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Secretary of State

State of Oregon

**OREGON DEPARTMENT OF EDUCATION**

**Child and Adult Care Food Program**

**A Child's Place**

For the Two-Year Period Ended June 30, 1996



**Audits Division**

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*Auditing for a Better Oregon*

The Honorable John Kitzhaber  
Governor of Oregon  
State Capitol  
Salem, Oregon 97310

The Honorable Norma Paulus  
Superintendent of Public Instruction  
Oregon Department of Education  
255 Capitol Street NE  
Salem, Oregon 97310

At the request of the Oregon Department of Education (department), we conducted a program-specific audit of the Child and Adult Care Food Program at A Child's Place, a nonprofit child care center located in Hillsboro, Oregon. This audit was conducted in accordance with *Government Auditing Standards* and the Office of Management and Budget Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Institutions*, for the purpose of determining whether A Child's Place was in compliance with laws and regulations and had established appropriate controls for administering the program during the two-year period ended June 30, 1996. Our audit also included observing A Child's Place serve two meals on May 7 and June 29, 1998, and reviewing related documentation.

In conducting this audit, we reviewed relevant Child and Adult Care Food Program requirements and regulations, interviewed staff at A Child's Place and the department, obtained and reviewed accounting records of A Child's Place and the department and reviewed various other related documents maintained by A Child's Place and other entities.

The results of our audit determined that A Child's Place was not in compliance with applicable program requirements and regulations. We questioned \$91,252 of reimbursement amounts paid to A Child's Place for the two-year period ended June 30, 1996. A Child's Place did not maintain adequate meal count, attendance and menu production records, or participant eligibility applications. Further, A Child's Place did not have adequate cost accounting records to demonstrate that all program reimbursement funds were used for the conduct or improvement of the food operation. Also, A Child's Place did not have evidence that it met minimum meal component requirements during the period audited.

Our report makes recommendations to the department to require A Child's Place to reimburse the questioned amounts and to closely monitor A Child's Place in its future operation of the program.

OREGON AUDITS DIVISION

John N. Lattimer  
Director

Fieldwork Completion Date:  
June 29, 1998

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## SUMMARY

This audit reports that A Child's Place (ACP) failed to comply with several federal requirements of the Child and Adult Care Food Program and did not have adequate controls in place over the administration of the program. Based on the results of our audit, we question \$91,252 (98.6 percent) of reimbursement amounts paid to ACP for the two-year period ended June 30, 1996. These amounts are described in the accompanying schedule of findings and questioned costs and are summarized in Appendix A of this report.

In September 1997, the Oregon Department of Education (department) conducted an administrative review of ACP and found it to be seriously deficient in several compliance requirements. Based on the results of its review, the department requested that an audit be conducted by the Oregon Audits Division.

This report recommends the department require ACP to reimburse the questioned costs, ensure ACP provides an acceptable corrective action plan, and monitor ACP's compliance with program requirements. The department's response, which is included in this report, agrees with the recommendations. ACP provided a response to the report which outlines improvements now being made to its records and procedures.



## INTRODUCTION

### BACKGROUND

The Oregon Department of Education (department) contacted the Audits Division to request an independent audit of the Child and Adult Care Food Program at A Child's Place (ACP), a private nonprofit child care center.

The department is responsible for administering the US Department of Agriculture's Child and Adult Care Food Program in Oregon. Section 17 of the National School Lunch Act authorizes federal assistance to states to initiate, maintain, and expand nonprofit food service programs for children or adult participants in nonresidential institutions which provide care. The program is intended to enable the institutions to integrate a nutritious food service with organized care services for enrolled participants.

Providers participating in the program submit claims to the department for reimbursement for meals served. Meals are reimbursed at rates established by the US Department of Agriculture for free, reduced and above-scale rates depending on the family income of the children to whom the meals are served.

The department's responsibilities in administering the program include making site visits to evaluate providers' compliance with program requirements. The department's site visit of ACP in September 1997 raised numerous concerns which prompted the department to request an audit of the ACP food service program.

ACP, located in Hillsboro, Oregon, is a nonprofit institution established to provide complete child care services for low income families in Washington County, Oregon. ACP has been providing services since 1975. All services are offered free to those unable to pay, and charges are made on a sliding fee scale basis for those who can help cover the costs of services provided.

