



COLORADO
Department of Education
Commissioner of Education

201 East Colfax Avenue
Denver, CO 80203-1799

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

July 30, 2014

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the School Lunch Program Performance Audit (January 2014). The attached report provides a brief explanation of the actions taken by the Department of Education to implement each recommendation.

The Office of School Nutrition (OSN) staff has focused on the implementation of the recommendations made in the School Lunch Program Performance Audit (January 2014). All recommendations are implemented, implemented and ongoing, or partially implemented, according to the implementation timeline. The OSN continues to consider all recommendations made in the audit, when building processes and procedures for the administration of the child nutrition programs.

If you have any questions, please do not hesitate to contact Jane Brand, Director of the Office of School Nutrition at 303-866-6934 or by email at brand_j@cde.state.co.us.

Sincerely,

Robert K. Hammond
Commissioner of Education



AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: School Meal Program, Performance Audit, January 2014

AUDIT NUMBER: 1302P

DEPARTMENT: Department of Education

DATE: August 4, 2014

SUMMARY INFORMATION

Please complete the highlighted sections with summary information for all audit recommendations.

Rec. Number	Agency's Response	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable) Please refer to the attached sheet for definitions of each implementation status option.</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
1a	Agree	Implemented	August 2014	
1b	Agree	Implemented	August 2014	
1c	Agree	Implemented	April 2014	
2a	Agree	Implemented	April 2014	
2b	Agree	Implemented	Implemented	
2c	Agree	Implemented	Implemented	
2d	Agree	Implemented and Ongoing	Implemented and Ongoing	
3a	Agree	Implemented	Implemented	
3b	Agree	Partially Implemented	October 2014	
3c	Agree	Partially Implemented	June 2015	
3d	Agree	Implemented	April 2014	
3e	Agree	Implemented	May 2014	
4	Agree	Implemented	August 2014	
5a	Agree	Implemented	April 2014	
5b	Agree	Implemented	March 2014	
5c	Agree	Implemented	Implemented	
5d	Agree	Implemented	August 2014	
6a	Agree	Implemented	Implemented	
6b	Agree	Implemented	April 2014	
6c	Agree	Implemented	April 2014	

DETAIL OF IMPLEMENTATION STATUS

Note: The Department agreed with all of the audit recommendations.

Recommendation No. 1:

The Office of School Nutrition (the OSN) should strengthen its monitoring processes to ensure that school districts comply with federal eligibility and nutritional requirements related to the School Meal Program by:

- a. Establishing and implementing policies and procedures related to compliance reviews that:
 - Provide consistency regarding expanded testing and the application of fiscal actions. This may include developing a flowchart or decision tree to assist staff in identifying when expansion is necessary.
 - Require that OSN staff use a consistent form to calculate and communicate to the district the fiscal action deduction being assessed. The OSN should require that its reviewers calculate fiscal action using the same form even when it ultimately decides that the fiscal action is below its threshold (currently \$600).
 - Require a larger number of follow-up reviews in order for the OSN to be able to determine that school districts have corrective action plans in place and are implementing those plans.
 - Provide districts with the specific, updated policy on when fiscal penalties will be assessed and the amount of the penalties. This policy should be consistent in assessing fiscal penalties and include provisions to escalate penalties as appropriate, and adopt a lower or no threshold for requiring fiscal action.

Current Implementation Status for Rec. 1, part a (i.e., *Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN has implemented many changes to its processes during the recent years to help improve the administration of the school meal program in Colorado. The OSN continued to refine and strengthen its monitoring processes over the past several months, as outlined in more detail below. The US Department of Agriculture (USDA) recently completed a Management Evaluation of the Office and reported in the Executive Summary that "the State Agency is performing very well overall and has been very successful in implementing the requirements of the Healthy, Hunger-Free Kids Act. In addition, the SA has done an exceptional job of hiring and training new staff to administer and oversee the Child Nutrition Programs in the state of Colorado, resulting in high quality programs."

With the implementation of the new Administrative Review process, the OSN developed a standard operating procedure, established fiscal action guidelines, and defined guidelines for when to expand testing on reviews. All OSN staff complete the same USDA fiscal action worksheets regardless of the threshold. The newly developed procedures outline when follow-up reviews are appropriate. As a result, the OSN will be conducting five follow-up reviews in school year 2014-

15. Ten regional review trainings for districts will occur from August through October 2014 and will include an overview of procedures, requirements, and fiscal action parameters.

b. Training staff on the policies and procedures once implemented.

