



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Seven Arizona Schools' Participation in the National School Lunch Program

FEBRUARY • 2006



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

The Joint Legislative Audit Committee

Representative **Laura Knaperek**, Chair

Senator **Robert Blendu**, Vice Chair

Representative **Tom Boone**

Senator **Carolyn Allen**

Representative **Ted Downing**

Senator **John Huppenthal**

Representative **Pete Rios**

Senator **Richard Miranda**

Representative **Steve Yarbrough**

Senator **Harry Mitchell**

Representative **Jim Weiers** (*ex-officio*)

Senator **Ken Bennett** (*ex-officio*)

Audit Staff

Sharron Walker, Director

Mike Quinlan, Manager and Contact Person

Briton Baxter

Harun Chowdury

Ross Ehrick

Vicki Hunter

Gerry Lara

Tara Lennon

Jessica Martin-Carscadden

Ann Orrico

Mario Serrano-Carlos

Brian Smith

Jennie Snedecor

Anil Watts

David Winans

Copies of the Auditor General's reports are free.

You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

February 22, 2006

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Transmitted herewith is a report of the Auditor General, *Seven Arizona Schools' Participation in the National School Lunch Program*. This is the second of two reports to address a legislative request approved by the Joint Legislative Audit Committee, and it was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-1279.03. I am also transmitting with this report a copy of the Report Highlights to provide a quick summary for your convenience.

The National School Lunch Program is a federal program that provides free and reduced-price lunches to eligible schoolchildren. This report describes the program's operation in seven Arizona schools, including the results of auditors' attempts to verify the eligibility of 100 percent of their approved NSLP applications.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on February 23, 2006.

Sincerely,

Debbie Davenport
Auditor General

SUMMARY

As directed by the Joint Legislative Audit Committee, the Office of the Auditor General conducted an audit of selected schools' participation in the National School Lunch Program (NSLP). This, the second of two reports regarding the NSLP, provides the results of 100 percent eligibility verification testing at a small sample of Arizona schools. It also presents those schools' program eligibility and participation rates, resources used to operate the program, and outreach efforts to inform families about the program. The sample schools were selected to represent various characteristics of Arizona schools, such as rural and urban locations, large and small schools, and high and low NSLP eligibility rates. While the sample selection included six schools, auditors determined that one district had provided applications for two schools that operate on the same campus; therefore, the final sample included seven schools.

State-wide program overview

The Auditor General's first report on the NSLP, *A Special Study of Arizona's Participation in the National School Lunch Program*, found that Arizona has a comparatively high percentage of students eligible for the program and the percentage is increasing. In 2005, more than 52 percent of Arizona's 943,000 students were eligible for free or reduced-price lunches, an increase from 49 percent in 2001. Only six other states have eligibility rates exceeding 50 percent.

In reviewing the program's demographics the first report found that most eligible students attend urban schools; however, a greater proportion of rural students are eligible for the program. The largest percentage of eligible students, 60 percent, is Hispanic, followed by White and then Indian. English is the primary language spoken in 74 percent of the eligible students' homes.

The first report also found that although students who are eligible for Food Stamps and Temporary Assistance to Needy Families (TANF) are automatically eligible for the program—as are homeless, runaway, and migrant students—most students are determined to be eligible based on income. Students' families self-report income information on the program's application forms, and schools must verify only a small

sample of these applications. In 2005, the first time state-wide results were compiled, 19 percent of those sampled were eligible for a reduced level of benefits. For another 32 percent, benefits were terminated as required by federal regulations, because the student's parent or guardian did not respond to the income verification request. Related to these results, the first report on the NSLP recommended considering more reliable data sources for indicators of economic need within a school district.

Application, eligibility, and meal participation at the sample schools (see pages 7 through 11)

Both the sample schools and their districts are involved in the application and verification processes for the NSLP. Auditors found many of the same methods are generally used across the seven schools. The schools generally provide outreach activities, informing families of the program's availability through registration packets, school open houses, school newsletters, and other activities. Often, the districts also provide program information on district Web sites. Students usually bring completed applications back to school, where school-level staff often make the initial eligibility determinations. School personnel may also identify an apparent need, and can complete an application for the student. The applications then go to district-level Food Service offices for a second review and eligibility determination, and the information is usually entered into a computerized application system. The six districts encompassing these sample schools estimated that the application process can take from 3 to 32 minutes each, depending on how much assistance the parent or guardian requires to complete the form. For the sample schools, district-level personnel also conduct the required income verification activities. Most of these districts use both phone contacts and letters to encourage the parent or guardian to respond to verification; one district makes personal appointments to review income documents. Based on the six districts' estimates, their verification activities take from 1 to 7 hours per application, but averaged about 2.5 hours.