## **FINANCIAL ACTIVITIES**

ACP receives funding from several different sources. The majority of its revenues are derived from public support through United Way, governmental agencies and fundraising activities, including bingo games operated at a location separate from the child care center. Other revenues received by ACP include interest income and service fees. According to ACP's fiscal year 1993-94 audited financial statements, revenues obtained through public support comprised approximately \$1 million (85%) of its total revenues of \$1.17 million. Grants received from governmental agencies totaled \$78,226, approximately 6.7% of total revenues.

Based on the department's payment records, for the two-year period ended June 30, 1996, ACP received a total of \$92,531 in Child and Adult Care Food Program funds.

## **AUDIT RESULTS**



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### **INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We were engaged by Oregon Department of Education to audit the accompanying schedule of expenditures of federal awards for the Child and Adult Care Food Program of A Child's Place for the two-year period ended June 30, 1996. This financial statement is the responsibility of A Child's Place's management.

A Child's Place did not maintain sufficient accounting records to support the amount of federal funds it received and expended during the two-year period ended June 30, 1996. Therefore, we obtained the financial information presented in the accompanying financial statement from Oregon Department of Education. A Child's Place's records do not permit the application of other auditing procedures to verify the expenditure of these federal funds.

Since A Child's Place did not maintain adequate accounting records and we were not able to apply other auditing procedures to satisfy ourselves as to the amount of federal funds expended, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE  
Deputy Director

June 29, 1998



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
PROGRAM-SPECIFIC OPTION UNDER OFFICE OF MANAGEMENT AND  
BUDGET CIRCULAR A-133**

Compliance

We have audited the compliance of A Child's Place with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its Child and Adult Care Food Program for the two-year period ended June 30, 1996. Compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program is the responsibility of A Child's Place's management. Our responsibility is to express an opinion on A Child's Place's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of Institutions of Higher Education and Other Non-profit Institutions*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Child and Adult Care Food Program occurred. An audit includes examining, on a test basis, evidence about A Child's Place's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of A Child's Place's compliance with those requirements.

As described in items 96-1, 96-2, 96-3, 96-4, 96-5, 96-6, 96-8 and 96-9 in the accompanying schedule of findings and questioned costs, A Child's Place did not comply with requirements regarding types of services allowed or unallowed and eligibility that are applicable to its Child and Adult Care Food Program. Compliance with such requirements is necessary, in our opinion, for A Child's Place to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, A Child's Place did not comply in all material respects, with the requirements referred to above that are applicable to its Child and Adult Care Food Program for the two-year period ended June 30, 1996.

#### Internal Control Over Compliance

The management of A Child's Place is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered A Child's Place's internal control over compliance with requirements that could have a direct and material effect on its Child and Adult Care Food Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect A Child's Place's ability to administer its Child and Adult Care Food Program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 96-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to the Child and Adult Care Food Program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE  
Deputy Director

June 29, 1998

**A Child's Place**  
**Schedule of Expenditures of Federal Awards**  
**For the Two-Year Period Ended June 30, 1996**

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Grantor/Program Title	Federal CFDA Number	Agency or Pass- Through Number	Expenditures
US Department of Agriculture passed through Oregon Department of Education: Child and Adult Care Food Program	10.558	34-888-018	
Fiscal Year 1995			\$ 42,240
Fiscal Year 1996			<u>50,291</u>
<b>Total Federal Awards</b>			<b><u>\$ 92,531</u></b>

**Note:** The above schedule is prepared using the accrual basis of accounting.



**A Child's Place**  
**Schedule of Findings and Questioned Costs**  
**For the Two-Year Period Ended June 30, 1996**

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**Section I — Summary of Auditor's Results**

**Financial Statement**

Type of auditor's report issued:

Disclaimer of Opinion

**Federal Awards**

Internal control over federal program:

Material weakness(es) identified?

Yes

No

Reportable condition(s) identified that are  
not considered to be material weaknesses?

Yes

None reported

Type of auditor's report issued on compliance:

Adverse Opinion

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, section 510(a)?

Yes

No

**Identification of major programs:**

Not applicable

**Section II — Financial Statement Findings**

No matters are reported.

**A Child's Place**  
**Schedule of Findings and Questioned Costs**  
**For the Two-Year Period Ended June 30, 1996**

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**Section III — Federal Award Findings and Questioned Costs**

**96-1**

**Questioned Costs: \$77,117**

**A Child's Place (ACP) did not maintain adequate meal count and attendance records to support the meals it claimed for reimbursement.**

ACP had meal count and attendance records for only four of the 23 meal reimbursement claims submitted to the department during the two-year period ended June 30, 1996.

