



KANSAS STATE DEPARTMENT OF EDUCATION

FISCAL AUDIT TEAM
Director of Fiscal Auditing
785-296-4976

SCHOOL NUTRITION PROGRAMS AUDIT GUIDE

Revised – July, 2018

NOTE TO AUDITORS: There are no program changes from SY17-18 to SY 18-19.

This guide is designed to assist Kansas Department of Education auditors in completing audits of the federal School Nutrition Programs which include the National School Lunch Program, School Breakfast Program, and Special Milk Program. Since no single audit guide can meet all possible circumstances, specific audit procedures cannot be prescribed to cover every situation that may occur. Therefore, in order to meet the audit objectives established in this guide, the auditor is expected to take audit steps beyond those prescribed to provide sufficient evidence to support the reporting requirements.

ENTRANCE AND EXIT CONFERENCES

The auditor will conduct an entrance conference with the Authorized Representative explaining the scope of the audit. At this time, the auditor will learn with whom he/she is to work during the audit, discuss questions pertaining to the organization and request the necessary documentation for the audit examination.

At termination of the audit examination, the auditor will discuss any findings, questioned costs, recommendations, and other concerns of the audit with the authorized representative of the organization. Concurrence with the findings or non-concurrence will be reported in the final report submitted to the KSDE by the auditor. If necessary, the auditor shall request a corrective action plan.

AUDIT PROCEDURES

The following items are included in the audit write-up program. The write-up program is constructed in a way so that a "TRUE" answer is expected. If the auditor answers any question with a "FALSE", the auditor **MUST** write a detailed explanation of the FALSE, except where noted.

ELIGIBILITY FOR FREE & REDUCED PRICE MEALS SY 2017-18

Applications were correctly completed and signed.

Determining Eligibility:

A complete application must include all the following required information before the determining official can make an eligibility determination:

1. Households eligible for Food Assistance (FA)/Temporary Assistance for Families (TAF):

- Name of child
- A valid Food Assistance or TAF case number for any household member (i.e. 8 digits and begins with a 0, 1 or 2. A Vision Card or Medicaid card is not acceptable.)
- Signature of an adult household member

2. Households that do not receive Food Assistance/TAF:

- Names of all household members including the child(ren) for whom application is made;
- The total amount of income received for all children in the household (Step 3, item A). The income source and total amount of income by each adult household member identified by the individual who receives it or indication the household member did not receive any income, and income frequency (Step 3, item B). Households are instructed to record a "0" if the children or any adult household members do not receive income from any source. If the household does not enter a "0" and leaves the income fields blank then the household is certifying there is no income to report.
- As an added accountability measure, USDA has added a field for reporting the total number of members in the household. This box cannot be pre-populated by the district.
- Signature of a parent or guardian and the last four digits of their social security number, or an indication that the signer does not have a Social Security number.

3. Foster children:

- a. Foster Child Application. A complete application includes:
 - i. Name of child(ren). Multiple foster children may be included on the same application.
 - ii. Checked box indicating a child is a foster child.

- iii. Signature of an adult household member or caseworker (last four digits of social security number are not required).
- b. Foster child included on household application. A complete application includes:
 - i. Names of all child and adult household members.
 - ii. Checked box indicating one or more of the children is a foster child.
 - iii. The total amount of income received for all children in the household (Step 3, item A). The income source and total amount of income by each adult household member identified by the individual who receives it or indication the household member did not receive any income, and income frequency (Step 3, item B). Households are instructed to record a "0" if the children or any adult household members do not receive income from any source. If the household does not enter a "0" and leaves the income fields blank then the household is certifying there is no income to report.
 - iv. Signature of adult household member.
 - v. Last four digits of the social security number of the adult household member signing the application or an indication that the household member does not have a social security number.

Foster children may be included on the same household application as the foster family. Money received for the care of the foster child is not required to be reported but any personal income made available to the foster child or money earned by the foster child must be reported. The foster children may be counted as part of the household. However, separate eligibility determinations must be made for the foster child(ren) and household children. Thus it is possible to have two different eligibility determinations for the same application.

If all income is received with the same frequency, look up the gross household income for that frequency on the Income Eligibility Guidelines chart. If more than one income frequency is reported, convert all income to an annual amount. Multiply income received weekly by 52, bi-weekly by 26, twice a month by 24, and monthly by 12. Annual income reported by individual household members is no longer a reportable frequency.

Carry-Over:

Applications from a prior year establish a student's eligibility for the first 30 food service operating days of the school year or until a new Direct Certification is processed or a new application is approved/denied.

