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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

# Child Care Food Program: Better Management Will Yield Better Nutrition And Fiscal Integrity


The Department of Agriculture's Child Care Food Program has grown from a $1.2 million pilot program in 1969 to a $250 million program in 1980. In 1979 over 650,000 of the Nation's children were served about 400 million meals. While the program has grown in numbers of children served and amounts of money appropriated to it, Federal and State program management has not kept pace with this growth.

Improved management is necessary to ensure that nutritious meals are served to children at healthful feeding sites, that sound fiscal accountability is maintained, and that incidents of fraud and abuse are obviated. Improved management is also essential to ensure that recently implemented legislation will expand program benefits without exacerbating existing problems or adding unnecessarily to program cost.

Department officials recognize the need for improvements, have taken action to correct many of the problems, and are planning other actions which should enhance the program's ability to achieve its intended goals.




UNITED STATES GENERAL ACCOUNTING OFFICE



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the Department of Agriculture's administration of the Child Care Food Program. The report identifies areas in which the Department could improve program management and thereby improve overall program effectiveness. It discusses particularly how deficiencies in management may have affected the program's ability to provide nutritious meals in healthful environs and jeopardized the program's fiscal integrity. It also addresses the impact of recent legislation on the program.

This study was made because there were indications that the program was beset with the same types of problems that had affected other nutrition programs and the fact that certain provisions of the recently enacted legislation were designed to encourage program expansion. In addition, there was current congressional interest in the child nutrition programs and their ability to satisfactorily achieve program objectives.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

# CHILD CARE FOOD PROGRAM: BETTER MANAGEMENT WILL YIELD BETTER NUTRITION AND FISCAL INTEGRITY

## D I G E S T

Improved management of the Department of Agriculture's (USDA's) Child Care Food Program is essential if substandard meals, unhealthy feeding site conditions, and questionable financial accountability are to be avoided.

Unless action is taken to improve the program's administration, the implementation of recently enacted legislation could exacerbate existing problems and unnecessarily add to the program's costs, while the extent to which the program may expand will remain uncertain.

The Child Care Food Program was established to improve the nutritional levels of the diets of the Nation's children, primarily those of preschool age. State education agencies usually administer the program under the supervision of USDA's Food and Nutrition Service regional offices. The Service's regional offices administer the program in States where State education agencies or alternate agencies are unwilling or unable to do so. Public or private non-profit organizations manage the program locally. Meals are provided by day care centers, or in family or group day care homes. Children may receive breakfast, lunch, supper, and morning and afternoon snacks.

The program has grown significantly since 1969 when, as a temporary program, about $1.2 million in Federal funds was spent to serve about 8 million meals to almost 40,000 children. In fiscal year 1979 program expenditures were about $192 million and over 650,000 children were served approximately 400 million meals. For fiscal year 1980 expenditures of about $250 million have been estimated and participation is expected to increase about 9 percent. Public Law

95-627, enacted in November 1978, made the program permanent and was intended to expand the availability of its services. (See pp. 1 and 2.)

During its study of the program's management, GAO visited 98 sponsors and 115 feeding sites in four States--New York, Louisiana, California, and Missouri. (See p. 3.)

DELIVERY OF SERVICES AND FINANCIAL ACCOUNTABILITY WERE UNACCEPTABLE

Of 131 meals tested at 80 selected feeding sites, 81 meals at 52 sites did not meet USDA's minimum nutritional standards for weight or contain required meal components. (See p. 5.)

These failures may have been caused by such factors as

--not enough food being purchased or prepared;

--food being purchased to satisfy children's requirements but served to adults;

--menus not conforming to meal component requirements thus misleading food service personnel;

--meal servings scheduled too close together, resulting in serving sizes being reduced to accommodate diminished appetites; and

--food service personnel unfamiliar with meal service requirements. (See pp. 6 to 8.)

In addition, unhealthy conditions existed at 24 of the 115 feeding sites visited. The conditions included evidence of vermin; toxic chemicals stored adjacent to food; and foods, such as rice, beans, and cereals, stored in uncovered containers. (See pp. 8 and 9.)

At 61 of the 82 sponsors where GAO evaluated recordkeeping, systems for maintaining records did not support claimed expenses, meal counts or costs were overstated, and records of participant eligibility were unreliable. (See pp. 11 to 14.)

Other practices by sponsors tended to unnecessarily increase the food costs claimed. Some

--fed more adults than necessary,

--claimed nonprogram costs,

--failed to consider claims for expenses already submitted to other Federal programs, and

--overstated costs claimed. (See pp. 12 to 15.)

As a result of GAO's work, 16 sponsors were referred to USDA's Office of Inspector General for followup due to indications of fraud or other abuses. (See p. 11.)

Other audits by GAO and the Office of Inspector General indicated that these same problems existed in other States. (See p. 15.)

PROGRAM MANAGEMENT NEEDS STRENGTHENING

Whether a statewide program was managed by a Service regional office or a State agency, feeding sites experienced the same problems. These problems, GAO believes, have resulted in part from poor management, indicated by incomplete State plans, not enough staff, ineffective program monitoring, failure to meet audit requirements, weak controls over nonfood assistance activities--equipment funding, inconsistent reimbursement procedures, superficial sponsor approval processes, and limited training of program personnel. (See pp. 17 to 25.)

The Service, which is responsible for assuring that participating State agencies adequately discharge their program responsibilities, was not effective in reviewing State plans or monitoring State program activities. (See pp. 25 to 27.)

At the headquarters level, the Service had not

--reviewed its regional office-operated programs for several years,

--developed a satisfactory information base to assess program accomplishments and guide program management, and

--established a system for dealing with poor performing sponsors or analyzing Office of Inspector General reports to identify and correct programwide problems. (See pp. 27 to 30.)

Service officials recognized the need for management improvements and acknowledged that the program had not been given a sufficiently high priority and was hampered by staff ceilings, budget limitations, and other constraints. They said that the program has been assigned a higher priority and the Service has already taken steps to correct some of the deficiencies. (See pp. 30 and 31.)

## THE IMPACT OF RECENT LEGISLATION NEEDS TO BE ASSESSED

In November 1978 the Congress enacted Public Law 95-627 providing for the program's expansion. GAO believes that while the extent of program expansion is uncertain,

--program costs will increase and

--if the Service does not continue to pursue management improvements, the management weaknesses and other problems observed probably will be exacerbated. (See pp. 41 to 48.)

The Service estimated that as a result of the legislation, fiscal year 1981 costs would increase by about $41 million. It has not demonstrated the potential for a corresponding increase in the number of children served or an improvement in the quality of program services. (See pp. 42 to 45.)

Significantly, the Service is concerned--because of possible staffing burdens--that the strict implementation of program regulations may prompt additional States to drop out of the program and present the Service with the prospect of managing those programs. The Service expects to be managing a total of 14 programs shortly and at least 12 other States have indicated that they are contemplating turning their programs back to the Service. (See p. 47.)

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

The Secretary should direct the Administrator, Food and Nutrition Service, to eliminate the conditions which prevent program participants from receiving nutritious meals in healthy environs. Specifically, the Secretary should require the Administrator to establish an effective system to monitor feeding site conditions and compliance with USDA meal standards.

Also, the Secretary should direct the Administrator to

--determine that the Service's new fiscal guidelines are completed in accordance with sound accounting and auditing principles and other appropriate Federal guidelines, including applicable GAO standards, and that program personnel are trained in their use;

--develop a system for monitoring the activities of the Service's regional offices and State agencies; and

--develop effective headquarters information systems to enhance program planning, policy development, and guidance. (See pp. 31 and 32.)

To provide the Congress with some assurance that program expansion is carried out effectively and efficiently, the Secretary should be certain that

--current and future resources at all levels necessary to assure the nutritional and financial integrity of the Child Care Food Program are identified,

--an action plan for achieving mandated program expansion is developed, and

--the results of these efforts are communicated to the appropriate congressional committees.

Further, to encourage States to retain responsibility for program management, the Secretary should identify for the Congress measures which would support State program management and encourage States that had relinquished program control to resume responsibility. In addition, the Secretary should closely oversee State activities to identify obstacles to sound program management and to provide assistance in overcoming them. (See pp. 48 and 49.)

AGENCY COMMENTS

USDA accepted GAO's general recommendation that the Child Care Food Program management be improved at all program levels. However, while the Service is confident that program management will be enhanced as a result of certain actions it has taken and plans to take, USDA pointed out that turnback and sanction problems, staff ceilings and budget limitations, and limited staff expertise at the operational levels are significant inherent factors which limit management effectiveness at all program levels.

Notwithstanding these limiting factors, USDA outlined the specific actions already taken to improve program management and indicated that others are being developed and planned by the Service. USDA said that changes in program regulations, additional regulatory emphasis on management, and the development of new guidance materials will strengthen the program. (See app. III and pp. 32 and 49.)

GAO did not evaluate the effectiveness of the actions taken or planned, nor did GAO assess the validity of those factors USDA cited as limiting management effectiveness. GAO believes, however, that the proposed actions together with the actions already taken represent a commitment to program improvement that should enhance USDA's ability to accomplish program goals. (See p. 40.)

# Contents

## ABBREVIATIONS

| | |
|---|---|
| CCFP | Child Care Food Program |
| GAO | General Accounting Office |
| HEW | Department of Health, Education, and Welfare |
| OIG | Office of Inspector General |
| USDA | Department of Agriculture |

# CHAPTER 1

## INTRODUCTION

The Child Care Food Program (CCFP) is one of several child nutrition programs the Department of Agriculture (USDA) funds and administers to improve the nutritional intake of the Nation's children. It provides financial assistance and commodities (including cash in lieu of commodities) for food service programs to institutions providing child care. The care may be provided at day care and headstart centers, centers for the handicapped, and day care homes. Every child 18 years of age and under, and the handicapped enrolled in eligible institutions, can participate, with those in economically needy areas receiving priority.

As a temporary program in 1969, the CCFP was designed to serve children of working mothers from areas where poor economic conditions existed. The intent of the legislation was to extend the benefits of the National School Lunch Program to children in day care not served by school lunch programs.

In 1978 the program became permanent when the Congress enacted the Child Nutrition Amendments of 1978 (Public Law 95-627, Nov. 10, 1978; 92 Stat. 3603). This legislation called for increasing the numbers of child care centers and children enrolled in the program and changed the reimbursement methods to give greater financial assistance to providers. It also expanded licensing alternatives, eased recordkeeping requirements, and provided for start-up and advance funding to encourage expansion. The law also extended program benefits to the mentally and physically handicapped, regardless of age, who attend qualifying institutions.

### HOW THE PROGRAM OPERATES

The CCFP is a tripartite program involving USDA, State governments, and participating institutions. It operates in 50 States and 3 territories. USDA's Food and Nutrition Service provides States with program guidelines and instructions, administrative moneys, reimbursement for food service costs incurred by CCFP providers, and funds for program-related equipment.

State responsibilities under the CCFP include preparing annual operating plans; providing program monitoring, auditing, and evaluation; and working toward program expansion. States also provide training and technical assistance to child care providers and their sponsoring organizations and reimburse participating child care providers for the cost of meals served. Where States are unwilling or unable to administer the CCFP, the law requires a cognizant Service regional office to administer the program. As of March 1980 Service regional offices were administering the program in 12 States--New York, Virginia, Georgia, South Carolina, Tennessee, Missouri, Nebraska, North Dakota, Arkansas, Hawaii, Oregon, and Washington. The Service anticipates assuming responsibility for two additional State programs.

The feeding sites or child care institutions are private nonprofit or public child care centers. The program may be operated in an institutional setting, in day care centers, or in private homes under an eligible institution's sponsorship.

Children participating in the CCFP may receive breakfast, lunch, supper, and morning and afternoon snacks. Meals must meet USDA minimum nutritional requirements. All children receive their meals free or at less than cost depending on family income. The Congressional Research Service reported that in 1977, 99 percent of the providers did not charge for meals.

Under regulations implementing Public Law 95-627, except for family or group day care home sponsors, providers are reimbursed for meals at rates depending on the type of meal and the eligibility of children for free, reduced-price, or paid meals. The reimbursement rates are adjusted semiannually to the nearest one-fourth cent to reflect changes in the Consumer Price Index's series for the cost of food away from home. Family or group day care home providers are paid a fixed reimbursement. Appendix I shows reimbursement rates in effect for the period January through June 1980. USDA reports that in fiscal year 1979, 65 percent of the meals were reimbursed at the free rates, 15 percent at the reduced-price rates, and 20 percent at the paid meal rates.

## PROGRAM ACCOMPLISHMENTS

The program has grown steadily since its inception. In fiscal year 1969 peak average daily attendance was almost 40,000. In fiscal year 1979 peak average daily attendance rose to more than 650,000. The number of meals served annually has increased from about 8 million to almost 400 million during the same period. At the same time annual program costs have risen from \$1.2 million to about \$192 million. The fiscal year 1980 Federal outlay for the program is expected to be about \$250 million and participation is expected to increase about 9 percent based on past program growth.

When the CCFP started, available data pointed to deficient nutritional patterns in preschool-age children. It was believed that the CCFP would extend the benefits of the school lunch program to such children. Studies evaluating the nutritional impact of school lunch programs have shown that school lunches provide nutrients in greater abundance than do alternate sources of food. Some studies have also shown that nutritional need is not limited to the economically disadvantaged although it is higher among that group.