According to 7 Code of Federal Regulations (CFR) 226 section 15(e)(4), institutions are to maintain daily records indicating the number of participants in attendance and the number of meals, by type (breakfast, lunch, supper and snack) served. Both types of records are required to support claims for reimbursement of meals. Section 11(e) of the same regulation requires institutions to maintain records as prescribed by the state agency's financial management system. The department's program manual states that all records are to be kept for at least three years beyond the grant year.

Without the meal count and attendance records, it can not be determined if claims submitted by ACP were based on actual meals served. As a result, we question the reimbursement amount of \$77,117, the total dollar amount of the 19 claims for which ACP did not have meal count and attendance records.

**96-2**

**Questioned Costs: \$7,685**

**ACP did not maintain menu production records for two months to demonstrate the meals it served met minimum meal component requirements. Also for these two months, meal count records did not support the number of meals claimed.**

The meal reimbursement claims submitted by ACP for the months of March and April 1995 totaled \$7,685. These months were two of the four for which ACP maintained meal count and attendance records, as previously discussed. However, ACP did not maintain evidence of menu production planning, which is also required by Child and Adult Care Food Program regulations.

Menu production records are required to contain the following information: the date the meal was served, menu, food components served, total amount of food prepared, and age and number of children served, plus adults served, if any. ACP claimed reimbursement for meals for 23 days during the month of March. Of those 23 days, ACP had only 16 menu production records available for review. Of the 16 menu production records, 12 did not list the number of children served, total amount of food prepared, food components served or number of adults served. The four remaining menu production records had the prior year's date crossed

**Schedule of Findings and Questioned Costs  
For the Two-Year Period Ended June 30, 1996**

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out with a revised date of 1995 added, but the number of children served according to the menu production records did not agree to the corresponding meal count records.

ACP's menu production records for April 1995 were originally dated 1993. Because ACP uses a cycle menu, it is not unreasonable for it to use a prior year's menu production record. However, ACP did not update the form to include the number of children served in April 1995 or the amounts of food needed to provide the required meal component quantities; therefore, the menu production records did not support the meals claimed.

The meal count records for March and April 1995 did not support the number of meals for which ACP claimed reimbursement. We also noted that the number of meals claimed was identical for these two months and the number claimed for each meal type was an even amount. Specifically, each claim listed 1000 breakfasts, 1000 lunches and 2000 snacks. Furthermore, all meals claimed were for free rates when ACP in other months consistently claimed some meals at the above-scale rate.

According to 7 CFR 226 section 11(c), reimbursement to institutions shall be based on the number of meals served to participants. The department requires the preparation and maintenance of menu production records based on 7 CFR section 15(e)(10), which requires copies of menus to be maintained and any other food service records required by the department.

Because ACP did not maintain adequate documentation as evidence to support the meals it claimed for March and April 1995, we question the reimbursement amount of \$7,685 paid for these two months.

**96-3**

**Questioned Costs: \$5,512**

**ACP did not maintain approved eligibility applications for the majority of the participants for whom free meals were claimed for the months of February and September 1995.**

ACP claimed free meals for 77 participants in the month of February 1995; however, it maintained eligibility applications for only 11 of these participants. ACP claimed free meals for 87 participants in the month of September 1995, but maintained eligibility applications for only 14 of the participants. These two months were the remaining two of the four months for which ACP maintained meal count and attendance records, as previously discussed.

According to 7 CFR 226 section 15(e)(2), institutions are required to maintain documentation of the enrollment of each participant, including family size and income information used to determine eligibility for free or reduced-price meals for each participant reported as being in either need category.

**A Child's Place**  
**Schedule of Findings and Questioned Costs**  
**For the Two-Year Period Ended June 30, 1996**

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Without documentation of participants' family size and income information, it cannot be determined that meals claimed by ACP were actually for eligible participants. As a result, we question the reimbursement amount of \$5,512 (\$2,559 for February 1995 and \$2,953 for September 1995) for free meals claimed without participant eligibility applications.

**96-4**

**Questioned Costs: \$938**

**ACP did not meet the minimum serving requirements of milk for meals served for the months of February and September 1995.**

ACP claimed meal service reimbursement for 1000 breakfasts, 870 lunches and 2038 supplements (snacks) for February 1995. The total minimum amount of milk required to be served based on the number of meals claimed was approximately 162 gallons. According to food receipts maintained by ACP, only 78 gallons of milk were purchased during February 1995; therefore, only 48% of the meals served in the month of February met meal component requirements.