Effective Date of Eligibility for Income Applications

If a Sponsor chooses, it can establish the date of submission of an application as the effective date of eligibility, rather than the date the official approves it. If a Sponsor has chosen to elect the eligibility flexibility this will be indicated on field # 63 of the Sponsor application in KN-CLAIM with method of establishing date.

Direct Certification

To implement Direct Certification sponsors should access the KSDE Direct Certification List.

Determining Eligibility:

To document eligibility, sponsors must:

1. Print the list after logging in and accessing Common Authentication
2. Highlight (underline, circle or highlight) the name of each student who is currently enrolled and match the student with at least one other identifier (birthday, address, Social Security number, parent's name, etc.).
3. Attach a copy of the Letter to Households about Direct Certification.
4. The eligibility status is effective on the date the Letter to Households about Direct Certification is sent to the household unless effective date of eligibility flexibility for Direct Certification was elected on the Sponsor application.

Carry-over:

Direct Certification from a prior year establishes a student's eligibility for free meals during the first 30 food service operating days of the school year or until a new Direct Certification is processed or a new Application for CNP Benefits is approved/denied.

Effective Date of Eligibility for Direct Certification

If a Sponsor chooses, it can establish the effective date of eligibility as the date eligibility is determined by the Determining Official (date form Letter to Household about Direct Certification is sent) **OR** request flexibility in determining the effective date of eligibility by using and documenting the "created date" on the Direct Certification list and the "date certified" by liaison/official for Homeless, Migrant, FDPIR, Head Start. If a Sponsor has chosen to elect the eligibility flexibility this will be indicated on field # 65 of the Sponsor application in KN-CLAIM with method of establishing date.

Extending Eligibility to Additional Students in the Household:

If students are living in a household that receives FA or TAF, then free eligibility is extended to all students in that household. Eligibility cannot be extended due to foster child status.

To document extension of Direct Certification eligibility to other children living in the household, the following sources may be used:

- Sponsor enrollment records
- Custody agreements
- TAF officials
- School officials
- Meal application

Notify households using the Letter to Households about Direct Certification. The eligibility status is effective on the date the Letter to Households about Direct Certification is sent to the household. If household notifies school officials of additional student (s) in the household after the school official has sent **Letter to Household about Direct Certification** to the household then the effective date of the additional student(s) is the date the second **Letter to Household about Direct Certification** is sent to the household or the date the student(s) address was updated in the student database.

Homeless & Runaway Students

Homeless and runaway children are eligible for free benefits if the sponsor's homeless liaison provides written confirmation of eligibility. Based on information provided on July 29, 2010 by KSDE's consultant on homeless students, local homeless liaisons are strongly encouraged to document homeless status as close to the beginning of the new school year as possible. USDA requires sponsors to distribute applications for Child Nutrition Program benefits no earlier than July 1 prior to the beginning of the new school year. Therefore, the July 1 rule can also be applied to the homeless liaison's certification of a student's homeless status. The eligibility status is effective on the date written confirmation of eligibility is received from the homeless liaison.

Migrant Students

Migrant children are eligible for free benefits based on printed documentation from the state's migrant computer system. The sponsor must notify the household of eligibility using the Letter to Households about Direct Certification. A copy of this letter should be on file along with the printed eligibility documentation. The eligibility status is effective on the date the Letter to Households about Direct Certification is sent to the household

unless effective date of eligibility for Direct Certification was elected on the Sponsor application.

Approval or denial was correctly determined.

Auditors are to review applications to verify that each was correctly approved as Free, Reduced or Denied. The auditor shall review 10% of applications or a minimum of 250. If an error rate of 3% (# of errors divided by total number sampled, expand the sample to 20% or a minimum of 500, If the error rate is still 3% or greater expand to 100% of the total applications.

VERIFICATION OF ELIGIBILITY SY 2018-19

Verification of eligibility is an annual process designed to help assure the integrity of applications for Child Nutrition Program benefits. The verification process must be completed by November 15 of each year. Verification must include either confirmation of income eligibility or confirmation that the child is included in a household currently eligible for Food Assistance (FA) or Temporary Assistance to Families (TAF). Verification must also include confirmation of names of all household members

The sponsor must use either the Standard (error prone), Alternate 1 (random) or Alternate 2 (focused) sampling method to select applications to be verified. A sponsor may choose to verify a random (Alternate 1) or focused (Alternate 2) sample ONLY if the sponsor had a verification "non-response rate" less than 20 percent in the preceding school year. The verification "non-response rate" is the percentage of household applications selected for verification for which verification information was not obtained by the sponsor. If a sponsor's non-response rate is 20 percent or more, then the sponsor must use a Standard (error-prone) sample. KN-CLAIM's Pre-Verification Worksheet shows the sampling methods from which the sponsor may choose and the sampling method that was selected.