## SCOPE OF REVIEW

We made our review at the Service's headquarters in Washington, D.C.; and at five of its seven regional offices--mid-Atlantic, Southeast, Southwest, Mountain Plains, and Western. Program activity in these five regions accounted for about 80 percent of the meals served and over 80 percent of the payments made for meals in fiscal year 1979. We also evaluated CCFP administration in one State in each of the regional offices visited--New York, Mississippi, Louisiana, Missouri, and California. The selection of these States provided geographic dispersion as well as broad coverage of CCFP activities. In fiscal year 1979, these States served about 27 percent of all children participating in the CCFP, reported about 25 percent of total meals served, and received approximately 28 percent of the payments the Service made for meals.

The selection of States also permitted a comparison of programs State agencies operated in Mississippi, Louisiana, and California and those Service regional offices operated in New York and Missouri. We evaluated the Federal and State agencies' program activities and interviewed Federal and State officials responsible for administering the CCFP. In addition, we reviewed audit reports and interviewed officials of USDA's Office of Inspector General (OIG) regarding the CCFP.

We also visited 98 organizations sponsoring the CCFP and 115 feeding sites in New York, Louisiana, California, and Missouri, including visits to 4 family day care home sponsors and 11 family day care homes. The purpose of these visits was to identify conditions affecting the quality of program services delivered and the program's fiscal integrity.

We selected the sponsors with the aid of statistical sampling techniques. While these techniques did not permit the projection of final results, they provided for a representation of different geographic regions within each State. We selected sponsors within the designated areas using tables of random numbers.

During our visits, we tested 131 meals at 80 feeding sites for compliance with USDA quantity (weight and volume) and component requirements. These tests involved weighing individual meal components using scales recording gram weights, measuring liquid volume, and observing whether the meal included all the required components. We evaluated other aspects of the feeding program such as whether enough food was purchased or prepared to meet USDA requirements and whether menus complied with USDA meal standards. We also observed sites for conditions that could adversely affect children's health. In addition, we interviewed child care provider personnel and examined pertinent records and documents.

Because the Child Nutrition Amendments of 1978 substantially changed certain features of the CCFP, we also examined into their possible impact on the future direction and fiscal posture of the program.

# CHAPTER 2

## NUTRITIONAL AND HEALTH STANDARDS ARE NOT BEING MET

Meals served at the CCFP feeding sites we visited showed a high incidence--62 percent--of failure in meeting USDA meal service standards. We tested meals at 80 locations and identified factors which may have influenced noncompliance with USDA standards. In addition, we observed conditions at one of every five sites which could affect the health of the children being fed.

Service officials attribute these problems to poor management and believe that improved monitoring of the feeding sites, training of site personnel, and guidance will remedy many of the conditions we observed.

### MEALS DID NOT MEET MINIMUM USDA STANDARDS

Of the 131 meals we tested at 80 CCFP sites, 81 meals at 52 locations did not meet USDA standards. An average of about 47 children were served daily at each of these sites.

Program regulations (7 CFR 226.10) require that all meals comply with minimum quantity and component standards depending on the type of meal and the age of the child being served. The regulations state that these are minimum nutritional requirements. (See app. II.) Reimbursement is to be made only for meals that meet standards and may be disallowed or recovered for those that do not.

We observed the 131 meals for component compliance and weighed the components served. Of the 81 meals that failed to meet the standards, 69 did not comply with weight and volume standards. The other 12 lacked one or more of the required components.

The following are examples of meals that failed to meet quantity and component standards.

| | USDA standards | | Our tests | |
|---|---|---|---|---|
| Meal service | Components | Quantity | Item served | Quantity served |
| Breakfast (4 year old) | Milk | 6 fl. oz. | Milk | 8 fl. oz. |
| | Juice | 4 fl. oz. | None | - |
| | Bread | 1/2 slice | Bread | 1 slice |
| Lunch (6 year old) | Milk | 8 fl. oz. | Milk | 3-1/2 fl. oz. |
| | Meat | 2 oz. | Liver | 1-1/2 oz. |
| | Vegetable/ fruit | 3/4 cup | Greenbeans/ peppers/ applesauce | 2/5 cup |
| | Bread | 1 slice | Bread | 1/2 slice |
| Snack (3 year old) | Milk | 4 fl. oz. | Milk | 3 fl. oz. |
| | Bread | 1/2 slice | Crackers | Equivalent of 1/4-slice bread |

## WHY MEALS MAY HAVE FAILED TO MEET USDA STANDARDS

We observed a number of factors during our visits which may have contributed to meal service failures.

### Not enough food was purchased or prepared

Records available at some sponsors indicated that not enough food was purchased or prepared to serve meals meeting USDA standards.

At 30 selected sponsors we compared meal service standards with the quantities of meat, fish, or poultry used to prepare meals. Our analyses showed that 11 of these sponsors did not prepare enough food to serve the number of meals claimed. For example, at one sponsor with 105 children enrolled, our analysis showed that not enough meat or equivalent protein component was used to prepare meals served on 5 of the 10 days for which an analysis was made. The estimated quantity or weight deficiencies for each meal ranged from about 2 to 23 percent and averaged 15 percent.

We also compared the quantity of milk purchased with meal service standards at 53 sponsors. Eighteen of the sponsors did not purchase enough milk to serve the number of meals claimed. For example:

--One sponsor claimed to have served 1,177 breakfasts and lunches during a 1-month period but only purchased enough milk for 528 of these meals.

--Another site needed 5,036 ounces of milk during a 1-month period but purchased only 1,783 ounces.

Food was eaten by adults

The consumption of food by adults was a common practice at many of the sites we visited. While program regulations are silent on serving meals to adults, the number of meals served to adults at some sites seemed excessive.

At 74 sites where we determined the extent of adult participation in meal services, 58 served meals to adults. The percentage of meals served to adults ranged from less than 1 percent to 50 percent of total meals served. The adults were not required to pay for the meals. At 12 locations at least 1 of every 5 meals was served to an adult, including one site where 19 adults were served meals while only 19 children were observed in attendance. At another site with an average daily attendance of about 120 children, 26 adults, including administrative, maintenance, and teaching personnel, regularly were served meals.

Menus were deficient

We examined the menus used as meal preparation guides at 66 locations and determined that 25--more than one-third --did not adequately reflect USDA component standards. This may have resulted in noncompliance. For example:

--One site's breakfast and snack menus for the 7-day period examined frequently lacked one of the required components. The 120 meals served during this period may have likewise been deficient in these items.

--Some menus prepared by one State agency and distributed throughout the State in March 1978 did not show all the meal components needed to conform to USDA standards. Corrected copies had not been distributed as of October 1979. In addition, the State agency misinformed sponsors on meal service standards for 3-year-olds.

Other factors influencing noncompliance

Other factors which may have contributed to meals' not meeting standards included the following.

--Meal times were too close together. At 64 sites serving more than one meal a day and where we determined meal serving times, 35 served meals that were not sufficiently spaced. These sites served meals about 2 hours apart. We believe that meals spaced too close together may diminish children's appetites and influence the amount of food served to them. For example, officials at one site stated that the morning snack between breakfast and lunch was eliminated because of the effect on children's lunch appetites.

--Family-style meals can affect compliance. Almost all sites served meals family style. Just as in the home, bowls and platters of food are placed on a table where adults usually serve the children. Service officials said that family-style serving techniques probably accounted for some of the underweight portions we reported.

--Children served themselves. Children served themselves meals at 13 sites visited. At one of these sites, we observed that although supervising adults encouraged the children to take some of each component, they did not make sure that sufficient quantities were taken.

--Portion control utensils can influence quantities served. We observed that portion control utensils can influence the amount of food that is served. Meals at one site, for example, were served without using a portion control device. One component of the meal tested did not meet the standard. However, another meal prepared using the premeasured utensil met the standard.

In addition, we observed that site personnel's lack of knowledge of food service requirements could affect compliance. Officials at one site, for example, were not aware of the requirements for both milk and juice at breakfast. A USDA study in 1973 found CCFP site personnel to be in substantial need of training and attributed food management deficiencies to inadequate training.

## UNHEALTHY SITE CONDITIONS

We observed conditions which may have adversely affected the health of the enrolled children at 24 of the sites we visited. While CCFP regulations require that institutions ensure that sanitation and health standards are maintained in storing, preparing, and serving food, we observed

--evidence of vermin at seven sites;

--unsanitary storage, preparation, or serving areas at 18 sites;

--food and toxic chemicals stored adjacent to one another and in food preparation areas at four sites; and

--food such as rice, beans, and cereals stored in uncovered containers or in unpalletized containers at seven sites.

One headstart center visited was not licensed because it lacked proper kitchen ventilation. The local city food program coordinator told us that about 16 percent--approximately 18--of the headstart centers in that city were not licensed.

In that same city we observed conditions at three sites that were so significant that in addition to informing the center director or sponsor, we reported those conditions to the Service for immediate action. At one site, for example, the 26 children were poorly supervised, behaving in a reckless manner, and playing in the kitchen while food cooked. Although some children slept and others walked around in their underwear, the facility was not heated. Other unsanitary and hazardous conditions were also noted at this site.

## DISCUSSIONS WITH PROGRAM REPRESENTATIVES

The matters in this chapter were discussed with program representatives at feeding sites, State education agencies, and Service headquarters and regional offices.

Local program representatives generally agreed with the issues we raised and promised corrective action.

The Service Administrator, the CCFP Director, and other Service officials said that the conditions we observed resulted from a lack of program management. They believe that the monitoring requirements specified in regulations published on January 22, 1980, implementing Public Law 95-627 will result in greater supervision of feeding sites and training of personnel. In addition, the officials noted that monitors are also to be observant of conditions that would affect health and safety. The officials said that a directive was issued aimed at improving meal service compliance in family-style serving environments.

## CONCLUSIONS

Many children are undoubtedly receiving program benefits. However, not all meals tested met USDA nutritional standards and some providers did not purchase or prepare enough food to serve meals meeting these standards. Further, at some of the sites we visited, food was stored, prepared, or served in conditions that could have affected the children's health. Actions effected or planned by the Service to improve management at the provider level, including policy revisions and the issuance of guidance memorandums, provide the basis for improved service delivery.

## CHAPTER 3

## THE PROGRAM'S FISCAL INTEGRITY IS IN JEOPARDY

The fiscal integrity of the CCFP has been jeopardized as a result of sponsors' poor financial management. Almost three-fourths of the sponsors we evaluated inadequately supported claims for reimbursement or otherwise engaged in practices that increased program costs. These practices included overstating the numbers of meals served or overstating program expenses. Some sponsors' actions suggested fraud or other program abuses and were referred to the OIG for followup. Both we and the OIG have noted similar conditions during other reviews.

Service officials attribute these problems to inadequate Federal and State management of the program. They believe that current and planned initiatives will upgrade the program's fiscal integrity.

### MANY FOOD SERVICE CLAIMS WERE QUESTIONABLE

We evaluated recordkeeping at 82 sponsors and determined that the validity of submitted and paid reimbursement claims of 61 were questionable. Inadequacies in recordkeeping often resulted in excess reimbursement. Claims submitted by 16 sponsors were so poorly supported and/or otherwise suggested fraud or program abuse that we referred them to the OIG for followup.

Program regulations (7 CFR 226.12(l)) specify that each institution that submits a claim for reimbursement certify that the claim is true and correct, that records are available to support the claim, and that payment has not been received. Sponsors report, usually on a monthly basis, the numbers and types of meals served and program operating expenses. Sponsors are reimbursed for the lower of operating costs or the amount determined by multiplying the number of meals served times the appropriate rates. (See app. I.)

As early as 1973 USDA reported that many CCFP sponsors did not have the administrative capability to meet the program's recordkeeping requirements. Service officials, commenting on the continued existence of these problems, indicated that they stemmed from departmental management constraints such as limitations on staff and financial resources. Recently, financial management guidance has been developed, directed at improving the program's fiscal status.

## Recordkeeping was inadequate

Records maintained by 61 sponsors were not adequate to support some reimbursement claims or, in our opinion, to be relied on for payment. In these cases records supporting expenditures, meal counts, and reimbursement rate entitlement were either missing, unavailable, incomplete, or inaccurate.

### Documentation supporting expenditures was inadequate

Documentation and other support for program expenditures at 24 sponsors was incomplete or missing. As a result we were not able to determine the validity of costs claimed. Two of these sponsors did not have any records to support costs claimed. The other 22 sponsors' systems were inadequate to account for costs claimed. For example:

--One sponsor did not annotate records of food purchases to show items and quantities purchased. Payments were made by checks payable to "cash" and no other explanation was available.

--Another sponsor failed to annotate cash register tapes for food purchases. Of the $866 in food costs claimed for the month examined, we determined that only $117 was adequately supported.

### Meal counts and costs claimed were sometimes inflated

Our analysis of reimbursement claims showed that 29 sponsors overstated meal counts and/or program costs. Eleven of the sponsors reported both the number of meals served and expenses above determined levels. In some cases these actions appeared deliberate.

According to program regulations (7 CFR 226.12), reimbursement to sponsors is limited to the lesser of actual operating costs or an amount determined by the number and type of meals served and the eligibility status of enrolled children.