For September 1995, ACP claimed meal service reimbursement for 1,378 breakfasts, 935 lunches, and 2,246 supplements. The total minimum amount of milk required to be served based on the number of meals claimed was approximately 191 gallons. However, ACP purchased only 105 gallons of milk during September 1995, according to food receipts it maintained; therefore, only 55% of the meals served in September met meal component requirements.

7 CFR 226 section 20(a) requires certain food components to be served for meals to qualify for reimbursement. Meals must contain a milk component and snacks may contain a milk component. Menu records of ACP listed a milk component as being served for all meals and most snacks.

Meals not containing the required meal component do not qualify for reimbursement; therefore, we question the reimbursement amount of \$938 for February and September 1995 meals that did not meet meal component requirements. This questioned amount is in addition to the amount previously questioned for inadequate eligibility documentation. Table 1 below summarizes the cost calculation.

**A Child's Place  
Schedule of Findings and Questioned Costs  
For the Two-Year Period Ended June 30, 1996**

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*Table 1*

**Questioned Costs  
February and September 1995  
Noncompliance with Meal Component Requirements**

	February 1995	September 1995	Total
Total Reimbursed Claims	\$ 3,382	\$ 4,087	\$7,469
Less Amount Previously Questioned (Item 96-3 above)	<u>(2,559)</u>	<u>(2,953)</u>	<u>(5,512)</u>
Remaining Reimbursed Claims	\$ 823	\$ 1,134	1,957
Multiplied by the percentage of meals served that did not meet meal component requirements	<u>52%</u>	<u>45%</u>	N/A
	<u>\$ 428</u>	<u>\$ 510</u>	<u>\$ 938</u>

**96-5**

**ACP did not maintain adequate accounting records to document the federal funds received for its Child and Adult Care Food Program. In addition, ACP did not maintain adequate documentation of nonprofit food service in compliance with Child and Adult Care Food Program requirements.**

ACP maintained limited accounting records for the two-year period ended June 30, 1996. The available records consisted of summary reports for fiscal year 1994-95, but no detailed records to support the summary. Detailed and summary reports were available for fiscal year 1995-96. In the records that existed, ACP's food service data were integrated with the data for its other operations; therefore, it was not possible to distinguish all relevant transactions. In addition, ACP did not maintain source documentation for deposits and other receipt transactions, including Child and Adult Care Food Program receipts. Likewise, ACP did not maintain source documentation for all expenditure transactions reflected in the detailed reports available for fiscal year 1995-96.

Section 15(e) (12) of 7 CFR 226 requires institutions to maintain documentation of nonprofit food service to ensure that all program reimbursement funds are used (1) solely for the conduct of the food service operation, or (2) to improve such food service operations, principally for the benefit of the enrolled participants.

**A Child's Place  
Schedule of Findings and Questioned Costs  
For the Two-Year Period Ended June 30, 1996**

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ACP's limited accounting records indicate that it spent less on food than it received in reimbursements, as shown in Table 3.

**A Child's Place  
Comparison of Food Purchases With Meal Reimbursements**

	Food Purchases	Reimbursements	Differences
Fiscal Year 1994-95	\$27,757	\$42,240	\$14,483
Fiscal Year 1995-96	\$29,623	\$50,291	\$20,668

Based on additional information obtained from ACP staff, the cook's salary is approximately \$10,200 per year. The cook's salary, in addition to other food service expenses such as cooking utensils, is an allowed cost under the program. However, ACP was not able to provide supporting documentation for the actual payroll expense of the cook or any other food service related expenses for these two fiscal years.

Without adequately detailed accounting records, ACP cannot demonstrate it meets the requirement of operating the food service program on a nonprofit basis.

**96-6**

**ACP did not demonstrate that it accurately recorded meal count and attendance for two meals we observed nor that it met meal component requirements for these meals.**

On May 7, 1998, we observed a lunch served by ACP. We had questions about the meal count and attendance records and about the quantities of food served. Therefore, we returned on June 29, 1998, to follow up on the first meal and to observe ACP serve a second meal.

**May 7<sup>th</sup> Lunch**

The May 7<sup>th</sup> lunch was served to 25 "beginners" and preschool children. When we reviewed the meal count and attendance records for these two classes, we found four fewer children were recorded as receiving meals than the number we had observed. ACP staff explained that the difference may have been due to kindergartners eating with the preschoolers. The kindergartners would have been recorded on the kindergarten records. These records, obtained on June 29<sup>th</sup>, supported ACP's explanation for three of the four children; one child's absence from the records was not resolved.