A sponsor can verify no more than the minimum required number of applications. Additional applications may be verified only if there is "cause" to suspect incorrect information was submitted by the household.

Verification is not required for:

- A. children who have been certified under direct certification procedures;
- B. residential child care institutions (RCCI), except for applications for any day students attending the institution;

- C. schools in which all students are served with no separate charge for food service and no free reimbursement is claimed (i.e., non-pricing programs claiming only the paid rate of reimbursement);
- D. schools participating in only the Special Milk Program (SMP);
- E. sponsors in which all schools participate in Provision 2, 3 and none of the schools are in their base year;
- F. children certified as migrant, runaway or homeless;
- G. children who are income eligible for Head Start; and
- H. non-applicants approved by local officials.
- I. schools that participate in the Community Eligibility Provision (CEP)

KSDE Child Nutrition & Wellness consultant reviewed the verification after Nov. 15.

If a KSDE child nutrition consultant has made a visit to a school after November 15th and reviewed the verification process, there is no reason for the state auditor to review the verifications.

If this is the case the auditor should mark all lines in this section with N/A.

The auditor can request a copy of the review from the school to see if the consultant noted any problems that could affect the audit.

Number of applications on file Oct. 1.

Sample size is based on the number of applications on file as of October 1. The auditor is to report the number of applications on file. NOTE: An application with three children listed is counted as one application in this function.

School verified the correct number of applications.

Direct Certifications are not included in the verification pool. The required sample size is based on:

1. The total number of approved applications on file on October 1, and
2. Whether the sponsor employs Standard (error-prone), Alternate 1 (random) or Alternate 2 (focused) sampling for selecting the applications to be verified.

An application is counted as one application regardless of whether it is a multi-child application or an application for one child. The sample size depends on the number of household applications, not the number of children represented.

The KN-CLAIM Pre-Verification Worksheet calculates the number of applications to verify based on the number of applications entered and the sampling method selected.

Standard (Error-Prone) Sample:

A sponsor that had a 20 percent or greater verification non-response rate in the preceding school year must use Standard (error-prone) sampling. Error-prone applications are those with reported income within \$1,200 yearly, \$100 monthly, \$50 twice per month, \$46 every two weeks, or \$23 weekly of the reduced price or free income guidelines. The sponsor must verify a minimum of the lesser of 3% or 3,000 of the total number of approved free and reduced (not denied) applications. At least one application must be verified.

Alternate 1 (Random) Sample:

A sponsor must verify a minimum of the lesser of 3% or 3,000 of the total number of approved free and reduced (not denied) applications. At least one application must be verified.

Alternate 2 (Focused) Sample:

A sponsor must verify a minimum of:

1. The lesser of 1% or 1,000 of the total number of approved applications (both income and categorical). The sample is selected from income applications with total household income within \$100 monthly or \$1,200 annually of the income eligibility guidelines for free and reduced price meals; **PLUS**
2. The lesser of .5% (one half of 1%) or 500 of the total number of applications that were approved based on categorical eligibility, selected from applications with a Food Assistance or TAF case number.

Verification was completed by November 15.

The sponsor must complete verification of the minimum required sample size by November 15. Verification must take place after the application has been approved. Verification is considered complete when the household has been notified of the verification results (date on letter 8M, 8N or 8O sent to household).

Verification summary is on file.

Sponsors must maintain documentation of the verification process and results on file for review or audit. Documentation would also be needed in case of an applicant's appeal.

The following information is available in KN-CLAIM's Pre-Verification Worksheet and Post-Verification Results screens which are to be completed by December 15:

- A summary of the verification efforts including the selection process;
- The total number of applications on file on October 1; and
- The percentage or number of applications that are/will be verified by November 15.

USE OF FUNDS

Food service funds are used properly.

Revenues received by the sponsor shall be used only for the operation or improvement of the food service program. These revenues shall not be used to purchase land or buildings or to construct buildings. If equipment is purchased it must be on the KSDE-approved equipment list or have approval from Director of Child Nutrition and Wellness (CNW).

Income was received from other sources when adults received free meals.

The sponsor should reimburse the food service program for the cost of meals served to adults. The adult meal charge must be at least equal to the free reimbursement rate per meal. When the adult meal charge is less than the free reimbursement rate, sponsors must provide income from sources outside the food service fund to pay the difference between the free reimbursement rate and the meal charge. This can be accomplished by a transfer to the food service fund or by using profits from adult a la carte sales.

Indirect costs were reported correctly.