Our analysis showed that the numbers of meals claimed by at least 17 sponsors were overstated. In 10 cases it appeared that sponsors deliberately inflated meal counts. For example:

--One sponsor added 380 lunches that were served to adults to the reimbursement claim labeled lunches served to children for the month examined. This increased reimbursement for the month by an estimated $380.

--An afterschool program sponsor claimed 100 suppers were served daily. The sponsor actually served snacks not suppers. The difference in reimbursement between snacks and suppers amounted to about $1,500 a month.

--Another sponsor overstated both meal counts and average daily attendance by 43 percent on one claim examined. Average daily attendance, in fact, was shown to exceed enrollment. Reimbursement was affected by more than $500.

--One sponsor altered meal count records by adding 600 meals to the actual meal count for the month examined. This practice increased reimbursement by about $337 that month.

Costs submitted in support of reimbursement claims by 23 sponsors appeared to have been overstated. For example:

--One sponsor appeared to have claimed expenses as they were incurred (when liability for payment arose) and again when they were paid. The questioned food costs were $2,868 for the 4 months examined.

--One center claimed all day care operating expenses. One month's claim totaled $5,976 although the center had only $248 in food costs to feed the 19 children enrolled.

--Another site reported labor costs of $315 in both the food and labor cost categories on the claim form. It appeared that the sponsor treated administrative costs of $200 in the same manner.

<u>Participant eligibility records were not always reliable</u>

We found children's eligibility records unreliable at 51 of the sponsors visited. Program regulations (7 CFR 226.9(f)) require that institutions obtain eligibility information on all CCFP participants. This information is used for determining reimbursement. (See app. I.)

Program eligibility documentation for children in the free and reduced-price meal categories maintained by 51 sponsors visited was incomplete or inaccurate. Twenty-two sponsors did not have complete records supporting the classification of children whose meals were reimbursed at the free or reduced-price rates, 21 sponsors miscategorized eligibility status, and eligibility records at 8 sponsors were both incomplete and miscategorized. Miscategorizations of the number of children in the free and reduced-price meal categories resulted in 22 sponsors' receiving more reimbursement than they were entitled to. For example:

--One sponsor claimed reimbursement at the free rate for 45 of its enrolled children. The sponsor's records, however, showed that 20 children's meals should have been reimbursed at the free rate. As a result the sponsor received an additional $500 for the month examined.

--Another sponsor reported 30 children in the free category while records showed only 17 children eligible for free meals. This increased reimbursement for the month examined by more than $100.

Nonprogram costs were charged as program costs

Twelve sponsors claimed costs not associated with child feeding operations as program costs. For example:

--Coffee and pet food were claimed by four sponsors.

--Another sponsor claimed the cost of electric heaters, tools, paint supplies, and janitorial equipment.

--The cost of gas and electricity, only part of which was used in the food program, was claimed by another sponsor.

While the Service reimburses sponsors for certain program-related, nonfood expenditures, we determined that the above expenditures were unrelated to food program activities.

Claims made to more than one funding source

We identified three cases where funding of the same expense by more than one source occurred or very likely existed. For example, one sponsor submitted food service equipment maintenance and repair costs to the CCFP and to a program funded by the Department of Health, Education, and Welfare (HEW). For the 2 months examined, the sponsor was reimbursed for the same $935 in expenses by both Federal agencies.

## Other practices that can increase program costs

We observed other practices which may have unnecessarily increased food costs.

--Food for adults. As discussed in chapter 2, meals were often provided to adults. While sponsors cannot be directly reimbursed for each meal served to an adult, the cost of serving meals to adults can be at least partially recovered. Sponsors may include these adult food costs in total reported operating expenses and can be reimbursed the lesser of operating expenses or an amount based on the number and types of meals served and children's eligibility.

--Too much food purchased. We observed some cases where sponsors purchased too much food for their needs. One sponsor, for example, ordered 13 percent more than necessary based on attendance patterns. The leftovers were given to teachers and to participants to take home.

## OTHER DISCLOSURES

While this review covered selected sites and sponsors in four States--New York, Louisiana, California, and Missouri--both we and USDA's OIG have noted these same types of problems during other recent audits.

For example, an OIG survey of the CCFP, completed in 1979, which covered New York, Georgia, Mississippi, Pennsylvania, and Florida, showed such deficiencies as unsupported claims and meals not meeting USDA standards. An OIG official told us that on the basis of the survey results, the OIG had decided to make a full-scale program review which would cover 16 States.

We testified in March 1979 before the Subcommittee on Labor and Health, Education, and Welfare, Senate Committee on Appropriations, and in October 1979 before the Subcommittee on Federal Spending Practices and Open Government, Senate Committee on Governmental Affairs, on the results of an audit of another federally supported program in six States. At those hearings we reported three cases of dual reimbursement in the CCFP. One sponsor received more than $76,000 in dual reimbursements for food service costs over a 1-year period.

## DISCUSSIONS WITH PROGRAM REPRESENTATIVES

The matters in this chapter were discussed with program representatives at feeding sites, State education agencies, and Service headquarters and regional offices.

Local program representatives generally agreed with the issues we raised and promised corrective action.

The Service Administrator, the CCFP Director, and other Service staff attributed these problems to a lack of Federal and State management attention to the program. They believe that upgraded program surveillance as called for in the recent regulations, their increased emphasis on training, the planned financial management instructions and management manual being developed, and greater audit frequency will upgrade the program's fiscal integrity when all are fully implemented.

## CONCLUSIONS

Sponsors' poor financial management of the CCFP is jeopardizing the program's fiscal integrity. Inadequate recordkeeping and questionable fiscal management practices cast doubt on the validity of sponsors' claims and can result in unnecessary and sometimes fraudulent program costs. These deficiencies appear to be more widespread than this review disclosed as the OIG and our other audits have identified similar conditions.

# CHAPTER 4

## FEDERAL AND STATE PROGRAM MANAGEMENT NEEDS IMPROVEMENT

We believe that the deficiencies discussed in chapters 2 and 3 have resulted in part from poor Federal and State program management. The Service's headquarters policy and direction, its regional office oversight, and State program management have not been adequate. This inadequacy has reduced the assurance that program goals will be achieved. We believe that improvements are needed in program management if the nutritional levels of children in the program are to be improved and the program is to be operated in an effective and economical manner.

Federal program officials agreed that management has been inadequate and indicated that this has resulted from departmental constraints such as limits on staffing and on the availability of financial resources. They further indicated that a higher priority has been assigned to the program and improvements will be forthcoming.

### STATE AND SERVICE REGIONAL OFFICE MANAGEMENT NEEDS IMPROVEMENT

The management efforts of the State education agencies in California, Louisiana, and Mississippi, as well as those of the Service's mid-Atlantic and Mountain Plains regional offices, need improvement if their respective programs are to achieve their intended goals.

#### State plans did not contain all essential information

State plans prepared by the Service's regional offices operating the CCFP in Missouri and New York, as well as those prepared by the State educational agencies operating the California, the Louisiana, and the Mississippi programs, were lacking certain required information.

Program regulations (7 CFR 226.7) require that an annual State plan for CCFP operations be submitted by the appropriate State or Service regional office for approval. The plan must include details relating to program expansion, monitoring, and audit, and must discuss the accomplishment of the prior fiscal year's goals. The State plan must also contain plans to assure that meals are provided to every needy child.

Some approved State plans we reviewed did not contain sufficient detail, such as criteria and statistical or demographic data, to show how the State planned to give priority to centers with a concentration of needy children. For example:

--One State's fiscal year 1980 plan did not identify its economically needy areas, nor did it include a discussion of the program's accomplishment of past goals.

--Another State's plan did not identify criteria for use in extending the program to every eligible child in the State and for giving priority to the most needy.

--One Service regional office prepared plans for one of the State programs it administered in fiscal years 1979 and 1980 which did not include demographic data to target the most needy.

--Another State's plans for fiscal years 1979 and 1980 did not include demographic data or target child care centers.

In its comments (see app. III), USDA said that actions have been taken to resolve acknowledged weaknesses in the State plan process. It said that incomplete guidance, time constraints, and the reluctance of some State agencies to develop detailed plans in the absence of new program regulations following the enactment of Public Law 95-627 in November 1978 resulted in some fiscal year 1980 State plans not containing all of the required items and specifics being omitted in several areas.

USDA said that to improve the State plan process, the Service had

--conducted a national State plan workshop in August 1979, drawing upon its staff resources in the regional and headquarters offices, which resulted in establishing strategies for developing effective State plan guidance for fiscal year 1981;

--revised its regulatory State plan requirements to increase clarity and conciseness; and

--revised its State plan guidance for fiscal year 1981 to use the same format that had been used in State plan guidance for the Summer Food Service Program with much success.

According to USDA, the State plan guidance was developed to help State agencies prepare State plans that would be an effective management tool outlining the State agency's goals for program operations and expansion and provide a mechanism by which measurable objectives could be monitored. It said that previous years' guidance had not been clear, specific, and supportive. It added that the revised guidance includes a checklist summarizing all required items; a detailed section explaining the required responses; guidance for meeting the requirements, such as sources for locating data; and optional charts for recording required participation data.

USDA also said that to further ensure an effective fiscal year 1981 State plan, Service headquarters had analyzed the fiscal year 1980 State plans to identify problem areas and advised each regional office of its findings.

<u>Program administration, monitoring, and/or progress measurement have been affected by lack of personnel</u>

The State educational agencies' and the Service regional offices' efforts to administer, monitor, and measure the progress of the programs may have been negatively affected by inadequate program staffing levels. In some cases this lack of staffing has been precipitated by funding shortages.

The State agency, or a Service regional office where applicable, must provide consultative, technical, and managerial personnel to administer the program, monitor program performance, and measure the program's progress toward achieving its goals. Visits to participating institutions, to help ensure compliance with program regulations, are a necessary adjunct to these responsibilities. While staffing levels are not mandated by regulation, we found that few staff were available to visit program sites and few visits were made. For example:

--One State agency had nine people to administer and monitor almost 500 sponsors and about 2,500 feeding sites. During calendar year 1978, State agency personnel made 247 visits to 185 sponsors.

--One Service regional office had seven people responsible for administering the CCFP in three States, including one State with 137 sponsors and about 730 CCFP sites. Only 29 monitoring visits were made of this State's program since 1977.

--One State agency had a staff of five, one of whom was part time, to administer and monitor 136 sponsors and 549 sites. No more than 76 sites had been visited during any one of the fiscal years 1977, 1978, and 1979.

--One Service regional office responsible for administering one of the State programs we reviewed had six staff members to administer and monitor about 700 sponsors and about 3,200 sites. In fiscal years 1977 and 1978, only 6 percent of the sponsors were reviewed; and in fiscal year 1979, only one administrative review was made in that State.

--Another State-administered program had 10 people, including three clerks and two secretaries, to administer and monitor 140 sponsors and about 300 sites.

Even when monitoring visits were made, there was a question as to how adequate they were.

--A recent OIG survey found that in a Service regional office-administered program, sponsors were not notified of the visit results, including any violations noted, and were not requested to take corrective action.

--In one State 18 of the 22 sponsor personnel we interviewed indicated the State's monitoring and technical assistance efforts were not adequate.

--For another State-administered program, both State and Service's regional office officials indicated that CCFP monitoring was inadequate and little improvement was foreseen.

--In another State a CCFP supervisor told us that monitoring was hindered because limited funding created a staffing shortage.

--In another State followup on deficiencies was limited to a review of sponsor correspondence. No followup site visits were made.

In its comments (see app. III), USDA said that because of the relatively small attendance at feeding locations, especially day care homes, program monitoring by administering agencies is an extremely labor-intensive and therefore costly function. It said that both State agencies and the Service regional offices which directly administer the program are having difficulty performing this and other program management functions with the limited resources available to them. USDA said that turnbacks necessitating direct regional office administration in additional States might exacerbate problems in States already administered by the Service, and will certainly diminish the Service's capacity to address deficiencies in State agency administration. It added that due to budgetary and personnel ceiling constraints, the Service's staff does not grow as administrative responsibilities associated with direct program administration grow.

Citing the Service officials' comment that management deficiencies are partially attributable to the low priority conferred on the program in recent years (see p. 30), USDA said that Service priorities have begun to reemphasize the program due to the changes in Public Law 95-627 and growing awareness of management problems. It said, however, that changes in priorities entail not only a refocusing of attention, but also a reallocation of severely limited staff resources. It said that in the present economic environment, an increased Service staff ceiling--the preferable approach--cannot reasonably be anticipated and that while CCFP management will doubtless benefit from additional emphasis, the necessary withdrawal of resources from other Service programs may affect them negatively.

USDA added that staff ceilings affect program management at the State agency, as well as the Service, level. It said that State agencies experience intermittent hiring freezes and that in some States the legislature must formally appropriate all funds State governments expend, including Federal grant-in-aid funds. According to USDA, some State legislatures have declined to appropriate Federal funds available for CCFP management.

