Reply to
Attn. of: SFSP-377

Subject: Potential Overpayments in the Summer Food Service Program (SFSP)

To: STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas, (Child Nutrition Programs) Missouri DH, Montana OPI, Nebraska ED, North Dakota, South Dakota, and Utah

We are requesting your immediate action in order resolve issues concerning potential overpayments in the SFSP. In November 1998, The General Accounting Office (GAO) issued a report entitled Welfare Reform - Effects of Reduced Reimbursements on the Summer Food Service Program, GAO/RCED-90-20. Our SFSP-369 memo dated January 13, 1999 forwarded the report to you. The report was based in part on GAO's analyses of data provided by all States concerning SFSP sponsors that participated in the Program in fiscal years 1996 and 1997. Their study was not designed to determine the accuracy of Federal payments made to SFSP sponsors; however, they conducted data consistency tests and identified SFSP sponsors who may have received reimbursements that were higher than the maximum amounts they were eligible to receive.

Their analyses of fiscal years 1996 and 1997 data provided by the States identified both SFSP sponsors whose payments appeared to be higher than the amount justified by the number of meals served and SFSP sponsors whose payments appeared to be higher than the costs they reported. GAO has recently provided us with the attached 3 lists which contain information concerning the potential overpayments to the SFSP sponsors. The sponsors in question are:

Fiscal Year 1996 and 1997 Sponsors Whose Administrative Payment Exceed the Maximum Allowable - Based on Number of Meals Served

Iowa:
Marshalltown Community SD
Council Bluffs Community SD
Missouri
   Citizens Home Mission

North Dakota:
   Twin Buttes Elementary
   Division of HPER&A
   Theodore Jamerson Elementary School
   Trenton Indian Service Area
   Dunseith Day School
   Mandaree Public School
   White Shield Public School
   New Town Public School
   Cavalier Migrant School
   Whapeton Migrant School
   Trenton Migrant School
   Grafton Migrant Schools

Nebraska:
   North Platte Public Schools
   University of Nebraska-Educational Talent

South Dakota:
   Episcopal Diocese of SD
   Rainbow Project #3433

Utah:
   Grand County SD
   San Juan District
   Sevier District
   South Sanpele District

Fiscal Year 1996 and 1997 Sponsors with Food Operating Payments that Exceed the Maximum Allowable - Based on Number of Meals Served

Colorado:
   UC Denver PCDP

Iowa:
   Marshalltown Community SD
North Dakota:
Standing Rock Community Grant School
Twin Buttes Elementary
Division of HPER&A
Belcourt SD #7
Theodore Jamerson Elementary School
Mandaree Public School
White Shield Public School
Whapeton Migrant School
Trenton Migrant School
Grafton Migrant School
Kindred Migrant School

Nebraska:
North Platte Public Schools
University of Nebraska-Educational Talen

South Dakota:
Episcopal Diocese of SD
Porcupine Contract School
Rainbow Project #3433

Utah:
Sevier District
South Sanpele District
Tintic District

Wyoming:
Northern Arapaho Business Council

Fiscal Year 1996 and 1997 Sponsors Whose Food Operating Payment Exceeded the Reported Costs

Colorado:
Alamosa SD
East Central BCCES
East Otero SD
Fountain-Ft. Carson El Paso
Littleton Public Schools
Thompson SD R2-J

Missouri:
I'M Thirdkids Across America
Salvation Army - Joplin
Montana:
St. Labre Catholic School
Human Resource Council
Action for Eastern Montana
Upward Bound University of Montana
Polson Migrant Program Polson School
Fort Belknap Agency

North Dakota
Standing Rock Community Grant School
Four Winds Elementary School
Division of HPER&A
Whapeton Migrant School
Hillsboro Migrant School
Ojibwa Indian School

Nebraska:
Scottsbluff Public Schools

Utah:
Provo District

In order to determine if the information contained in the attachments represents actual overpayments or inaccurate information provided to GAO by State Agencies (SAs), we are requesting that each SA with sponsors appearing on the lists determine that the information reported by GAO is either correct or incorrect.

If you determine that the information reported by GAO is correct for any or all of the SFSP sponsors, collect the overpayments(s) from the sponsor(s) in accordance with established policy and provide documentation regarding the recovery of the overpayments.

If you determine that the information reported by GAO is incorrect for any or all of the SFSP sponsors, send copies of the documentation which supports the corrected information (i.e., SFSP sponsor claims for reimbursement, SA payment records) for those SFSP sponsors reported in error to our office. The documentation will be analyzed to determine if overpayments were made to any of the SFSP sponsors. If so, we will request that the SA collect the overpayment(s) from the sponsor(s) in accordance with established policy and will request that you provide documentation regarding the recovery of the overpayment.
State Agency Directors

In order that we may timely follow-up with GAO, please provide information to us by March 26, 1999, concerning each SFSP sponsor identified in your State.

If you have any questions concerning the above, contact the respective staff persons working with your SA at (303) 844-0359.