Current Implementation Status for Rec. 1, part b (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN has trained all staff on the review processes. Furthermore, the OSN has created a Quality Assurance document to be used by the Review Manager to assess 25 percent of each Program Specialist's reviews to ensure accuracy and consistency. The USDA Regional Office has reviewed this tool and concluded it is a thorough assessment and a best practice they will share nationally. The OSN management team members will continue to assess elements of the administrative reviews to help further improve OSN's process and procedures.

c. Working with the Colorado Department of Education to assess overall capabilities and resources to ensure that the OSN is able to fulfill its monitoring responsibilities related to the School Meal Program.

Current Implementation Status for Rec. 1, part c (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN determined additional resources were necessary to fulfill the monitoring responsibilities for the school meal program. As a result, two new positions have been hired: a Grants Fiscal Analyst and a Program Specialist. The Analyst position will assume fiscal oversight duties and will allow the Review Manager to focus more on oversight of the review process. The Program Specialist position will help conduct the additional reviews now required by the USDA. This position also allows an existing staff member to focus on meal patterns and competitive foods, which provides further support to districts. These positions also allow the OSN to conduct more follow-up reviews based on new internal guidelines.

Recommendation No. 2:

The Office of School Nutrition should improve the effectiveness of its monitoring processes to ensure that school districts comply with School Meal Program requirements relating to operating balances, paid lunch equity, and non-program revenues by:

a. Defining and communicating to school districts a standard timeframe for the number of months in an operating year, for purposes of calculating 3-month operating balances.

Current Implementation Status for Rec. 2, part a (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN defined the standard timeframe of an operating year as nine months. This definition has been incorporated into the new CDE 5 report and has been presented to school nutrition directors and business officials at several conferences and trainings. Furthermore, the School Finance Division plans to formalize this definition in the State Board Rules for Accounting and Reporting.

- b. Working with the Department of Education to ensure that the data it uses to monitor school district compliance are accurate for purposes of calculating operating balances, paid lunch equity, and non-program revenue. At a minimum, the Department's *CDE5* reports should be adjusted to reflect data in school districts' audited financial statements, including actual indirect costs.

Current Implementation Status for Rec. 2, part b (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The Department collects comprehensive and detailed financial data from school districts and compares this data to the districts' audited financial statements to confirm the accuracy of the reported data. Financial data related to school meal programs is reported on the CDE 5 report. This year's review included a heightened review of data related to school meal programs, including compliance with the federal requirements for operating balance. Additionally, the OSN refined its monitoring processes related to paid lunch equity and non-program revenue.

- c. Performing timely verification of school district action when there is initial non-compliance with paid lunch equity requirements.

Current Implementation Status for Rec. 2, part c (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN has updated its monitoring processes related to the financial aspects of school nutrition programs, including paid lunch equity. Specifically, the OSN reviews meal prices during the annual renewal process and during the annual paid lunch equity submission process. The OSN also performs follow-up with any district found to be out of compliance to ensure the district made the indicated adjustments, such as a price increase or funds transfer.

- d. Providing sufficient training and guidance to school district staff, including food service program staff, other financial staff, and district superintendents, on paid lunch equity and non-program revenue calculations so the districts are better able to report accurate data and understand the implications of noncompliance with these requirements

Current Implementation Status for Rec. 2, part d (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented and Ongoing

Agency's Update: In partnership with the School Finance Division, the OSN conducted several trainings on the paid lunch equity and non-program revenue. Information and guidance continues to be published in the weekly OSN email, the *Thursday Update*. In addition, to assist districts with the understanding of these requirements, the OSN developed meal equivalency and adult meal pricing tools. One-on-one technical assistance continues to be provided to ensure accurate numbers are reported and to ensure the district understands the implications of non-compliance.

Recommendation No. 3:

The Office of School Nutrition (the OSN) should improve its controls over the direct certification process to ensure that Colorado school districts meet federal requirements by:

- a. Implementing a comprehensive monitoring process to verify that school districts are directly certifying all eligible children for the School Meal Program. This should include working with the Department of Human Services to ensure that OSN staff has access to Supplemental Nutrition Assistance Program (SNAP) data.

