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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

April 3, 2008

The Honorable John Nelson, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Nelson and Senator Blendu:

Our Office has recently completed a 24-month followup regarding the implementation status of the 6 recommendations presented in our special study, *Arizona's Participation in the National School Lunch Program*, released in December 2005 and our audit, *Seven Arizona Schools' Participation in the National School Lunch Program*, released in February 2006. As the attached grid indicates:

- 1 recommendation was implemented;
- 1 recommendation was partially implemented;
- 1 recommendation is in the process of being implemented; and
- 3 recommendations have not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the implementation of these recommendations.

Sincerely,

Ross Ehrick, CPA
Director, Division of School Audits

Enclosure

cc: Tom Horne, Superintendent of Public Instruction
Arizona Department of Education

**Arizona's Participation in the
National School Lunch Program
24-Month Follow-Up Report to
a Special Study Issued December 2005**

Recommendations	Status of Implementing Recommendation	Additional Explanation
<p>1. ADE should reconcile data reported through its separate data systems to ensure schools are properly claiming meal reimbursements and reporting NSLP eligibility.</p>	<p>Not Implemented</p>	<p>ADE removed the NSLP eligibility code from the SAIS system, replacing it with a NCLB poverty measure code that includes data on non-NSLP students. Therefore, a reconciliation of the data between the two systems is no longer possible.</p>
<p>2. The Legislature should consider whether state monies and other requirements should continue to use the NSLP eligibility rates as a poverty indicator or if another measure, such as Census Bureau poverty data or Food Stamps/TANF eligibility, should be selected.</p>	<p>Partially implemented</p>	<p>Due to the Legislature's funding state-wide All Day Kindergarten, the NSLP eligibility rates are no longer used for funding determinations for this program. However, the NSLP rates and eligibility continue to be used as criteria for allocating the Early Childhood Block Grant and school choice transportation funding, respectively. Statutory changes would be required to remove NSLP eligibility rates as funding criteria for these programs, if the Legislature deemed such changes appropriate.</p>

Seven Arizona Schools' Participation in the National School Lunch Program 24-Month Follow-Up Report to an Audit Issued February 2006

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. ADE should establish consequences that encourage districts to ensure that applications are correctly approved. Further, ADE should expand its reviews to select additional district-approved applications when its school-level samples disclose a high error rate.</p>	<p>Not Implemented</p>	<p>Although the Code of Federal Regulations (CFR) does not prohibit ADE from expanding the number of school sites subject to its administrative reviews, ADE has chosen to limit its site selection procedures to the minimum federal guidelines described in 7 CFR 210.18. While ADE reviews all of the applications at each selected school, this does not result in meaningful fiscal consequences for the district when the site samples disclose a high error rate.</p>
<p>2. ADE should consider requiring districts to significantly expand the size of their verification samples when those samples disclose a high rate of ineligibility or a high nonresponse rate.</p>	<p>Not Implemented</p>	<p>Although 7 CFR 245.6a(a) allows local education agencies (LEAs), such as school districts or charter schools, to verify up to 100 percent of all applications to improve program integrity, in July 2006, the U.S. Department of Agriculture, Food and Nutrition Service, (USDA-FNS) issued a memorandum specifying that LEAs were not to verify any additional applications beyond the minimum required sample sizes.</p>

**Seven Arizona Schools' Participation in the
National School Lunch Program
24-Month Follow-Up Report to an Audit Issued February 2006**

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>3. ADE should explore additional government program data sources, such as FDPIR or AHCCCS, for districts to use to establish categorical eligibility.</p>	<p>Implementation in Process</p>	<p>ADE is in the process of expanding the Direct Verification system to include AHCCCS and other Medicaid programs that have the same income eligibility as the NSLP. However, in August 2006, the USDA-FNS issued a memorandum stating that Medicaid programs can only be used for subsequent verification activities, not to verify initial eligibility.</p>
<p>4. ADE should consider requiring each school district participating in the NSLP to ensure that key employees involved in the application and verification processes attend its NSLP training annually or when significant changes occur in the program. ADE could then review compliance with this requirement during its NSLP administrative reviews.</p>	<p>Implemented at 12 months</p>	