## Required audits have not been made

Program regulations (7 CFR 226.27(a)) require that the administering agency provide for audits at the State and institutional level with reasonable frequency--and beginning in fiscal year 1978, once every 2 years. For audits of institutions in a State-administered program, the Secretary is to make available to the State agency annually an amount equal to 2 percent of the State's program reimbursements in the second preceding fiscal year. None of the States or the Service's administering regional offices included in our review complied with the program's audit requirements. Some cited the lack of staff as the reason for their failure to comply with the regulations. Of about 1,500 required audits in the States we visited, only 85 had been performed. For example:

--In the two Service regional office-administered programs, no audits had been made of one State's 137 sponsors or the other State's nearly 700 sponsors.

--In one State-administered program, none of the 136 sponsors had been audited. State agency personnel told us that because the State audit staff is small, CCFP audits will be contracted out to certified public accounting firms. None of the allocated audit funds were used for any purpose.

--One State with about 500 sponsors had completed only 40 audits.

--The other State, with about 140 sponsors, audited 45 sponsors. The State's director of auditing said that required audit work exceeded current staff capabilities and no audit coverage was planned to meet the required 2-year audit cycle. About $90,000 in audit funds for fiscal years 1978 and 1979 were not used for audits but were instead used for program administration.

Service headquarters officials told us that they will follow up to determine the ultimate disposition of audit funds.

In its comments (see app. III), USDA said that the Service acknowledged that some administering agencies had not fulfilled the biennial audit requirement and the Service was committed to stricter enforcement in this crucial area of financial management. It said that deficiencies in the number of audits conducted were partially attributable to the relative newness of the requirement and to apparent insufficiency of funds provided for auditing. It said that among the 30 State agencies which reported average audit costs in their 1978 State plans, 25 indicated that audit funding would be insufficient and that 31 of the 41 State agencies reporting average audit costs in their 1979 State plans appeared to have had shortfalls of audit funds.

Nonfood assistance funds were sometimes disbursed without appropriate controls

We determined that some nonfood assistance funds were not disbursed in accordance with regulations. As a result some funds were disbursed for equipment which was not needed and a fraud may have been perpetrated regarding another equipment purchase.

Program regulations specify certain requirements for the State or Service regional office approval of requests for nonfood assistance funds (7 CFR 226.20, 22), prescribe standards for institutions to use in procuring equipment with such funds (7 CFR 226.25), and prescribe property management requirements (7 CFR 226.26). We noted that nonfood assistance procedures needed to be strengthened. For example:

--Weaknesses in one State-administered program included the following: equipment records were not maintained, need determinations and priority assignments were not documented, applications were inadequate, and required bids were not received. We identified equipment which did not fit requirements, equipment that was never received, and an electric mixer that was purchased and used by sponsor personnel at home. 1/

--The Service regional office which administered the program in one State gave a sponsor funds for equipment purchases based on the sponsor-submitted average daily attendance which was found to be inflated almost seven times. At the time of our review, this matter was under grand jury investigation. No nonfood assistance approval procedures were formalized by the regional office until late 1978 and, as a result, erroneous and questionable payments occurred because of incomplete or inaccurate applications, inadequate documentation, and erroneous calculations.

--In another State-administered program, a system for monitoring and assigning priorities to nonfood assistance requests and for monitoring use had not been developed. In that State, no site visits were made before assistance was approved, sealed bids were not required, and paid invoices were accepted as the only proof equipment was received and installed.

Uniform, improved reimbursement procedures are needed

Although the State agencies and Service regional office staff reviewed reimbursement claims, reimbursement processing procedures were not consistent and in some cases lacked controls which would help to identify claims which may require more in-depth review. For example:

--In one State-administered program, the only check of a claim was a scan for errors.

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1/As a result of our review, the State has improved procedures and collected $2,052 from one sponsor.

--In another State, desk audits included a review for mathematical accuracy and attendance, and sponsors were required to submit invoices for milk purchases so claims could be tested. Some onsite verification of claims was also performed. However, we determined, according to an estimate prepared by the State, that claims of almost $100,000 had been overpaid to sponsors in the form of cash in lieu of commodities during the period from July 1976 through September 1979. In this State, institutions received cash in lieu of commodities payments semi-annually, separate from and in addition to monthly claims payments. Such semi-annual payments were unearned by institutions whose claimed program costs were below reimbursement rates exclusive of the cash in lieu supplement. These institutions had received their full program earnings through the claims payment process. The State has initiated action to assure that proper action is taken regarding the overpayments.

--In the third State desk audits and machine edits of claims were made and review was limited to a verification of computations.

--In one Service regional office, claims were desk audited for signature and completeness only.

--In another Service regional office, claims were desk reviewed to make sure they were completely filled in, had not been submitted before the end of the month, and were otherwise correct.

Sponsor approval procedures need strengthening

Some States and Service regional offices had not always carried out required sponsor approval procedures.

The State agencies, or Service regional offices where where applicable, are required by regulation (7 CFR 226.6(e)) to determine a sponsor's eligibility and ability to carry out all program aspects both when a sponsor submits an initial application for program participation and annually thereafter. We noted instances where determinations for program eligibility specifically failed to

--verify sponsors' application data,

--assess sponsors' financial and managerial capabilities,

--visit all sponsors making initial application,

--consider deficiencies in feeding site operations and past sponsor performance noted during prior State or Service regional office visits which may have gone uncorrected, and/or

--ensure that appropriate licenses and tax exemption certificates were on file.

### A greater commitment to training is needed

In some of the programs, only limited training of program personnel had been provided. For example:

--In one State we were told that the regional office had not provided any classroom training to program monitors although it was needed. Moreover, the training provided to program sponsors was not exclusively for CCFP personnel and was not directed to their specific needs.

--In another State only one formal child care sponsor training session was held--specifically structured to child care operations--between May 1977 and September 1979.

--In one Service regional office, the training of personnel was generally on-the-job. Classroom training of sponsors last took place in the autumn of 1977 when a 1-day workshop was held.

Even though the lack of training was recognized in a July 1974 study of the child nutrition programs by USDA, the Service has not provided criteria or guidance for training program personnel.

## REGIONAL OFFICE OVERSIGHT OF STATE-ADMINISTERED PROGRAMS NEEDS TO BE IMPROVED

The Service's regional offices are responsible for assuring that the State agencies adequately discharge their program responsibilities. In this regard, the regional offices must review and approve State plans and annually evaluate State program management. We determined that this role needed some improvement.

### State plan review must be strengthened

In accordance with 7 CFR 226.7, State plans should contain certain information, including plans for expansion, audit, and monitoring, as well as discussions of past program accomplishments. We determined that some approved State plans lacked essential information. (See pp. 17 and 18.) Our review of the State plan review process at some Service regional offices showed that some improvements are needed. For example:

--One Service regional office had not used the "State Plan Evaluation Worksheet" to evaluate a State's fiscal year 1980 plan because it was thought to be inappropriate and therefore not always used. This regional office approved that same State's fiscal year 1979 plan even though data referring to program monitoring and need assessment was omitted from the plan.

--Another Service regional office reviewed and approved a State-prepared plan for 1980 using guidelines that--contrary to regulations--did not require the reporting of accomplishments achieved under the plan during the previous fiscal year. The approved State plan contained neither a comparison of accomplishments with past goals nor demographic data identifying specific program targets.

### A methodology for State program monitoring must be established

While program regulations (7 CFR 226.27) require that the Service conduct annual management evaluations of State agency program operations, they do not refer to management evaluation guidance issued by the Service or mandate its use. As a result Service regional offices are inconsistent in carrying out this role. For example:

--One Service regional office discharged its responsibilities by reviewing monthly reports, maintaining communications with the State agency, performing an annual management evaluation, and periodically visiting the State agency.

--Another Service regional office visited the State agencies in its region only to assist with State plan preparation and make an annual management evaluation of the program. These visits were not documented. Program participation and expenditure data was monitored through a review of submitted State reports.

We noted that the frequency of visits to States varied among Service regional offices. One regional office made two visits during 1 year, one made eight visits during the most recent 2-year period, and another made six visits to the State agency during fiscal year 1979.

In reviewing the results of the Service's regional office evaluation process, we observed an instance where problems were not identified. Although regional officials had visited the State, the State's menu guidance used since March 1978 did not meet USDA meal standards. We determined that required meal components were missing and the meal standards for one age group were incorrectly stated. The matter had not been corrected as of October 1979 although the State had been aware of the problem since April 1979.

We also noted that not every problem identified was corrected in a timely manner. One Service regional office developed concerns in certain areas of State program administration, including supervisory assistance, policy dissemination, technical assistance, and audit plans, and reported them to the State in September 1978. About a year later, some of the concerns had not been fully resolved.

A review of the program regulations indicated that they did not delineate responsibilities or methodologies or suggest a systematic method for program monitoring.

## THE SERVICE MUST STRENGTHEN ITS MANAGEMENT EFFORTS

The Service had not fulfilled certain of its mandated managerial responsibilities nor initiated those management actions sufficient to assure program effectiveness.

Indications of weaknesses in the Service's management systems included

--failure to review Service-managed programs,

--insufficient program information,

--an inadequate system for monitoring information pertaining to errant sponsors, and

--failure to consider audit and investigative disclosures regarding policy modification.

These and other shortcomings limited the Service's ability to manage the CCFP and inhibited accomplishing program objectives. According to program officials, the shortcomings resulted from the low priority assigned to the program and the fiscal and staffing constraints imposed.

Regional office-administered programs were not reviewed

Although the Service is required to review regional office-administered programs, management evaluations had not been carried out and the regional offices' performance under the State plan had not been monitored. Program officials told us that the Service had been remiss in reviewing regional office-administered programs for the last 5 years. They said, however, that the Service plans to resume oversight of such programs.

The Service needs to develop an information base to guide management decisions

The Service's system for developing and accumulating information essential to effective management decisionmaking needs improvement. For example, as described below, certain statistical and fiscal data are not available to the Service.

--Program accomplishments have not yet been determined. Although the program is some 10 years old and almost $1 billion will have been spent by the end of fiscal year 1980, the Service has never made a comprehensive determination of the CCFP's effects on participants' nutritional status, including dietary intake. While some studies of nutrition intervention programs refer to the CCFP, none have specifically addressed the CCFP. Currently, the Service has commissioned a study of the program--as mandated by legislation. This study will include the identification and description of barriers to CCFP participation; institutions' administrative costs; and the program's food service operations, including meal quality and cost. A nutritional impact module is included in this study and is intended to be carried out. The first phase will determine whether available instrumentation is sufficient to fulfill this objective. Regardless of the outcome of this initial phase, however, the Service plans to undertake a study of the program's nutritional impact.

--Essential program statistics have not been developed. Service representatives said that data reflecting the statistical composite of the program is not explicitly required to be developed by law. The Service does not know the numbers of children in eligible non-participating institutions or their socioeconomic profiles. Nor does it, for planning purposes, know the numbers of handicapped that could be eligible for program benefits. Currently, the Service does not prepare any long-term projections of potential participation or the types of meals expected to be served to accommodate long-term planning. Moreover, no socioeconomic profile of future program participants is available.

--Procedures for accumulating budgetary data have not been adequate. The Service's system for accumulating program costs and projecting program expenditures has not been adequate in the past and needs improvement. For example, for fiscal years 1969-78, administrative expenses for all child nutrition programs were combined. As a result the amount specifically spent on the CCFP could not be determined. Further, for fiscal years 1969-75, the value of commodities distributed under the CCFP was included with the State school feeding program and could not be isolated for the CCFP.

Other problems associated with the budgetary process exist. Specifically, we noted that the cost of program administration at the Federal level is not readily available. Administrative costs are not distinguished by program and so the Service does not know its costs to administer the CCFP. Each CCFP cost element is developed by a different division in the Service with no single office responsible for accumulating total program costs. In accordance with the principles and standards prescribed for Federal agencies by the Comptroller General, the Service's accounting system should provide for accumulating and reporting Federal administrative costs according to each Service program.

## System to control participation by noncomplying sponsors needs further improvement

The Service has provided only minimal guidance and direction to the States and its regional offices concerning terminating or denying program participation to sponsors that do not meet or comply with program requirements. Although the States and regional offices are required to only allow sponsors capable of satisfactory performance to participate in the program, a system had not been established to

--disseminate information about errant or deficient sponsors,

--provide ample access to due process by terminated and disapproved sponsors, and

--review State or regional office denial or termination decisions by the Service's headquarters officials.

The Service recently issued regulations implementing Public Law 95-627, which specify minimum requirements for establishing appeal procedures and require States and regional offices to provide written notices to institutions advising them of their right to appeal actions affecting their participation. However, the regulations do not require that the Service review denial decisions and accumulate and disseminate information pertaining to sponsors that have been denied or terminated.

<u>OIG's efforts must be used to strengthen the program</u>

OIG reports are usually made available to Service program personnel as well as to State and regional office staffs. However, the Service does not discuss these reports with OIG unless OIG directs specific recommendations to the Service, nor is the Service aware of auditees' responses to OIG reports. The reports therefore have not been used as a means for identifying programwide weaknesses and developing program strengthening policy.

The OIG's past reports disclosed problems similar to those we are reporting, including erroneous meal counts, unsupported reimbursement records, and questionable equipment purchases. The Service, however, did not use these reports to make changes in program operations. Rather, corrective action was pursued only at the level the deficiency existed.

The CCFP Director is now developing a system for analyzing and considering OIG's findings to determine whether they relate to programwide deficiencies that need to be addressed.