Current Implementation Status for Rec. 3, part a (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN implemented a new Direct Certification Agreement with all districts for the 2013-14 school year to improve districts' understanding of and compliance with these procedures and requirements. The OSN conducted 21 direct certification regional trainings between April and August to train school district personnel on the new system which opened in July 2014. The OSN has worked with a contractor and the Colorado Department of Human Services to provide the OSN with access to the SNAP data files via a shared, secure system.

- b. Continuing to implement the new data interface system. Once implemented, the OSN should seek feedback from school districts regarding their experiences with any increases in the number of matches and any decreases in the amount of manual processing required for unmatched records.

Current Implementation Status for Rec. 3, part b (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Partially Implemented

Agency's Update: The OSN implemented the new data interface system in July 2014 to facilitate the comparison of school district student enrollment data with SNAP eligibility data. The OSN has been soliciting feedback from school districts and comparing new match rates to those from the old system to identify additional refinements in the new system. The OSN will perform additional technical assistance to targeted districts that are not meeting their direct certification benchmarks.

- c. Conducting the planned one-time gap analysis of the direct certification process, including performing a root-cause analysis for the gaps or issues identified. The OSN should also consider options for conducting further gap analyses on an ongoing basis, as needed.

Current Implementation Status for Rec. 3, part c (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Partially Implemented

Agency's Update: The implementation of a new system will address many of the historic weaknesses in the direct certification process. After the first year on the new system, the OSN will perform a one-time gap analysis of the direct certification system for comparing student enrollment and SNAP eligibility. The OSN will use the information from this analysis to determine an appropriate on-going solution.

- d. Coordinating with the Department of Human Services to receive more frequent and timely SNAP updates, particularly in the months of July and August.

Current Implementation Status for Rec. 3, part d (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: In June 2013, the OSN met with the Department of Human Services to coordinate more frequent updates of the SNAP data. The Department of Human Services began providing the OSN with monthly updates in February 2014.

- e. Working with the Department of Human Services to update the written agreement regarding the exchange of SNAP data. The agreement should include clear provisions detailing each party's rights and responsibilities with respect to the data, as well as a schedule for when data should be provided.

Current Implementation Status for Rec. 3, part e (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN has worked with the Department of Human Services to update the agreement for access to the SNAP data to reflect the revised process and the responsibilities of each agency. A new agreement was drafted in December 2013. The final agreement was signed and approved by both agencies in May 2014.

Recommendation No. 4:

The Office of School Nutrition (the OSN) should ensure that school districts comply with state and federal requirements related to competitive foods and foods of minimal nutritional value by establishing and implementing policies and procedures to enhance the effectiveness of its monitoring efforts and enforcement of these requirements. The policies and procedures should specifically address how violations of program requirements should be handled, including when and what type of fiscal action should be taken for violations, how the dollar amount of the fiscal action should be determined,

when follow-up reviews should occur after violations are identified, and how school district superintendents should be notified of any violations identified. Once the policies and procedures are implemented, the OSN should communicate this information to the school districts, including district superintendents.

Current Implementation Status for Rec. 4 (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN developed a competitive foods monitoring procedure which encompasses policies and procedures for monitoring competitive foods during reviews and follow-up visits, assessing fiscal action, tracking violations, and notifying superintendents of findings. The OSN has communicated the requirements of the competitive food monitoring procedure to school districts at the OSN Directors' Conference (February 2014); two state-wide webinars (April 2014); and the Colorado School Nutrition Association Summer Conference (June 2014). Additionally, superintendents and school nutrition directors were contacted by email regarding the fundraising exemption policy and competitive foods reporting requirements in June 2014; this information was also provided to districts via the June 2014 CDE publication of *The Scoop*.

Recommendation No. 5:

The Office of School Nutrition should increase and enhance its delivery of training and technical assistance to school districts related to the School Meal Program by:

- a. Regularly disseminating to school districts a detailed outline of all training available, noting whether training is required or optional for each position within the school district's School Meal Program, and also indicating the frequency with which school district staff must take or retake required trainings.

Current Implementation Status for Rec. 5, part a (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN implemented an online training registration module in June 2014. The new system allows districts to view available training along with requirements for mandatory attendance and register their staff for training. This also provides the OSN with electronic tracking of training attendance per district. Available trainings and webinars are announced in the OSN weekly email, the *Thursday Update*, as well as on the training webpage as they are made available.