We also questioned whether ACP served the required quantity of meat at the May 7<sup>th</sup> lunch. According to 7 CFR 226 section 20(c)(2), a minimum of one and one-half ounces of meat is to be served at lunch to children of ages three to five. ACP's menu indicated a beef taco

**Schedule of Findings and Questioned Costs  
For the Two-Year Period Ended June 30, 1996**

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would be served. We observed the meat served in a tightly-rolled taco shell. Only one taco was served to each child. ACP could not provide menu production records which, if prepared in accordance with program requirements, would have provided evidence of meal component quantities.

June 29<sup>th</sup> Lunch

We observed the lunch on June 29<sup>th</sup> served to nine beginners, 10 preschoolers, and 16 kindergartners and latch-key children. The meal count record was not completed at the point of service as required by regulation. Further, ACP had not completed the meal count record for the breakfast and morning snack that were served prior to the lunch we observed.

We asked ACP staff to complete the meal count record for the lunch we observed. Then we compared the meal count to the attendance record. Of the nine children in the beginners class, only seven were shown in attendance. One child had no attendance record and was not listed on the meal count record, although we observed him eating lunch. A second child was not shown on the attendance record, but was included in the meal count. ACP staff told us the first was a teacher's child, who was not enrolled, but was attending that week to see if he was ready for school. The second child was absent that day and had been erroneously shown in attendance. The ACP staff corrected the meal count record.

Of the 10 preschoolers, only six were recorded on the meal count record. ACP staff explained that four children were actually kindergartners, but had been moved to the preschool class to balance the number of children in each classroom that day. The kindergarten and latch-key meal count record supported ACP's explanation because, although we observed only 16 children eating, 20 children were recorded as receiving a meal.

Two children included in the kindergarten meal count were not shown on the attendance record. We verified these children were in attendance. ACP staff stated that the parents sign the children in and out on the attendance record. The parents of these two children apparently forgot to sign them in and ACP staff did not notice.

We were unable to determine whether the children were served the required food component quantities for the June 29<sup>th</sup> lunch. From observation, it appeared to us that each child received the same amount of food, although quantities of required meal components vary by age groups. Because ACP did not prepare the menu production record that shows the total quantities of food provided for the number of children served, it could not demonstrate that the proper quantities of required food components were served.

Sections 15(e)(4) and (10) of 7 CFR 226 require institutions to collect and maintain daily records indicating the number of participants in attendance and the number of meals served to participants, and copies of menus and any other food service records required by the department. The department requires meal counts to be taken when meals are served to children (point of service accountability). Section 17(b)(4) of 7 CFR 226 requires child care centers to claim only meal types specified in its approved application in accordance with the

**A Child's Place**  
**Schedule of Findings and Questioned Costs**  
**For the Two-Year Period Ended June 30, 1996**

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meal pattern requirements specified in section 226.20. Section 20 of 7 CFR 226 specifies the food components and quantities to be served to children. Quantities vary between the age groups that ACP serves: age 3 through 5 (beginners, preschoolers and generally kindergartners) and age 6 through 12 (generally latch-key).

By not accurately recording meal counts and attendance, ACP can not ensure its subsequent claims for reimbursement will be accurate. ACP could not demonstrate that the nutritional needs of the children were met for the two meals we observed when it did not prepare the menu production records. Therefore, we question whether the May 7<sup>th</sup> and June 29<sup>th</sup> meals are eligible for reimbursement.

**96-7**

**ACP does not have adequate controls in place to ensure its compliance with program requirements.**

We noted several areas where ACP had no apparent controls.

- ACP did not have procedures to collect and maintain income information and eligibility status of children. The records that were provided to us for testing eligibility were incomplete.
- ACP did not have procedures to ensure meal counts were accurate and recorded at point-of-service. Staff told us that prior to November 1997, meal counts were estimated based on the attendance records. Our review of meal count records for February and September 1995 revealed errors and a lack of agreement with related attendance records. Based on our review of meal count records corresponding to the meal we observed on June 29, 1998, ACP needs to ensure it records meal count at the time of service.
- ACP did not have procedures to ensure attendance records were accurate. Times-in and times-out were not always completed for children. Attendance records did not always include a date, making it difficult to know for which period they pertained. We noted clerical errors on the February and September 1995 meal count records, resulting in inaccurate totals of meals served. Also, when we compared meal count records to the corresponding attendance records, we identified occurrences when meals were claimed for students who were absent at the time of meal service. In addition, we found instances when ACP claimed a second snack for children who had already received two meals and one snack but who were not in care for eight or more hours as required by the program regulations. [Due to a change in federal regulations effective August 22, 1996, a second snack is no longer allowable for reimbursements if a child has received two meals and one snack for the day.]