## DISCUSSIONS WITH PROGRAM REPRESENTATIVES

The matters in this chapter were discussed with program representatives at feeding sites, State education agencies, and Service headquarters and regional offices. Local program representatives generally agreed with the issues we raised and promised corrective action. Further, headquarters representatives commented extensively on our disclosures and indicated that these problems resulted from the low priority assigned to the program in the past and the consequent lack of management attention. They further indicated that the program's priority has been elevated and that corrective action has been initiated or is contemplated.

Headquarters representatives further indicated that improvements in the areas of supervision, training, site and sponsor monitoring, and reporting either already have been or will be undertaken. In addition, they said that revised policy and site review forms, new financial management guidelines, a management manual, modified audit guides, simplified State plan requirements, a system for using OIG reports in policy formulation, and other similar actions are already being taken or are contemplated. Significantly, the Administrator told us that the program had recently been given a higher priority among the food programs. This higher priority, program officials expect, will have a salutary impact on the program's management.

## CONCLUSIONS

Shortcomings in program management at all levels have affected program operations and need to be corrected. Unless management is improved, the CCFP will not be effective in serving nutritious meals in healthy surroundings to enrolled children and the program will continue to lose its fiscal integrity as discussed in chapters 2 and 3.

## RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary direct the Administrator, Food and Nutrition Service, to take those steps needed to eliminate the conditions that prevent participants from receiving nutritious meals in healthy environs. Specifically, the Secretary should require the Administrator to establish an effective system to

--monitor compliance with USDA meal standards and site conditions,

--determine why meals do not meet standards and unacceptable site conditions exist, and

--identify emerging problems so that revisions to policy and procedures can be considered.

We also recommend that to safeguard the fiscal integrity of the program, the Secretary direct the Administrator to

--determine that the new fiscal guidelines conform to sound and adequate accounting and auditing principles and other appropriate Federal guidelines, including applicable GAO standards;

--train and assist Federal, State, and sponsor personnel in their use; and

--require that these guidelines be followed and determine whether changes in policies and practices are needed.

We further recommend that the Secretary direct the Administrator to develop a system to monitor the activities of Service regional offices and State agencies. This system should include mechanisms for

--alerting the Administrator to weaknesses in both administration and compliance and

--requiring an appropriate management response to the weaknesses, including corrective action and changes in program policies.

The Secretary should also direct the Administrator to develop effective headquarters information systems for enhancing its management in the areas of

--planning for program growth and

--policy and guidance development and dissemination.

In addition, the Administrator should be directed to provide for the accumulation and reporting of Federal administrative costs by each of the Service's programs, in accordance with the principles and standards prescribed for Federal agencies by the Comptroller General.

## AGENCY COMMENTS AND OUR EVALUATION

In its comments (see app. III), USDA said that it accepted our general recommendation that CCFP management be improved at all program levels. It said that the Service had taken numerous specific actions regarding this objective and that others were being developed and planned. According to USDA, the changes in the CCFP regulations published January 22, 1980, have strengthened program management requirements and additional regulatory emphasis on management enhances the Service's efforts to institute a more effective and comprehensive management system which will provide more detailed, systematic program information on which to base policy decisions and lead to closer supervision of operations at the Service regional office, State agency, institution, and facility levels. It said that new guidance materials had been developed which will provide clearer and more comprehensive management instruction and advice to administering agencies, institutions, and facilities.

USDA said that while the Service was confident that its revised approach would improve program management, it recognized that significant inherent factors, which condition management philosophy and shape specific management initiatives, limit management effectiveness at all program levels. According to USDA, these factors are

--the States' ability to turn back program administration to the Service on 30 days' notice,

--staff ceilings and budget limitations, and

--limited staff expertise at the operational level.

On the last factor, USDA said that the small child care centers, which typify institutions participating in the CCFP, frequently lack staff with sufficient skills and experience to handle some program functions, such as maintaining orderly ledgers, applying proration formulas to differentiate CCFP'S share of indirect costs, and compiling production and inventory records. It said that the latter two responsibilities, which are essentially administrative, often devolve by default upon cooks or teaching aides. It added that in some centers, and in still more day care homes, staff experience considerable difficulty in comprehending even the menu and portion requirements. It said that the training effort, which the Service agrees must be intensified at all levels, is often thwarted by high turnover of center personnel.

USDA also said that while the Service agreed with us on the absolute necessity for accurate and comprehensive records in support of reimbursement claims, it believed that full compliance of all institutions with all regulatory requirements is a more idealistic than realistic expectation. However, it said, the wealth of new guidance materials soon to be made available to institutions and facilities, coupled with intensified training activities, should yield discernible improvement at the program operating level.

USDA said that the Service believed that the deficiencies we cited at the institution and facility levels were partially attributable to insufficient oversight by administering agencies. It said that the administrative review process was being improved as follows.

--In December 1979 the Service conducted a meeting with representatives of each regional office to discuss reviewing program deficiencies in States administered by both State agencies and the regional offices. The Service felt a particularly urgent need for a prompt increase in reviewing activity so that institution and facility operations could be significantly improved prior to implementing the new program regulations. It was therefore determined that the regional offices would complete reviews of one-third of the institutions in States where they administer the program prior to the May 1, 1980, implementation date. State agencies would also be urged to complete the number of reviews projected in their fiscal year 1980 plans prior to this date.

--The Service had recently developed CCFP administrative review forms which must be used in regional office-administered States. These forms stress the following areas of program operations: sanitation procedures; training of employees; food service equipment assistance; meal analysis; donated commodities use; financial management system; monitoring documentation; civil rights compliance; application material; licensing status; records; source documents on program cost and income; and space, facilities, and equipment.

Also, a memorandum offering detailed guidance on the conduct of reviews has been prepared for distribution to State agencies, and a new State agency administrative handbook, which is nearing completion, will offer a lengthy discussion of review objectives and preparation techniques. This handbook will provide explanations of more complex regulatory provisions, but will focus more on specific practices and procedures which State agencies can implement to meet regulatory requirements. The handbook will discuss approaches to longstanding program problems intensively.

--The new program regulations require the State agencies to annually review one-third of all institutions, including reviews of 15 percent of the child care centers and outside-school-hours care centers under each sponsoring organization reviewed, and 10 percent of the first 1,000 day care homes and 5 percent of the homes in excess of 1,000 under each sponsoring organization reviewed.

USDA also said that the Service had developed three new publications to provide assistance at the operating level in complying with program administrative requirements. These are

- --an institution management handbook which discusses in detail the administrative and recordkeeping requirements that apply to all participating institutions;
- --a guide for day care home providers which addresses menu, portion, and home recordkeeping requirements; and
- --an outside-school-hours guide which outlines responsibilities of supervisory personnel at this type of feeding site.

USDA said that these publications would serve as references for homes and centers and should significantly improve program management.

Regarding meal pattern requirements, USDA said that while we stated that our sample did not permit generalizations on the level of noncompliance nationwide, our findings nevertheless point up an acknowledged program operating problem. USDA said that the newly established review quotas and the requirement that reviewers assess compliance with meal pattern requirements should result in a reduction of noncompliance.

USDA said that our findings suggested that noncompliance was largely attributable to portions below the required minimums. It said that less than 15 percent of the meals we found deficient lacked any of the required components. According to USDA, missing components are a serious problem which can be readily identified and addressed. It added that deficiencies in portions, however, vary significantly in degree and, therefore, in nutritional impact on children. It said that, for example, our measurements of meat and meat alternates revealed deficiencies of as little as 2 percent.

USDA said that while the use of appropriate serving utensils can facilitate accurate portioning, staff in centers and homes cannot be expected to weigh or precisely measure each component served. It said that such a methodology for testing portions may not, therefore, be entirely appropriate. According to USDA, a policy memorandum recently issued by the Service on family-style service stresses that the total amount of each component available at each table must be sufficient to provide required minimum portions for everyone seated at the table and allows variations in individual servings. USDA added that the Service would consider amending program regulations to incorporate this or a similar standard of portion compliance.

USDA also pointed out that five Service publications are devoted specifically to the key areas of meal pattern and food service. These are

--a food chart which presents CCFP meal pattern and portion requirements and is designed for display in center and day care home kitchens,

--a planning guide for food service in child care centers which offers detailed discussions of menu and portion requirements and places these concerns in the larger context of planning and operating a child feeding program,

--a food buying guide for child care centers which assists with shopping and preparation functions by displaying yields of various foods and standard packaging sizes,

--quantity recipe cards which provide a variety of menus based on the program meal pattern, and

--an equipment guide which contains descriptions and specifications for large and small kitchen and dining equipment.

USDA said that all of these publications have been revised to comply with the new program regulations and incorporate recent developments in food service technology.

Regarding sanitation and safety conditions at the feeding sites, USDA said that standards governing these conditions are established and enforced by local authorities and that administering agencies may encounter jurisdictional conflicts in these areas and therefore tend to play a limited enforcement role. It said, however, that the Service recognizes that the CCFP can properly function only in a safe and sanitary environment and that one section of the new regulations therefore explicitly extends the administering agency's responsibilities in the general area of child care standards compliance.

Regarding financial management, USDA said that to improve financial management in the CCFP, the new program regulations include provisions which:

--Establish more precise accounting standards for State agency handling of CCFP and State administrative expense funds.

--Mandate minimum State agency procedures for the recovery of overpayments.

--Make explicit the administering agency's authority to deny reimbursement for meals served to children in excess of authorized capacity (which is established by child care licensing or approval).

--Require that State agencies approve all institution administrative expense budgets and limit allowable administrative costs claimed by sponsoring organizations of day care homes to the level of administrative costs established in their annual budgets. Administering agencies may also establish this administrative reimbursement limit for independent centers and sponsoring organizations of centers.

USDA also said that to strengthen the program's fiscal integrity and ensure uniform financial management procedures, the Service had redeveloped a financial management instruction based on Public Law 95-627 and the new program regulations. It said that this document was in the final stages of clearance within the Service and would shortly be distributed to regional offices and State agencies. It said that the Service believes that the instruction will be instrumental in accomplishing the following objectives.

--Safeguarding the program's fiscal integrity.

--Establishing uniform financial accounting systems both at the grantor and grantee levels.

--Ensuring that grantors and grantees maintain recordkeeping systems which comply with departmental guidelines.

--Establishing uniform cost principles and policies relative to allowable and unallowable costs, frequency of inventories, reporting program costs on a cash or accrual basis, and defining income to the program.

--Minimizing the problem of dual funding where a subgrantee simultaneously participates in more than one Federal grant program.

On the Service's management evaluation system, USDA said that the Service was aware of weaknesses in the monitoring and operation of the system, which is being strengthened in several areas, as follows.

--Based on an analysis of available data from all management sources, the Service intends to develop more structured management evaluation guidance materials and corrective action requirements.

--A section of the new regulations mandates that within 60 calendar days of receiving each management evaluation report, each State agency is to submit to the regional office a written plan for correcting serious deficiencies, including specific time frames for accomplishing corrective actions and initiating followup efforts. Although regulatory coverage of the management evaluation process can be expanded, program regulations may not be the appropriate place for exhaustively detailed management evaluation requirements. These evaluations are conducted by the regional offices, and the Service need not regulate functions of its own regional offices. Deficiencies in evaluating State agencies in some regions must, however, be effectively addressed.

--This year, instead of the management evaluation of regional offices which we recommended, a self-assessment of regional office problems and additional resource needs was conducted. The national office has analyzed all regional office requests for assistance and is determining which regions have the most critical needs. The Service is attempting to provide additional resources for completing administrative reviews of one-third of the institutions in States where Service regional offices administer the CCFP.

--The Service's Child Care and Summer Programs Division and Office of the Deputy Administrator for Regional Operations are developing a comprehensive monitoring and evaluation system for regional office operations which will provide for a nationwide trends analysis. Key components of the system include (1) organization and staffing patterns, (2) regional office budgets, (3) State plan approval procedures, (4) frequency and quality of technical assistance and training provided to State agencies and institutions, (5) regional office systems and procedures for evaluating State agencies, (6) regional office operational and administrative procedures for direct administration of the program, (7) implementation and monitoring of financial management systems by the regional offices, including regional office claims and audit processing, and monitoring the financial reports submitted by State agencies, and (8) implementation of all required provisions of regulations, operational memorandums, Service instructions, and guidance materials.

Concerning headquarters information systems, USDA said that the Service acknowledged gaps in program data currently being gathered, as well as the need for a more systematic integration and analysis of program information. It said that participation data collection forms which had been used had been revised to conform to the new regulations and that at least one additional form was being considered. It added that the CCFP studies mandated by Public Law 95-627 should fill some of the information needs which we identified.

USDA also mentioned that the State plan information requirements mandated in program regulations would yield useful information on the number of institutions and facilities participating in the program by type and the number of children served in each type. It said that in the plan, administering agencies would also report the number of centers and homes in each State which are licensed, registered, approved, or receiving child care funds under an HEW program. It added that some administering agencies would be able to specifically identify all eligible nonparticipating centers and homes. It also said that the Service would offer guidance to administering agencies which would help them use relevant demographic resources, such as HEW's National Health and Nutrition Examination Surveys and various Census Bureau reports, for targeting their outreach efforts.

USDA said that the new regulations authorize the Service to require administering agencies to submit an annual report on the scope of program operations and that in resurveying its information needs, the Service would compare the potential significance of gaps which could be filled by such a report with the additional burden it would impose on administering agencies in order to determine its feasibility.