The indirect costs of a program are costs that are not readily identified with a specific program but are incurred by the sponsor for the joint benefit of all programs. Some costs that can be considered indirect for Child Nutrition Programs are utilities, custodial services, telephone, trash, sewer/water, and building maintenance. Indirect costs allow the food service to reimburse the general fund for a share of unidentifiable expenses.

Sponsors may choose either of the methods listed below:

RATE METHOD. Nonpublic schools, State Operated or RCCI's may use the average rate stated annually by KSDE. Take all expenditures reported less Food (630) and Indirect Costs (850), and then multiply by the state average rate. A sponsor may use a rate less than the state average.

A USD would use the Unrestricted Indirect Cost Rate applicable to the district.

Current indirect cost rates are posted on the Child Nutrition & Wellness team's website (www.kn-eat.org, School Nutrition Programs, What's New).

NONE. A sponsor may elect not to charge food service for any indirect costs.

There were no violations of the Cash Basis Law.

A negative bank balance and/or a negative fund balance violate the Kansas Cash Basis Law.

REPORTING REQUIREMENTS

Number of Free & Reduced priced meals claimed did not exceed the number approved.

The number of free and reduced meals claimed for reimbursement daily in each school must be less than or equal to the number of children in the school correctly and currently approved for free and reduced price meals.

Reimbursement claims were accurately reported.

The auditor should review each month's claims and verify the accuracy.

Adult and/or non-reimbursable meals were not claimed.

Non-reimbursable meals are for children accompanying parents to special occasions such as Parents Day, Kindergarten Roundup, Parent-Teacher Conferences, etc.

OTHER PROGRAM COMPLIANCE CONSIDERATIONS

This district does not participate in the Special Milk Program.

Any school that does not participate in the National School Lunch Program or School Breakfast Program is eligible to participate in the Special Milk program. The Special Milk program is also available to split-session kindergartens, when kindergarten students do not have access to other meal service.

No exceptions were made to the Special Milk Program.

If free milk is claimed, verify determinations on income eligible applications as required when auditing NSLP.

Review milk invoices to verify the average cost per unit of milk.

Pre-Kindergarten or Kindergarten students who have access to breakfast or lunch as part of their school day may not participate in the Special Milk Program.

OVERALL PROGRAM MANAGEMENT

District operates a sound food service program.

Child Nutrition Program management complies with regulations & instructions.

Financial records were available at audit.

INTERNAL CONTROL

No internal control weaknesses were noted.

FINANCIAL REPORTING

The Monthly Financial Report should be completed within 90 days following the end of the claim month. The Monthly Financial Reports will roll up and complete the Annual Financial Report. Sponsors must submit the report by August 15.

Compare the KN-CLAIM financial report to the sponsor's Annual Fund Audit Report to assure they match.

DETAILS OF SCHOOL NUTRITION PROGRAM EXCEPTIONS NOTED LIST ON PAGES 1 & 2

Any item on page 1 or 2 of the write-up program that has a NO answer MUST be listed in this section with detailed information as to why the auditor marked NO.

STATUS OF CORRECTIVE ACTION RECOMMENDED IN PRIOR AUDIT OR REVIEW

Included in the audit material, should be a copy of the previous audit. The auditor is to follow-up on any items mentioned for corrective action in the document stating if the item has been corrected.

The auditor has the option of checking with the school for a copy of the previous review conducted by the Child Nutrition Consultant. The previous review could be helpful to identify possible problem areas.

EVALUATION OF INTERNAL CONTROLS

The auditor must determine how much reliance can be placed on the audited entity's internal controls to ensure accurate financial and program data, and to ensure compliance with applicable laws and regulations.

CORRECTIVE ACTION PLAN (CAP)

A Corrective Action Plan is required for any systemic problem that the auditor finds. A corrective action plan should state what the problem is and how the entity plans to correct the problem. A "systemic" problem is a weakness in the way something is done at the entity. A miscount in the number of meals in one month is not a systemic problem; however, a miscount in many months does show a weakness. Any audit finding resulting in fiscal action requires that a Corrective Action Plan be written and issued to the Sponsoring Organization. All completed Corrective Action Plans are to be submitted by the Authorized Representative of the Sponsoring Organization to Kelly Chanay, Assistant Director, Child Nutrition & Wellness.

AUDITOR'S RECOMMENDATIONS

This area is available for the auditor to make recommendations on how the school can improve.

An Equal Employment/Educational Opportunity Agency

The Kansas State Department of Education does not discriminate on the basis of race, color, national origin, sex, disability, or age in its programs and activities. The following person has been designated to handle inquiries regarding the non-discrimination policies:

KSDE General Counsel, 900 SW Jackson., Topeka, KS 66612 785-296-3201

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