**A Child's Place**  
**Schedule of Findings and Questioned Costs**  
**For the Two-Year Period Ended June 30, 1996**

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- ACP did not have procedures to ensure that menu production records were used to demonstrate compliance with required food component quantities. As previously discussed, for March and April 1995, menu production records were not completed or did not correspond to meal count and attendance records for the number of meals served. For the meals we observed on May 7 and June 29, 1998, ACP could not provide menu production records.

Section 15(c) of 7 CFR 226 requires each institution to accept final administrative and financial responsibility for program operations. Section 15(e) requires each institution to establish procedures to collect and maintain all necessary program records, including documentation of income information used to determine eligibility, daily records indicating the number of participants in attendance and the number of meals by type served to participants, documentation of total time-in and time-out forms for each child at the center, and copies of menus and other food service records required by the department.

Without adequate controls in place, ACP can not ensure it is in compliance with program regulations. As a result, the children it serves may not be receiving the proper nutrition. Also, ACP may be receiving reimbursement for meals served to ineligible children or based on inaccurate records.

**96-8**

**ACP needs to ensure that items purchased for its food service program are allowable under the food program.**

We reviewed the food receipts for the months of February and September 1995 and discovered that ACP at times purchased certain food and nonfood items that are not allowable under the food program. Food receipts for February totaled \$2,333. Of that amount, \$379 of purchases were made for coffee, liquid coffee creamer, non-juice drinks, tea, magazines, VHS tapes, hair care products and other items not appropriate for the preparation and service of children's meals. One purchase for \$91 included three T-bone steaks and other food items that were not purchased in sufficient quantity to be considered reasonable for the food service program.

September's food receipts revealed similar purchases. Of \$2,578 spent, \$671 were for items not allowable under the food program, including \$594 for food and supplies for a Labor Day weekend picnic and barbecue.

Section 15(e)(12) of 7 CFR 226 requires institutions to maintain documentation to demonstrate that they operate nonprofit food service programs to ensure that all program reimbursement funds are used solely for the conduct or improvement of the food service operation.

**A Child's Place**  
**Schedule of Findings and Questioned Costs**  
**For the Two-Year Period Ended June 30, 1996**

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ACP did not account for its food service program separately from its other food service operations. As a result, it was not able to demonstrate that reimbursement funds were not used to purchase the items described above.

**96-9**

**ACP claimed meals for September 1995 in excess of its authorized capacity.**

ACP claimed meals in excess of its authorized capacity of 71 children for seven days in September 1995. A total of 19 meals were claimed in excess of the capacity amount. These meals were afternoon snacks that, according to ACP's agreement with the department, were to be served at 3 p.m. We counted the number of children shown as attending at that time. Based on meal count records and attendance records, ACP claimed one to five meals in excess of the 71 allowed for each of the seven days. Because reimbursed amounts for this month were previously questioned at 96-3 and 96-4, no additional costs are questioned.

According to 7 CFR 226 section 17(b)(4), reimbursement may not be claimed for meals served to children at any one time in excess of the child care center's authorized capacity. ACP's authorized capacity is limited to 71 children according to its operating certificate granted by the Child Care Division of Oregon's Employment Department. The Employment Department established minimum standards for child care centers for the health and safety of the children involved. The number of children allowed to receive care in facilities is one of the standards. When ACP allows more children to attend than its authorized capacity, it risks the health and safety of those children.

## RECOMMENDATIONS

**We recommend** the Department of Education require ACP to reimburse the questioned costs totaling \$91,252.

**We further recommend** the department work with ACP to ensure that it provides an acceptable plan of corrective action for deficiencies described in this report.

Finally, **we recommend** the department closely monitor ACP to ensure it is in compliance with program regulations and requirements.

## **REPORT DISTRIBUTION**

This report is a public record and is intended for the Oregon Department of Education management, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

## **COMMENDATION**

The courtesies and cooperation extended by officials and employees of the Oregon Department of Education and A Child's Place during the course of this review were commendable and sincerely appreciated.