USDA pointed out that the study of barriers to participation, which is to be part of the study mandated by Public Law 95-627 (see p. 28), will include a survey of nonparticipating child care centers. It said that this survey would determine the level of program information available to nonparticipants, their perceptions of program administrative responsibilities, and the reasons they may have for not participating. According to USDA, the results of this survey will enable the Service to develop more effective outreach strategies and procedures. It also said that the relationship between funding levels and meal quality would be studied and that an analysis of the comprehensive information base developed in the studies will enable the Service to more effectively address a variety of other policy and management questions.

We did not evaluate or in any way assess the effectiveness of the corrective actions which the Service has proposed. We believe, however, that the proposed actions, together with the actions the Service has recently taken, represent a commitment to program improvement, and if fully developed and properly implemented, should enhance the program's ability to accomplish its goals.

# CHAPTER 5

# THE BENEFITS OF RECENT LEGISLATION HAVE NOT BEEN DEMONSTRATED, BUT COSTS WILL INCREASE AND EXISTING PROBLEMS MAY GET WORSE

The 1978 Child Nutrition Amendments provide the basis to extend improved services to more children. Although the effect of the amendments in expanding the program and improving services is unknown, the implementation of these amendments in May 1980 will increase program costs and problems caused by poor management may be exacerbated.

We believe that these legislative measures, as well as the implementing regulations, need to be examined to assure that the health and well-being of the Nation's children is best served. In addition, any major program expansion effort should be preceded by improved program management. The implementation of the 1978 amendments requires prompt attention to assure that the intent of the law is served in an effective, efficient, and economical manner.

## THE PROGRAM'S EXPANSION POTENTIAL IS UNKNOWN

One purpose of the 1978 amendments is to expand the CCFP. The legislative history indicates, and the Service contends, that certain of these amendments will increase program participation by removing certain barriers to participation, easing administrative burdens, and providing more financial assistance.

The program may have the potential for expansion; however, the Service does not yet know the nature and extent of that potential nor has the ability of certain of the legislative changes to expand the program been demonstrated.

### The Service has not adequately identified the unserved, eligible population

The Service told us that although the program has had an average annual growth of about 10 percent in the number of meals served since fiscal year 1977, these amendments were adopted by the Congress because it was believed that the program had not expanded as anticipated. The Service believes the program will expand but does not know the impact of the 1978 amendments on growth and cannot provide an accurate estimate of program expansion. Although some data suggests that a large unserved population exists, the Service does not know the extent of the unserved, eligible population interested in participating in the program.

The Service states that the CCFP serves only 650,000 of about 1 million children enrolled in organized day care and believes that about 2 million children are involved in informal day care settings. The Service, however, could not provide us with documents supporting these estimates nor could we identify any such documentation.

That an unserved population exists is not a question. A study "Day Care Centers In the U.S. - A National Profile," prepared for HEW by a private consultant, reported that 43 percent of eligible day care centers in 1977 did not participate in the CCFP either because they chose not to or were not familiar with the program.

Also, child care advocacy organizations have presented information indicating that an unserved population exists. The Service, however, has not assessed the relevancy of this data to the program.

### The impact of legislative changes on program expansion has not been demonstrated

The Service believes program expansion will occur as a result of modifying certain program elements. We were unable to obtain any Service studies or investigations which demonstrated the extent to which the program would be expanded by

--changing reimbursement procedures to make more funds available,

--reducing recordkeeping requirements to eliminate some administrative burden, and

--providing funds to finance new programs.

While child advocacy groups have indicated that these changes will expand the program, the Service has not critically evaluated these contentions to determine whether these changes are capable of expanding the program.

The Service believes that increasing financial assistance will improve service quality. No evaluations, however, have been performed to validate this belief.

## PROGRAM PAYMENTS WILL INCREASE

The 1978 amendments changed the reimbursement procedures for both child care centers and family day care home providers. The Service estimates that the change in payment methods will increase fiscal year 1981 program payments to these providers by about $41 million, primarily because some meals will be reimbursed at higher rates. It is uncertain, however, as to the extent that program benefits will increase and additional children will be enrolled.

Child care centers

Under previous legislation reimbursement for these centers was determined by the numbers and types of meals served and the eligibility of children for free, reduced-price, or paid meals. The regulations allowed sponsors to be reimbursed based on the average eligibility of a center's participants. The 1978 amendments permit child care center sponsors to elect reimbursement by either the old method or the following technique which groups reimbursement into one of three tiers based on the eligibility mix of the children served.

--Free rate tier. All meals can be reimbursed at the free rate if two-thirds of the children are eligible for free and reduced-price meals.

--Reduced-price rate tier. All meals can be reimbursed at the reduced-price rate if one-third but less than two-thirds of the children are eligible for free and reduced-price meals.

--Paid rate tier. All meals can be reimbursed at the paid rate if less than one-third of the children are eligible for free and reduced-price meals.

This method will result in more meals being reimbursed at higher rates since some meals formerly reimbursed at the reduced-price or paid rates will be reimbursed at the free rates. The following table shows the Service's estimate of how the distribution of meals reimbursed at the free rate will increase, while the percent of meals reimbursed at the reduced-price and paid rates will decrease as a result of the 1978 amendments.

| | Percent of meals reimbursed at various rates | |
|---|---|---|
| Meal category | Prior to legislation | Subsequent to legislation |
| Free | 66 | 86 |
| Reduced-price | 15 | 10 |
| Paid | 19 | 4 |

The Service estimates that under the recently legislated tiering system, payments to child care centers will increase about $30 million in fiscal year 1981, compared with the amount that would have been reimbursed under the former method to feed the same number of children.

In addition, we believe that centers serving a less needy clientele will benefit most--realize a greater increase in reimbursement levels--under the tiering reimbursement system, compared with those centers primarily serving the most needy children entitled to free meals. Consider, for example, two hypothetical sponsors each serving 24 children lunch 20 days a month. (App. I shows reimbursement rates, including cash in lieu of commodities.)

--One sponsor serves children who all qualify for free meals. This sponsor's reimbursement is not affected by the 1978 amendments and remains $542.48 a month.

--The other sponsor had been reimbursed for meals at the free rate for eight children, at the reduced-price rate for eight children, and at the paid rate for the other eight children, yielding a total reimbursement of $399.20 a month. However, since two-thirds of the children qualify for free or reduced-price meals, the 1978 amendments provide that the sponsor can elect to be reimbursed for all meals served at the free rate. The sponsor is now reimbursed $542.48 a month--a 36-percent increase.

The Service agrees that the neediest would not benefit most under the revised reimbursement procedures.

Although the intent of the revised reimbursement procedures was to lessen administrative requirements, we concluded, and the Service's Administrator agrees, that the change will have little effect in easing any administrative burdens. Sponsors will still have to determine the eligibility of children for free or reduced-price meals in order to prepare claims for reimbursement.

Family day care home providers

The Service estimates that fiscal year 1981 payments to sponsors of family day care homes will increase about $11 million as a result of the 1978 amendments.

Under the previous legislation, family day care home sponsors were reimbursed in the same manner as other child care centers. Instead of maintaining records on actual food costs, sponsors were permitted to use USDA-established food cost factors to determine the cost of food. (See app. I.)

The 1978 amendments established separate rate schedules for food service and administrative costs which are not based on the family incomes of the children served and are equivalent to the free rate. The food service rates cover the cost of food and labor costs in providing meals without a requirement to document these costs. Formerly, about half of the meals served in family day care homes were reimbursed at the free rate. (See app. I.)

According to the Service's recently published regulations, a family day care home sponsor's administrative costs will be reimbursed a maximum of up to $45 a month on a sliding scale for each home under its sponsorship. Sponsors can receive up to $45 for the first 25 day care homes sponsored, $35 for the next 50 day care homes, and $30 for each additional home. Reimbursement will be limited, however, to actual administrative costs and may not exceed 30 percent of the total of administrative and food service payments or the State approved budget levels.

## PROBLEMS MAY BE EXACERBATED UNDER RECENT LEGISLATION

Problems the program has experienced due to poor management, as discussed in chapters 2 and 3, may be exacerbated when the 1978 amendments are implemented. There is a need for the Service to continue to improve management at all levels to assure the program's nutritional and fiscal integrity as well as the safety of children before program expansion can be effectively accomplished.

### Reduced recordkeeping requirements will impair management

We believe the provision of the 1978 amendments which does not require family day care home providers to document costs, particularly food costs, will impair the ability of Federal and State program managers to perform nutritional and fiscal surveillance. Our reviews at the feeding sites showed that financial records are an essential tool in evaluating the amount of food purchased by feeding site managers to meet USDA meal standards. The CCFP Director agrees that the ability to assess the nutritional and fiscal integrity of the service being provided in family day care home settings will be reduced as a result of this change in requirements but believes it will facilitate program expansion.

### Start-up and advance payments will burden sponsor accounting systems

The 1978 amendments authorize start-up funds to new sponsors of family day care homes and advance payments to all sponsors. This provision was intended to relieve financial burdens.

As discussed in chapter 3, about three-fourths of the sponsors we reviewed did not maintain adequate records. We believe that because the provision will require additional records to be kept, the reliability of those sponsors' records may be further reduced by the added recordkeeping requirements to account for start-up and advance payments.

### Growth of the family day care home sector may further burden management

The 1978 amendments were aimed at expanding family day care home food service programs. We believe, and the Service agrees, that program expansion in private homes will make program surveillance more difficult and reduce the Service's and the States' ability to assure that nutritious meals are being served and site conditions are healthful.

A family day care home usually serves about 4 children, whereas about 35 children are typically served at a child care center. Having more family day care homes in the program will reduce the number of children that can be seen by program monitors during any one visit, increase the number of monitoring visits required by regulations, and strain management resources. The recently published regulations require that one-third of the sponsors and between 5 and 15 percent of the sites be visited annually.

In addition, family day care home providers may require close supervision. An official of one Service regional office said that family day care home attendants are less capable of meeting USDA nutrition and recordkeeping requirements. The CCFP Director agreed that establishing the competency of home attendants is more difficult.

While organizations sponsoring family day care homes are responsible for assuring compliance with program requirements, comments on the proposed regulations indicated that administrative funds would not be sufficient to meet the regulations' supervision requirements. While USDA has adjusted the rates for computing administrative funds, it is uncertain whether this level of funding will be sufficient.

### Insufficient management commitment to the program appears likely

The Service believes that both Federal and State management must be improved to accommodate changes in the program resulting from the 1978 amendments and implementing regulations. We agree. However, the States may not have sufficient financial and personnel resources to accomplish this goal.

Comments on the proposed regulations indicated that because of new administrative requirements, there is concern about whether there will be enough State administrative expense funds to underwrite program management staffing costs. One State claimed that it was already understaffed because of insufficient administrative funds and that the regulations would triple current personnel levels without providing additional funding. One Service regional office commented that personnel needs would increase threefold and another regional office stated that the program "* * * will now need full time, specialized attention by State and regional staff members * * *."

According to the Service's Administrator, regional offices are reluctant to require the States to strictly adhere to program regulations because of the States' ability to turn back programs. In fact, 12 States have indicated that they may turn the program back to the Service, and two have already formally notified the Service that they will relinquish program management. Under current legislation, this will require the Service to operate these programs in addition to the 12 it now operates. Due to personnel ceilings, Service regional offices would be insufficiently staffed to operate the program and supervise States' administration of the program.

Recently, USDA proposed legislation which would not permit the Secretary to directly administer the CCFP in any State. The proposal also provides an incentive for the States to administer the program by making the method for reimbursing State administrative expense funds flexible and asks for the authority to withhold all or part of a State's administrative expense funds if serious deficiencies persist in the administration of the child nutrition programs.

## CONCLUSIONS

The 1978 Child Nutrition Amendments may provide the basis for improved and expanded program services. However, the extent to which services need to expand and the effectiveness of the amendments to reach the unserved population is unknown. It is also uncertain whether the quality of program services will improve.

Further, the nutritional and financial operating deficiencies the program has had are likely to be exacerbated when the amendments are implemented unless substantial improvements are made in management quality. Also, the Service's ability to manage the program may be further impaired if States turn back programs as a result of the administrative requirements of the new regulations.

It is certain, though, that program costs will increase.

## RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that to assure the Congress that program expansion can be effectively and efficiently carried out without further exacerbating the management weaknesses, the Secretary

--assess the expansion potential of the 1978 amendments,

--identify current and future resources at the Federal and State levels necessary to assure the nutritional and fiscal integrity of the CCFP, and

--develop an action plan for achieving expanded program goals.

The action plan should, at a minimum, address the issue of coordinating program growth with a demonstrable capability to manage increases in program size. The plan should also include information on program growth and the degree to which management has accommodated that growth. Finally, the plan should require an evaluation of the extent to which the program is meeting the needs of its target population and an assessment of the effects of increased payments on service delivery. The Secretary should make the results of such evaluations available to the cognizant congressional committees.

As part of this effort, the Secretary should identify any need for legislative or regulatory changes and any additional resources required to restore and maintain program integrity.

Whether or not USDA's proposal to preclude the Secretary from directly operating the program--previously referred to--becomes law, the Secretary should closely oversee State activities so that obstacles to efficient and economical program management can be identified. This will improve the Secretary's ability to render assistance to States and take whatever actions are necessary to alleviate those burdens inhibiting States' implementation of the program.

