWEEN FNS 10 REPORT,
WEEKLY TALLY REPORT,
AND TRANSMITTAL FORM**

SCHOOL	MONTH	DATA REPORTED	FNS 10 REPORT	WEEKLY TALLY REPORT	TRANSMITTAL FORM
Amidon	Oct 1996	Enrollment	409	402*	409
Turner	Oct 1996	Enrollment	661	661	661
Meyer	Oct 1996	Enrollment	615	602*	609*
Eastern	Oct 1996	Enrollment	1,654	1,512*	1,654
Amidon	Oct 1996	Approved Free	221	223*	221
Turner	Oct 1996	Approved Free	622	653*	672*
Meyer	Oct 1996	Approved Free	593	572*	583*
Eastern	Oct 1996	Approved Free	841	500*	841
Amidon	Oct 1995	Enrollment	396	437*	396
Turner	Oct 1995	Enrollment	683	683	683
Meyer	Oct 1995	Enrollment	585	587*	585
Eastern	Oct 1995	Enrollment	1,653	1,653	Blank_2_/
Wilkinson	Oct 1995	Enrollment	727	727	None_1_/
Raymond	Oct 1995	Enrollment	640	640	640
Lincoln/Bell	Oct 1995	Enrollment	1,149	1,149	1,149
Amidon	Oct 1995	Approved Free	276	249*	276
Turner	Oct 1995	Approved Free	516	660*	516*
Meyer	Oct 1995	Approved Free	375	561*	375
Eastern	Oct 1995	Approved Free	500	500	683*
Wilkinson	Oct 1995	Approved Free	693	693	None_1_/
Raymond	Oct 1995	Approved Free	491	491	491
Lincoln/Bell	Oct 1995	Approved Free	628	761*	628

* - Indicates a discrepancy with data reported on the FNS-10 report.
 1/ - Transmittal Form could not be located.
 2/ - Enrollment not recorded on Transmittal Form.

CHAPTER 14 - EXHIBIT D
AUDIT SITES

AUDIT SITES VISITED	
FNS Mid-Atlantic Regional Office	Robbinsville, New Jersey
District of Columbia Public Schools' SFA	Washington, D.C.
District of Columbia Public Schools' SA	Washington, D.C.
District of Columbia Public Schools Office of the Chief Financial Officer	Washington, D.C.
District of Columbia Public Schools Office of the Chief Operating Officer	Washington, D.C.
Turner Elementary School	Washington, D.C.
Wilkinson Elementary School	Washington, D.C.
Raymond Elementary School	Washington, D.C.
Meyer Elementary School	Washington, D.C.
Amidon Elementary School	Washington, D.C.
Lincoln Junior High School	Washington, D.C.
Eastern Senior High School	Washington, D.C.

CHAPTER 15 - EXHIBIT E
FNS' RESPONSE TO THE DRAFT REPORT



United States
Department of
Agriculture

Food and Consumer
Service

Mid-Atlantic Region

Mercer Corporate Park
300 Corporate Boulevard
Robbinsville, N.J. 08801-1500



_____ Date: **AUG 22 1998**

_____ Reply to Attention of:

_____ Subject:

Draft Audit Report No. 27010-16-Hy, District of Columbia
National School Lunch and School Breakfast Programs

_____ To: **Mariane T. Evans, Regional
Inspector General for Audit**

Following our August 26, 1998 exit conference on the subject draft audit report and completion of the agreed-to changes, we accept the findings of the audit report and its recommendations.

We will work closely with District of Columbia State agency staff to develop and implement appropriate remedial measures to address the audit-cited deficiencies.

We appreciate the opportunity to comment on the draft audit report. If there are any questions, please feel free to call me at (609) 259-5025.

A handwritten signature in black ink that reads "Christopher V. Martin".

CHRISTOPHER V. MARTIN
Administrator
Mid-Atlantic Region

CHAPTER 16 - ABBREVIATIONS

CEO	Chief Executive Officer
CFR	Code of Federal Regulations
CRE	Coordinated Review Effort
DCPS	District of Columbia Public Schools
DHS	Department of Human Services
DFNS	Division of Food And Nutrition Services
FNS	Food and Nutrition Service
FY	Fiscal Year
MARO	FNS Mid-Atlantic Regional Office
NSLP	National School Lunch Program
OIG	Office of Inspector General
RIF	Reduction-In-Force
RIP	Retirement Incentive Payments
SA	State Agency
SAE	State Administrative Expenses
SBP	School Breakfast Program
SFA	School Food Authority
SIS	Student Information System
T&A	Time and Attendance
USDA	U.S. Department of Agriculture