## **AUDIT TEAM**

Dale Bond, CPA, CFE  
Sarah Edwards

## SUMMARY OF QUESTIONED COSTS

**A Child's Place  
Child and Adult Care Food Program  
CFDA 10.558**

<b>Finding</b>	<b>Description</b>	<b>Questioned Costs</b>
96-1	A Child's Place did not maintain adequate meal count and attendance records to support the meals it claimed for reimbursement.	\$ 77,117
96-2	A Child's Place did not maintain menu production records for two meal reimbursement claims it submitted.	7,685
96-3	A Child's Place did not maintain approved eligibility applications for the majority of the participants for whom free meals were claimed for the months of February and September 1995.	5,512
96-4	A Child's Place did not meet the minimum serving requirements of milk for meals served for the months of February and September 1995.	<u>938</u>
<b>TOTAL</b>		<b><u>\$ 91,252</u></b>



**DEPARTMENT OF EDUCATION'S RESPONSE**



**NORMA PAULUS**  
State Superintendent  
of Public Instruction



**OREGON DEPARTMENT OF EDUCATION**  
Public Service Building, 255 Capitol Street NE, Salem, Oregon 97310-0203  
Phone (503) 378-3569 • Fax (503) 373-7968

November 6, 1998

**The Honorable Phil Keisling**  
Secretary of State  
255 Capitol Street NE, Suite 500  
Salem, OR 97310

**Dear Secretary Keisling:**

We have reviewed the draft audit report on the Oregon Department of Education's Child and Adult Care Food Program at A Child's Place (ACP). This is our response to the findings and recommendations in the report.

We concur with the reported findings. We also concur with the recommendations and plan the following action:

The Department has a Consent Order signed by A Child's Place in which they agree to repay, at a monthly rate, the amount determined owing as a result of the audit for the two-year period ended June 30, 1996. The amount owing will be deducted from Child and Adult Care Food Program reimbursements claimed by ACP or to be paid monthly by ACP should ACP not participate in the CACFP program and amortize in 20 years. The Department will start the deductions the first month after this audit is deemed final.

We will require written corrective action for the deficiencies described in this report to be submitted by November 30, 1998.

The Department has already provided extensive training to the new director at ACP. We will follow-up with drop-in visits three times this year to ensure ACP is progressing toward corrective action. We will also conduct an administrative review after the first year of operations under the new director.

Sincerely,

**C. Gregory McMurdo**  
Deputy Superintendent  
of Public Instruction

cc: Jon Yunker

**EDUCATION FIRST!**



**A CHILD'S PLACE'S RESPONSE**





**A Child's Place /  
Un Lugar Para Niños  
Bilingual Programs**

**Latchkey**                      **Daycare**  
Before and After School Care    Ages 3-5  
Ages 5-14

1340 E. Main  
Hillsboro, Oregon 97123  
(503) 648-8413

November 6, 1998

Sharron E. Walker, CPA, CFE  
Audits Division  
255 Capitol Street NE, Suite 500  
Salem OR 97310

Re: Audit for the Two-Year Period Ended June 30, 1996.

Dear Ms. Walker:

Thank you for the opportunity to respond to the audit conducted by your staff early this year. Enclosed you will find responses for each of the points outlined in your findings.

If you have any questions, please feel free to contact me.

Sincerely,

Jean Garcia-Chitwood  
Executive Director



**A United Way Agency**

**Formal Response to:**

**Section III – Federal Award Findings and Questioned Costs**

**96-1**

**A Child's Place (ACP) did not maintain adequate meal count and attendance records to support the meals it claimed for reimbursement.**

Two changes, which have made by ACP for fiscal 98-99 are

- a change to the percentage system, as opposed to the daily meal count system.
- a change in attendance forms to encompass a full month, as opposed to a weekly system.

Both of these changes have resulted in fewer forms for less record keeping, thus ensuring easier maintenance of necessary procedures.

On a weekly basis forms are being checked for completion. All program forms are kept together in a binder for easy access at all times.

**96-2**

**ACP did not maintain menu production records for two months to demonstrate the meals it served met minimum meal component requirements. Also for these two months, meal count records did not support the number of meals claimed.**

Menu production records are being produced by an ACP staff member who attended the extensive training in July 98 presented by Mary Rhode. She is maintaining and reviewing records on a weekly basis. She understands the importance of this task and communicates very effectively with the director regarding questions and concerns regarding the forms.

The cook produces a grocery list from the quantities specified on the meal production form to ensure that the exact quantities are being purchased, and to guarantee compliance of minimum meal component requirements.