If the proposal is not enacted, we recommend that the Secretary identify for the Congress the types of actions needed to help alleviate those burdens States encounter in administering the program. The measures identified should help States remain in the program and encourage nonparticipating States to resume program responsibility. At the same time the Secretary should intensify the level of assistance given to the States in their efforts to improve the quality of program services.

## AGENCY COMMENTS AND OUR EVALUATION

In its comments (see app. III), USDA said that the statute requires the Service to administer the program whenever a State declines to do so and that State agencies sign an agreement with USDA allowing them to relinquish CCFP administration on 30 days' notice. USDA said that this restricts the Service's ability both to establish additional management requirements and to implement corrective actions at the State agency level, because States may threaten to cease administering the program if they are directed to take the required actions. USDA added that it is very difficult to impose sanctions on State agencies for negligent management, because sanctions may also lead to the State turning the program over to the Service.

USDA said that while we suggest that measures be identified which would promote State agency administration of the CCFP, Public Law 95-627 has already significantly increased the amount of State administrative expense funding available for the program, and in fiscal year 1980 the Service supplemented this increase by providing over $2 million more for State administrative costs. Yet, USDA said, two State agencies had recently decided to turn back the program despite these incentives and others may follow. According to USDA, incentives alone do not effectively address the turnback problem.

USDA pointed out that its proposed legislative prohibition against turnbacks and direct administration of the program by the Service regional offices is supported by its Inspector General, who recently testified that

> " * * * the provision currently allowing any State to drop the program in favor of direct federal administration has had two effects. First, (federal) agency personnel who could be reviewing all

State operations, monitoring and providing technical assistance are instead assigned to run the program. Second, on more than one occasion the threat to drop out of the program has been used as a powerful weapon to resist taking effective corrective action on deficiencies. It is imperative that direct program administration be recognized as a State responsibility."

Regarding program expansion, USDA did not specifically address our recommendations but said that the Service's standard outreach brochure had been revised and republished, and a new outreach brochure developed--specifically aimed at potential sponsors of day care homes. Also, as stated on pages 18 and 19, USDA pointed out that the Service's revised State plan guidance for fiscal year 1981 is intended to help State agencies prepare State plans that would be an effective management tool outlining the State agency's goals for program expansion as well as operations. Further, as stated on page 39, USDA said that the Service intends to offer guidance to administering agencies which will help them use relevant demographic resources for targeting their outreach efforts.

## CCFP REIMBURSEMENT RATES FOR MEALS

## JANUARY 1 THROUGH JUNE 30, 1980

| Provider | Reimbursement category | Meal type | | |
|---|---|---|---|---|
| | | Breakfast | Lunch/supper | Supplements |
| Child care centers | Free | $0.4925 | a/ $1.130 | $0.2900 |
| | Reduced-price | 0.4050 | a/ 1.030 | 0.2200 |
| | Paid | 0.1400 | a/ 0.335 | 0.0725 |
| Family day care homes | | | | |
| (Prior to implementation of Public Law 95-627) | | b/ 0.3125 | b/ 0.5575 | b/ 0.1900 |
| (Provided by Public Law 95-627) | | c/ 0.4600 | c/ 0.9000 | c/ 0.2700 |

a/Includes 15.75 cents in lieu of commodities.

b/Food cost factors (food only).

c/Food service rates to be implemented May 1980 for food and labor costs.

Source: Department of Agriculture.

MEAL SERVICE REQUIREMENTS (note a)

| | Age 1 up to 3 | Age 3 up to 6 | Age 6 up to 12 (note b) |
|---|---|---|---|
| Breakfast | | | |
| Milk | 1/2 cup | 3/4 cup | 1 cup |
| Juice or fruit | 1/4 cup | 1/2 cup | 1/2 cup |
| Bread or | 1/2 slice | 1/2 slice | 1 slice |
| cereal | 1/4 cup | 1/3 cup | 3/4 cup |
| Snack (supplemental food) | | | |
| Milk or juice or fruit | 1/2 cup | 1/2 cup | 1 cup |
| Bread or | 1/2 slice | 1/2 slice | 1 slice |
| cereal | 1/4 cup | 1/3 cup | 3/4 cup |
| Lunch/supper | | | |
| Milk | 1/2 cup | 3/4 cup | 1 cup |
| Meat or poultry or fish or | 1 oz. | 1-1/2 ozs. | 2 ozs. |
| cheese or | 1 oz. | 1-1/2 ozs. | 2 ozs. |
| eggs or | 1 | 1 | 1 |
| peanut butter or | 2 tbls. | 3 tbls. | 4 tbls. |
| dried beans and peas | 1/4 cup | 3/8 cup | 1/2 cup |
| Fruits (2 or more or vegetables (2 or more) or fruits and vegetables to total | 1/4 cup | 1/2 cup | 3/4 cup |
| Bread | 1/2 slice | 1/2 slice | 1 slice |

a/Program regulations also prescribe requirements for infants less than 1-year old.

b/Children age 12 and up may be served adult-sized portions, but not less than the minimum quantities specified for children age 6 up to 12.

Source: 7 CFR 226.10.

**UNITED STATES DEPARTMENT OF AGRICULTURE**
**FOOD AND NUTRITION SERVICE**

REPLY TO ATTN OF: CS-100

WASHINGTON, DC 20250

SUBJECT: Response to the General Accounting Office Proposed Report on the Child Care Food Program (CCFP)

TO: Henry Eschwege
Director
Community and Economic Development Division
U.S. General Accounting Office

The attached subject response communicates initiated and planned actions to strengthen CCFP management in areas addressed in the proposed GAO report. We share your interest in improving Program management and believe that the report will facilitate our efforts.

We view the report and our response as complementary documents which should be published together.

Thank you for your cooperation.

BOB GREENSTEIN
Administrator
Food and Nutrition Service

Attachment

International Year of the Child 1979

RESPONSE TO THE GENERAL ACCOUNTING OFFICE PROPOSED
REPORT ON THE CHILD CARE FOOD PROGRAM

This is in reference to the draft of a proposed report by the General Accounting Office (GAO) entitled "Child Care Food Program: Improved Management Will Enhance Its Ability to Provide Nutritional Meals and Maintain Fiscal Integrity." The Department accepts GAO's general recommendation that Child Care Food Program (CCFP) management be improved at all Program levels.

Numerous specific actions had been taken in pursuit of this objective prior to receipt of the GAO draft report. Still others are being developed and planned by the Food and Nutrition Service (FNS). Changes in new CCFP regulations (published January 22, 1980) have strengthened Program management requirements. Additional regulatory emphasis on management enhances the Service's efforts to institute a more effective and comprehensive management system which will provide more detailed, systematic Program information upon which to base policy decisions and lead to closer supervision of operations at the FNS Regional Office (FNSRO), State agency, institution, and facility levels. New guidance materials have been developed which will provide clearer and more comprehensive management instruction and advice to administering agencies, institutions, and facilities.

While FNS is confident that its revised approach will improve Program management, it recognizes significant inherent factors which limit management effectiveness at all Program levels. These factors condition management philosophy and shape specific management initiatives to an extent not fully acknowledged in the draft report.

FACTORS WHICH INFLUENCE PROGRAM MANAGEMENT

Turnback and sanction problems.

The statute requires FNS to run the Program whenever a State declines to do so. State agencies sign an agreement with the Department allowing them to relinquish CCFP administration on 30 days' notice. This restricts the Service's ability both to establish additional management requirements and to implement corrective actions at the State agency level, because States may threaten to cease administering the Program if they are directed to take the required actions. In addition, it is very difficult to impose sanctions on State agencies for negligent management, because sanctions may also lead to the State turning the Program over to FNS.

The GAO draft suggests that incentives be considered for promoting State agency administration of the CCFP. Public Law 95-627, however, has already significantly increased the amount of State Administrative Expense funding available for the Program. In FY 80, FNS supplemented this increase by providing over two million dollars more for State administrative costs. Yet two State agencies have very recently decided to turn back the Program despite these incentives; others may follow. Clearly, incentives alone do not effectively address the turnback problem.

The Department has proposed a legislative prohibition against turnbacks and direct administration of the Program by FNSROs. This legislative proposal is supported by the Department's Inspector General, who recently testified that "the provision currently allowing any State to drop the program in favor of direct federal administration has had two effects. First, (federal) agency personnel who could be reviewing all State operations, monitoring and providing technical assistance are instead assigned to run the program. Second, on more than one occasion the threat to drop out of the program has been used as a powerful weapon to resist taking effective corrective action on deficiencies. It is imperative that direct program administration be recognized as a State responsibility."

Staff ceilings and budget limitations.

Because of the relativity small attendance at feeding locations, especially day care homes, monitoring of the Program by administering agencies is an extremely labor-intensive and therefore costly function. Both State agencies, and FNSROs which directly administer the CCFP, are experiencing difficulty in performing this and other Program management functions with the limited resources available to them.

Turnbacks necessitating direct FNSRO administration in additional States might exacerbate problems in States already administered by the Service, and will certainly diminish its capacity to address deficiencies in State agency administration. Due to budgetary and ceiling constraints, FNS staff does not grow as administrative responsibilities associated with direct Program administration grow.

The GAO draft report paraphases the Service's comment that management deficiencies are partially attributable to the low priority conferred on the CCFP in recent years. FNS priorities have begun to reemphasize the Program due to the changes in Public Law 95-627 and growing awareness of management problems. However, changes in priorities entail not only a refocusing of attention, but also a reallocation of severely limited staff resources. In the present economic environment, an increased FNS staff ceiling—the preferable approach—cannot reasonably be anticipated. While CCFP management will doubtless benefit from additional emphasis, the necessary withdrawal of resources from other FNS programs may affect them negatively.

Staff ceilings affect Program management at the State agency, as well as the FNS, level. State agencies experience intermittent hiring freezes. And in some States, the legislature must formally appropriate all funds to be expended by State government, including Federal grant-in-aid funds. Some State legislatures have declined to appropriate Federal funds available for CCFP management.

Limited staff expertise at the operational level.

The small child care centers, which typify institutions participating in the CCFP, frequently lack staff with sufficient skills and experience to handle some Program functions, such as maintenance of orderly ledgers, application of proration formulas to break out the CCFP share of indirect costs, and compilation of production and inventory records. Often the latter two responsibilities, which are essentially administrative, devolve by default upon cooks or teaching aids. In some centers, and in still more day care homes, staff experience considerable difficulty in comprehending even the menu and portion requirements. The training effort, which, the Service agrees, must be intensified at all levels, is often thwarted by high turnover of center personnel.

While FNS agrees with GAO on the absolute necessity for accurate and comprehensive records in support of claims for reimbursement, it believes that full compliance of all institutions with all regulatory requirements is a more idealistic than realistic expectation. However, the wealth of new guidance materials soon to be made available to institutions and facilities, coupled with needed intensification of training activity, should yield discernible improvement at the Program operating level.

## CCFP MANAGEMENT SYSTEMS

### State Plan Process

Actions have been taken to resolve acknowledged weaknesses in the CCFP State Plan process.

—FY 80 State Plans:

Public Law 95-627 was enacted on November 10, 1978. The FY 80 State Plans were due on May 15, 1979. In order to allow adequate time for State Plan development and required State clearance procedures, Plan guidance had to be issued in mid-February of 1979, only two months after enactment of the law. These restrictive timeframes required that guidance be based solely on legislation, without benefit of regulations.

Incomplete guidance, time constraints, and the reluctance of some State agencies to develop detailed Plans in the absence of new Program regulations resulted in some FY 1980 State Plans not containing all of the required items, and specifics being omitted in several areas.

—Improvements in the State Plan Process:

(1) National workshop. In August of 1979, FNS conducted a State Plan workshop, drawing upon its staff resources in the Regional Offices as well as the headquarters office. Strategies for developing effective CCFP State Plan guidance for FY 1981 were established.

(2) Revised regulations (§226.6). To strengthen the process, regulatory State Plan requirements were revised to increase clarity and conciseness.

(3) Revised State Plan Guidance for FY 81. A revised format was issued. This same format had been utilized in State Plan Guidance for the Summer Food Service Program with much success.

The State Plan Guidance was developed with the intention of assisting State agencies in preparing State Plans that would be an effective management tool outlining the State agency's goals for Program operations and expansion and providing a mechanism by which measurable objectives could be monitored.

The Guidance includes a checklist summarizing all required items; a detailed section explaining the required responses; guidance for meeting the requirements, such as sources for locating data; and optional charts for recording required participation data. Previous years' guidance had not been as clear, specific, and supportive.

(4) Systematic review of FY 80 Plans. In order to further ensure an effective FY 1981 State Plan, FNS in Washington has analyzed the FY 1980 State Plans to identify problem areas and advised each FNSRO of its findings.

Management evaluation process.

FNS is aware of weaknesses in the monitoring and operation of the management evaluation system, which is being strengthened in several areas.

—Established procedures:

FNS has had a system for reviewing State agency administration of the CCFP since the inception of the Program. On an annual basis, FNSROs are required to conduct comprehensive management evaluations of State agencies. The Service has issued formal guidance for the conduct of these evaluations and the required responses to identified deficiencies. State agency action plans contain a description of the problem, proposed remedial action, timetables for implementation, and desired results.