- b. Reviewing and revising, as warranted, its internal policy regarding training attendance by staff employed by outside firms that manage districts' School Meal Programs. Finalized policies should be communicated to school district staff.

Current Implementation Status for Rec. 5, part b (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The OSN reviewed the internal policy regarding training attendance by Food Service Management Company (FSMC) staffs which manage districts' school meal programs. The OSN continues to require a district representative to attend the week-long New Directors' Orientation class as this addresses management responsibilities associated with the school meal programs. However, this training has also been opened to allow FSMC staff to attend. Also, the OSN has increased efforts to relay training information to FSMC staff. In addition to training classes announced in our weekly communications, our FSMC webpage now has a direct link to training information. Many FSMC staff attended our spring 2014 webinars and one new FSMC director attended our week-long New Directors' Orientation class.

- c. Providing school districts with focused and timely guidance, to include a specific emphasis on which new U.S. Department of Agriculture regulations/memos apply to them, how the new guidance should be interpreted and applied, and how the new guidance should be applied in comparison to existing or forthcoming Colorado regulations in the same area.

Current Implementation Status for Rec. 5, part c (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented

Agency's Update: The OSN began issuing weekly updates to a variety of school nutrition personnel within districts in May 2012 to ensure food service program staff members are provided timely information on news, events, and guidance on federal and state requirements in a predictable, consistent manner. The OSN created a standard operating procedure for policy monitoring, reviewing, and sharing. This standard operating procedure details who, what, when, and how new guidance and policy are shared, reviewed, and further communicated to SFAs.

- d. Expanding the training opportunities it makes available regionally and online, which has proven successful in other states. All online training should have sufficient controls to ensure that the participants properly review the course materials before taking the course exam.

Current Implementation Status for Rec. 5, part d (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented

Agency's Update: The OSN continues to expand regional and online training whenever feasible. The OSN recently developed and deployed online trainings and resources for new head cooks and kitchen managers. The standard operating procedure for training and technical assistance was updated to include a section on web-based learning. For learning on mandatory trainings, additional controls were outlined, including the allowance of trainees to review quiz results post-assessment and a limited number of quiz attempts the trainee can have to pass the assessment was established.

Recommendation No. 6:

The Office of School Nutrition (the OSN) should ensure that it is maximizing its use of available federal funds to support oversight and administration of the School Meal Program by:

- a. Continuing to improve its budget monitoring controls, including pulling actual data from the financial system on a monthly basis, ensuring that projections are updated monthly, and

ensuring that information is communicated to OSN management frequently and timely for decision-making purposes.

Current Implementation Status for Rec. 6, part a (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: The new Grants Fiscal Analyst, discussed in Recommendation 1c, will allow more focus on fiscal oversight and administration duties. Additionally, the OSN has recently made several process changes to ensure proactive fiscal oversight including monitoring of budget-to-actual monthly, revising projections quarterly, and performing detailed reconciliations of data from the child nutrition claims system and the financial system semi-annually. The OSN management team regularly reviews this financial data for decision making purposes.

- b. Establishing an ongoing process for identifying potential uses of grants of reallocated funds, as well as Administrative Review and Training Type I and II grants, and for applying for such reallocated funds and grants as warranted.

Current Implementation Status for Rec. 6, part b (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: A standard operating procedure to assess grant opportunities was developed and is being used to identify and evaluate potential grants. The OSN will pursue grants determined to be in the best interest of the child nutrition program administration within the state. As a result of this process, the OSN recently submitted an application for the competitive Team Nutrition Training Grant. If the OSN receives this grant, part of these funds will be awarded to SFAs for improvement to Local School Wellness Policies.

- c. Working with the Departments of Public Health and Environment and Human Services to reestablish the process previously in place for sharing excess funding among the three departments.

Current Implementation Status for Rec. 6, part c (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): Implemented

Agency's Update: On March 12, 2014, the OSN hosted a meeting with the Departments of Public Health and Environment and Human Services to discuss and develop a formal plan for sharing excess funds among the three departments. The three departments agreed upon a State Administrative Expense funds sharing framework, and have begun having quarterly contact to assess status of individual agency funds, and the opportunity and potential for sharing of funds.