In addition three staff members attended the training held by the Dept. of Education in October. The center hopes to train additional staff to ensure compliance of regulations at all times.

**96-3**

**ACP did not maintain approved eligibility applications for the majority of the participants for whom free meals were claimed for the months of February and September 1995.**

Note the attached check-off sheet for every new client entering ACP. Along with other routine information, the form also indicates a procedure for the proper handling of documents relating to the food service program.

We have also devised a form for termination of clients. Note it also has instructions regarding forms for the food service program.

The enrollment roster, along with eligibility applications are maintained and organized neatly in a binder with all other food program documents. The current enrollment roster is set-up in a manner, which indicates that it is being maintained monthly, and accurately.

**96-4**

**ACP did not meet the minimum serving requirements of milk for meals served for the months of February and September 1995.**

Menu production forms along with food receipts are being reviewed on a weekly basis to insure that the proper amount of milk has been purchased and served.

**96-5**

**ACP did not maintain adequate accounting records to document the federal funds received for its Child and Adult Care Food Program. In addition, ACP did not maintain adequate documentation of nonprofit food service in compliance with Child and Adult Care Food Program requirements.**

Please see the attached form, which is being prepared, on a monthly basis to

- a) maintain adequate account records to document the federal funds received and
- b) maintain adequate documentation of nonprofit food service in compliance with the child and adult care food program requirements.

**96-6**

**ACP did not demonstrate that it accurately recorded meal count and attendance for two meals we observed nor that it met meal component requirements for these meals.**

Now that ACP has moved to a percentage record and tally system per day, when children are moved to different classrooms, it will be easier to keep an accurate sum of the meal count. In addition, the cook is also doing an overall tally of how many children were served, as a way to double check correctness of teacher counts.

Menu production forms are being prepared on a weekly basis. This will enable the cook to properly serve the correct quantities to the children.

The new procedure for children attending on a trial basis is to provide an attendance sheet that indicates they are present *only* on a trial basis.

The importance of recording attendance correctly is a major concern of the center. Note the new job descriptions, which include both food program compliance, and correct attendance requirements.

**96-7**

**ACP does not have adequate controls in place to ensure its compliance with requirements.**

Procedures to ensure that meal counts were accurate and recorded at point of service were discussed at staff meetings dated July 31, and August 21. They were again discussed at a recent staff meeting on Sept.25. To verify accuracy of meal count numbers, the cook is taking an independent count. Her tally sheet is visible on a bulletin board in the kitchen.

New job descriptions have been created, and include compliance to food program regulations, and correct attendance taking.

Monthly monitoring will be conducted of each class, and if compliance of food service program rules is not demonstrated, corrective action will be taken.

**96-8**

**ACP needs to ensure that items purchased for its food service program are allowable under the food program.**

The director is monitoring food receipts on a weekly basis. Discussions with individual employees and at staff meetings have taken place regarding allowable items for the food program.

When the receipt is reviewed and non-allowable items are showing, proper notation is made on the receipt to indicate which general ledger this item is to be deducted from. The amount is removed from the receipt total, and only the allowable item amount is carried to the monthly food service budget sheet.

**96-9**

**ACP claimed meals for September 1995 in excess of its authorized capacity.**

Although I cannot speak to the incident mentioned in Sept. 1995, I can attest to the fact that occasionally the center will be in a slight excess of authorized capacity due to the fact that children come and go at various times throughout the month.

For example, let's say that ACP is at capacity (59) on September 1. If a child terminates service on Sept. 9, we are still counting him/her as a client for meal service for September. Now, if a new child enrolls on Sept. 17, we are also counting that child. This will make our monthly total 60, because we counted the child receiving meals until the 9<sup>th</sup>, but we also counted the child beginning Sept. 17<sup>th</sup>. I spoke with the Department of Education on August of this year to verify that this procedure is correct. They concurred.

Since our program has been one with a traditionally a transient population, often overlap can cause our program to appear to be over authorized capacity. Yet, with close attention to our attendance records, and our enrollment roster, it can be surmised that ACP is never over authorized capacity. It is merely an overlap of children coming and going through the program.

A Child's Place cannot change the past. We can however affect the future. We have made positive changes to ensure compliance of our current food service program. We will self-monitor our activities to ensure that our new procedures are being followed and are that they are effective.

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### **DIRECTORY OF KEY OFFICIALS**

*Director*

*Deputy Director*

*Deputy Director*

John N. Lattimer

Catherine E. Pollino, CGFM

Sharron E. Walker, CPA, CFE



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