Regional Offices forward copies of the reports to the Child Care and Summer Programs Division for review and analysis. The Division generally conducts a thorough analysis of these reports to identify major weaknesses on a nationwide basis. The findings of this analysis are then used to identify areas where additional training is needed; to revise guidance materials prepared in the national office; to provide additional technical assistance to State agencies; and to amend Program policies via regulations and legislation if it is determined that such changes will improve administration of the Program.

—Improvements in the process:

(1) Restructuring of management evaluation guidance. Based on analysis of available data from all management sources, FNS intends to develop more structured management evaluation guidance materials and corrective action requirements.

(2) Regulatory change. Section 226.8(c) of new Program regulations mandates that, "within 60 calendar days of receipt of each management evaluation report, each State agency shall submit to FNSRO a written plan for correcting serious deficiencies, including specific timeframes for accomplishing corrective actions and initiating follow-up efforts." Although regulatory coverage of the management evaluation process can be expanded, Program regulations may not be the appropriate place, as page 23 of the GAO draft report seems to suggest, for exhaustively detailed management evaluation requirements. These evaluations are conducted by FNSROs; the Service need not regulate functions of its own Regional Offices. Deficiencies in the process of evaluating State agencies in some Regions must, however, be effectively addressed.

(3) Regional Office needs assessment. This year, in lieu of the management evaluation of Regional Offices recommended by GAO, a self-assessment of FNSRO problems and additional resource needs was conducted. The national office has analyzed all FNSRO requests for assistance and is in the process of determining which Regions have the most critical needs. The Service is attempting to provide additional resources for completion of administrative reviews of one-third of the institutions in States where the CCFP is administered by FNSROs.

(4) Monitoring and evaluation system for Regional Offices. The Child Care and Summer Programs Division and Office of the Deputy Administrator for Regional Operations are developing a comprehensive monitoring and evaluation system for FNSRO operations which will provide for nationwide trends analysis. Key components of the system include:

- Organization and staffing patterns
- FNSRO budgets
- State Plan approval procedures
- Frequency and quality of technical assistance and training provided to State agencies and institutions
- FNSRO systems and procedures for evaluating State agencies
- FNSRO operational and administrative procedures for direct administration of the Program
- Implementation and monitoring of financial management systems by FNSROs, including FNSRO claims and audit processing, and monitoring of FNS-183's and Financial Status Reports (FNS-269) submitted by State agencies
- Implementation of all required provisions of regulations, operational memoranda, Service instructions, and guidance materials

Administrative review process.

FNS believes that deficiencies at the institution and facility levels cited in the GAO draft report are partially attributable to insufficient oversight by administering agencies. The administrative review process is accordingly being improved as follows:

(1) National meeting on review deficiencies. In December of last year, FNS conducted a meeting with representatives of each Regional Office to discuss reviewing deficiencies in States administered by both State agencies and FNSROs. The Service felt a particularly pressing need for a prompt increase in reviewing activity so that institution and facility operations could be significantly improved prior to implementation of new Program regulations. It was therefore determined that FNSROs would complete reviews of one-third of the institutions in States where they administer the Program prior to the May 1 regulations implementation date. State agencies would also be urged to complete the number of reviews projected in their FY 80 State Plans prior to this date.

(2) Administrative Review Forms and Guidance. FNS has recently developed CCFP administrative review forms which must be used in FNSRO-administered States. These forms stress the following areas of Program operations:

- Sanitation procedures

 APPENDIX III

- Training of employees
- Food service equipment assistance
- Meal analysis
- Donated commodities use
- Financial management system
- Monitoring documentation
- Civil rights compliance
- Application material
- Licensing status
- Records
- Source documents on Program cost and income
- Space, facilities, and equipment

A memorandum offering detailed guidance on the conduct of reviews has been prepared for distribution to State agencies. The new State agency administrative handbook (see below) offers a lengthy discussion of review objectives and preparation techniques.

(3) Regulatory changes. New Program regulations establish annual review requirements: "The State agency shall annually review 33.3 percent of all institutions, including reviews of 15 percent of the child care centers and outside-school-hours care centers under each sponsoring organization reviewed, and 10 percent of the first 1,000 day care homes and 5 percent of the homes in excess of 1,000 under each sponsoring organization reviewed" (§226.7(k)). This section also specifies minimum review coverage: "Program reviews shall assess institutional compliance with meal requirements, family-size and income documentation where applicable, financial management standards, and nondiscrimination regulations." Sections 226.6(b)(9) and 226.7(k) establish new emphasis on appropriate corrective actions and follow-up efforts to ensure that problems are resolved.

GAO encountered deficiencies in two aspects of food service which must be scrutinized during the conduct of reviews:

(1) Meal pattern requirements. The GAO draft report indicates a high incidence of noncompliance with CCFP meal pattern requirements. While GAO concedes that its sample does not permit generalizations regarding the level of noncompliance nationwide, its findings nevertheless point up an acknowledged Program operating problem. Newly established review quotas and the requirement that reviewers assess compliance with meal pattern requirements should result in a reduction of noncompliance.

The GAO finding suggests that noncompliance is largely attributable to portions below the required minimums. Less than 15 percent of the meals found deficient by GAO lacked any of the required components. Missing components are a serious problem which can be readily identified and addressed. Deficiencies in portions, however, vary significantly in degree and, therefore, in nutritional impact on children. For example, GAO measurements of meat and meat alternates revealed deficiencies of as little as two percent. While the use of appropriate serving utensils can facilitate accurate portioning, staff in centers and homes cannot be expected to weigh or precisely measure each serving of each component. Such a methodology for testing portions may not, therefore, be entirely appropriate. A policy memorandum recently issued by FNS on family style service stresses that the total amount of each component available at each table must be sufficient to provide required minimum portions for everyone seated at the table and allows variations in individual servings. FNS will consider amending Program regulations to incorporate this or a similar standard of portion compliance.

(2) Sanitation and safety. GAO also reported objectionable sanitation and safety conditions at some centers. Standards governing these conditions are established and enforced by local authorities. Administering agencies may encounter jurisdictional conflicts in these areas and therefore tend to play a limited enforcement role. However, FNS recognizes that the CCFP can properly function only in a safe and sanitary environment. Section 226.7(m) of new regulations therefore explicitly extends the administering agency's responsibilities in the general area of child care standards compliance.

Financial Management.

— Regulatory changes:

The following provisions were incorporated into new Program regulations in order to improve financial management in the CCFP:

(1) Section 226.8(b) establishes more precise accounting standards for State agency handling of Program and State Administrative Expense funds.

(2) Section 226.15(a) mandates minimum State agency procedures for the recovery of overpayments.

(3) Section 226.7(k) makes explicit the administering agency's authority to deny reimbursement for meals served to children in excess of authorized capacity (which is established by child care licensing or approval).

(4) Section 226.8(f) requires that State agencies approve all institution administrative expense budgets and limit allowable administrative costs claimed by sponsoring organizations of day care homes to the level of administrative costs established in their annual budgets. Administering agencies may also establish this administrative reimbursement limit for independent centers and sponsoring organizations of centers.

—Biennial audit requirement:

FNS acknowledges that some administering agencies are not fulfilling the biennial audit requirement and is committed to stricter enforcement in this crucial area of financial management. Deficiencies in the number of audits conducted are partially attributable to the relative newness of the requirement and to apparent insufficiency of funds provided for auditing. Among the 30 State agencies which reported average audit costs in their 1978 State Plans, 25 indicated that audit funding would be insufficient. Thirty-one of the 41 State agencies reporting average audit costs in their 1979 State Plans appear to have experienced shortfalls of audit funds.

The audit and administrative review requirements constitute complementary aspects of a monitoring system which should cause considerable improvement in operations at the institution and facility levels.

## INFORMATION SYSTEMS

FNS acknowledges gaps in Program data currently being gathered, as well as the need for a more systematic integration and analysis of Program information. Participation data collection instruments which have long been in use under the Program have been revised to conform to new Program regulations. At least one additional instrument is presently under consideration. And the CCFP studies mandated by Public Law 95-627 should fill some of the information needs identified in the GAO draft report.

Instruments currently in use.

— The Monthly Report of Child Care Food Program and Summer Food Service Program for Children (FNS-44) gathers information in the following categories: participation of institutions (including sponsoring organizations) and feeding locations, reimbursement methods utilized, and awards of food service equipment assistance. Socio-economic characteristics of the population served by the Program are also represented on this monthly report in terms of the number of meals served which are attributable to each of the three need categories (free, reduced-price, and paid). (The FNS-44s indicate that a large majority of children served by the Program come from needy families.)

— The revised quarterly Financial Status Report (FNS-269) gathers information on audit funds, food service equipment assistance funds, Program payments, administrative payments to sponsoring organizations of homes, start-up payments, and cash-in-lieu-of-commodities payments.

— The Masterfile on FNSRO-administered institutions contains detailed financial and participation data on an individual institution basis.

State Plan information requirements mandated in §226.6(b)(1)-(4) will yield useful information on the number of institutions and facilites participating in the Program, by type, and the number of children served in each type. In the Plan, administering agencies will also report the total number of centers and homes in each State which are licensed, registered, approved, or receiving Title XX child care funds. Some administering agencies will be able to specifically identify all eligible nonparticipating centers and homes. FNS will offer guidance to administering agencies which will help them to utilize relevant demographic resources, such as DHEW National Health and Nutrition Examination Surveys and various reports of the Census Bureau, for targeting their outreach efforts.

Scope Report.

Section 226.8(d) of new regulations authorizes FNS to require administering agencies to submit an annual report on the scope of Program operations. In the process of resurveying its information needs, FNS will compare the potential significance of gaps which could be filled by such a report with the additional burden it would impose upon administering agencies in order to determine its feasibility.

CCFP Studies.

In June, 1979, Abt Associates of Cambridge, Massachusetts, was awarded the contract for CCFP studies mandated by Public Law 95-627. FNS added a description of CCFP operations at all levels, including information on the eligible universe and characteristics of currently participating institutions, to the legislated areas of study. The study of barriers to participation will include a survey of nonparticipating child care centers. This survey will determine the level of Program information available to nonparticipants, their perceptions of Program administrative responsibilities, and whatever reasons they may have for not participating. The results of this survey will enable FNS to develop more effective outreach strategies and procedures. The relationship between funding levels and meal quality will also be studied. Analysis of the comprehensive information base developed in the studies will enable FNS to more effectively address a variety of other policy and management questions.

## GUIDANCE MATERIALS

Financial Management Instruction.

In order to strengthen the fiscal integrity of the Program and ensure uniform financial management procedures, the Service has redeveloped a financial management instruction (FNS-796-2) based on Public Law 95-627 and new Program regulations. This document is in the final stages of clearance within FNS and will shortly be distributed to FNSROs and State agencies. The Service believes that the instruction will be instrumental in accomplishing the following objectives:

— Safeguarding the fiscal integrity of the Program

— Establishing uniform financial accounting systems both at the grantor and grantee levels

— Ensuring that grantors and grantees maintain recordkeeping systems which comply with Departmental guidelines

— Establishing uniform cost principles and policies relative to allowable and unallowable costs, frequency of inventories, reporting Program costs on a cash or accrual basis, and defining income to the Program

— Minimizing the problem of dual funding where a sub-grantee simultaneously participates in more than one Federal grant program.

State Agency Handbook.

A CCFP administrative handbook for State agencies is near completion. This handbook provides explanations of more complex regulatory provisions, but focuses more on specific practices and procedures which State agencies can implement to meet regulatory requirements. Approaches to longstanding Program problems are discussed intensively.

Outreach Publications.

Public Law 95-627 and new Program regulations stress Program expansion. Accordingly, the standard outreach brochure has been revised and republished, and a new outreach brochure developed which is specifically aimed at potential sponsors of day care homes.

Guidance Materials for Institutions and Facilities.

— Meal Pattern and Food Service Publications:

Five FNS publications are devoted specifically to these key areas of Program operations:

(1) Food Chart (PA-1165) which presents CCFP meal pattern and portion requirements and is desigend for display in center and day care home kitchens;

(2) A Planning Guide for Food Service in Child Care Centers (FNS-64), which offers detailed discussions of menu and portion requirements and places these concerns in the larger context of planning and operating a child feeding program;

(3) Food Buying Guide for Child Care Centers (FNS-108), which assists with shopping and preparation functions by displaying yeilds of various foods and standard packaging sizes;

(4) Quantity Recipe Cards (FNS-86), which provide a variety of menus based on the Program meal pattern; and

(5) Equipment Guide (PA-999), which contains descriptions and specifications for large and small kitchen and dining equipment.

All of these publications have been revised to comply with new Program regulations and incorporate recent developments in food service technology.

— Management Publications for Institutions and Facilities:

Three new publications have been developed to provide assistance at the operating level in complying with Program administrative requirements. These publications will serve as constant references for homes and centers, and should significantly improve Program management:

(1) Institution Management Handbook, which discusses in detail the administrative and recordkeeping requirements that apply to all participating institutions;

(2) A Guide for Day Care Home Providers, which addresses menu, portion, and home recordkeeping requirements; and

(3) Outside-School-Hours Guide, which outlines responsibilities of supervisory personnel at this type of feeding site.

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