ANN C. DEGROAT
Regional Director
Child Nutrition Programs

Attachments
February 11, 1999

Mr. Samuel Chambers, Jr.
Administrator
Food and Nutrition Service
Department of Agriculture

Subject: Potential Overpayments in the Summer Food Service Program

Dear Mr. Chambers:

In November, we issued a report on the impact that reduced federal reimbursements had on (1) the number and characteristics of sponsors participating in the Summer Food Service Program and (2) the number of children and meals served.\(^1\) This report was based in part on our analyses of data provided by officials in the 50 states on the 4,245 sponsors that participated in the program in fiscal years 1996 and 1997.\(^2\) Our study was not designed to determine the accuracy of federal payments made to sponsors. However, data consistency tests we conducted identified 10 percent of sponsors who may have received reimbursements that were higher than the maximum amount they were eligible to receive. These sponsors may have received at least $2.7 million in overpayments.

Sponsors' reimbursements are based on the lesser of (1) the number of approved meals served multiplied by the established rate for each type of meal or (2) the actual costs reported. Our analyses of fiscal years 1996 and 1997 data provided by the states identified both sponsors whose payments appeared to be higher than the amount justified by the number of meals served and sponsors whose payments appeared to be higher than the costs they reported. These possible payment errors could be actual overpayments or incorrect information submitted by the states. Specifically:

- In Fiscal years 1996 and 1997, 233 sponsors received food-operating payments—reimbursements for costs such as purchasing and preparing meals—that were not justified based on the number of meals served, according to the data provided by the states. We estimate these possible overpayments to be at least $1.7 million. Additionally, 186 sponsors received administrative payments—reimbursements for costs such as office

\(^{1}\)Welfare Reform: Effects of Reduced Reimbursements on the Summer Food Service Program (GAO/RCED-99-20, Nov. 10, 1998).

\(^{2}\)These officials include the USDA officials who managed the programs in Georgia, Michigan, New York, and Virginia.
expenses and insurance that are also based on the number of meals served—that were not justified on this basis. We estimate these sponsors’ possible administrative overpayments to be at least $150,000.

- According to the data provided by the states, 162 sponsors received food-operating payments that were higher than their actual reported costs in fiscal years 1996 and 1997. The difference between the reported payments and reported costs totaled $1.04 million.3

In order to determine if these errors are truly overpayments or inaccurate information provided by the states, it would be necessary to obtain sponsor claim forms and payment records. This was beyond the scope of our original work. However, we will provide the Director, Child Nutrition Division, the results of our analysis for use in reviewing the accuracy of the reimbursements that the states made to program sponsors. We would appreciate learning the results of any actions taken to review these payments.

If you have any questions about this information, please call Tom Slomba at (202) 512-9910.

Sincerely yours,

Lawrence J. Dyckman
Director, Food and Agriculture Issues

Enclosure

cc: Mr. Stan Garnett, Director, Child Nutrition Division
    Ms. Debby Shore, Audit Liaison
    Ms. June Hill, Office of Inspector General
    Mr. Ed Cooney, Deputy Administrator for Special Nutrition Programs
    Mr. Terry Halberg, Chief, Program Analysis and Monitoring Branch

---

1 This includes sponsors for whom no operating costs were reported.
SCOPE AND METHODOLOGY

From October 1997 through October 1998, we worked with the states to obtain accurate information regarding the number of meals served, number of sites, July average daily attendance, reimbursements, and reported operating costs for each sponsor participating in the Summer Food Service Program in fiscal years 1996 and 1997. Although we did not verify the accuracy of all the data provided to us for each of the sponsors, we did conduct a variety of tests to verify the data's internal consistency. For example, we identified any sponsors for which the data provided were outside of expected ranges. Where possible, we contacted the states to correct obvious errors.

We also compared the states' data on the number of meals served in 1996 and 1997 with the Department of Agriculture's (USDA) data on the number of meals served for 1996 and 1997. Our total was generally within 5 percent of USDA's total.

Sponsors identified as having potential food operating overpayments because their meal totals did not justify their food reimbursements and sponsors identified as having potential food operating overpayments because their payment exceeded their costs overlap somewhat. The $2.7 million in overpayments includes the overlapping sponsors once and includes the potential dollar error that is the highest.

To identify the 233 sponsors we designated as having meal totals that did not justify their food reimbursements, we assumed that all meals served were lunch meals, which receive the highest reimbursement. Thus, if the totals for meals served were breakfast or snacks, which receive a lower reimbursement per meal, the amount of overpayment would actually be higher than the amount we estimated. The highest food-operating rate per meal available was $2.17 in 1996 and $2.02 in 1997.

Similarly, to identify the 186 sponsors we designated as having meal totals that did not justify their administrative reimbursements, we assumed that each meal would receive the highest reimbursement amount. Administrative reimbursement rates vary by meal, location (rural locations receive higher payments), and food preparation method. The highest administrative rate per meal available was $0.205 in 1996 and $0.2125 in 1997.

We conducted our review from October 1997 through February 1999 in accordance with generally accepted government auditing standards.