As of October 1, 2005, the seven schools had approved 1,600 of their 4,574 students as eligible for free or reduced-price meals. Similar to the state-wide results in the first report on NSLP, a larger proportion of students eligible for free or reduced-price meals eat school lunches than do students paying full price. Also, fewer eligible students at the high school in the sample ate school lunches than did those at the elementary and middle schools.

Verification processes and results (see pages 13 through 22)

In conducting this study, auditors verified 100 percent of the district-approved applications for the 7 sample schools. While auditors verified that just under half of the applicants were eligible for benefits, they also found many applications that were not correctly completed and should not have been approved. Further, the verification process resulted in more than 40 percent of the students losing meal benefits because their parents or guardians did not respond to verification requests.

Federal regulations require school districts to annually verify the eligibility of a small sample of applications. However, districts may choose to verify up to 100 percent of their applications. At the direction of the Joint Legislative Audit Committee (JLAC), auditors verified 100 percent of the seven sample schools' approved applications. In doing so, auditors followed the same processes established in federal and state guidelines for school districts to use in their verification processes.

Auditors found that 27 percent of the applications were incomplete and districts should not have originally approved the students for meal benefits. Seventy percent of the errors were because the applications failed to properly list for each family member whether any income was received. Another 23 percent of the errors related to failure to state the frequency of the income that was reported. By federal regulation, incomplete applications are ineligible for benefits, but for the purposes of this audit, auditors included these incomplete applications in the subsequent verification processes.

Nearly half of the applications were verified as eligible. By comparing applications to TANF/Food Stamp eligibility data, or contacting parents and guardians to obtain income documents, auditors were able to verify that 43 percent of the students were eligible for their approved benefits and 1 percent were eligible for increased benefits (i.e., free rather than reduced-price lunches). However, documents submitted by parents or guardians also showed that 14 percent should receive a lower level of meal benefits. More significantly, despite three attempts to obtain income verification documents, 41 percent of parents or guardians still did not respond, making the students ineligible for benefits. Based on these results, meal benefits were eliminated or reduced for 661 students at these 7 schools, and another 413 students at other schools within the same districts. This occurs because verification results affect all children listed on the same application, and a household's application can list students who are attending other schools within the same district.

Although required, as of February 1, 2006, one of the six districts had not properly reduced benefits for 147 students or increased benefits for one student based on results of the 100 percent verification at its high school.

The nonresponse rate of the 100 percent verification was the same as the 41 percent nonresponse rate the six districts found in their own district-wide verification samples. However, the districts verified that eligibility was correct for only 31 percent of the applications they tested, and reduced benefits for another 27 percent. Almost 2 percent of their sample applications were found eligible for increased benefits.

Conclusions and recommendations (see pages 23 through 27)

Improvements can be made in the way the program is operated. This includes establishing more significant consequences for incorrectly approving applications, and requiring districts to expand their verification processes when verification samples disclose a high number of ineligible students or have a high nonresponse rate. Other improvements include identifying other sources of data that can be used to establish categorical eligibility and ensuring district and school staff are trained.

Although many applications are incorrectly approved, there are few consequences for such errors. While ADE reviews each district's program and checks for errors, districts are reviewed only once every 5 years. Further, when errors are found, districts are required to reimburse only the specific amount associated with the errors found in the sample. Therefore the reimbursements are generally small—one district's reimbursement was \$117.63—and would appear to be a limited deterrent. ADE should expand its review to select additional applications on a district-wide basis when the sample schools show a high error rate.

A similar problem exists with the results of the districts' verification samples. Even though samples show many students may be ineligible for benefits, and there is often a high nonresponse rate, the overall impact of these results on the districts is small. This is because the sample results affect only the applications within the samples. Because the districts generally sample only 3 percent of their applications, the results affect the districts' overall eligibility rates by only 1 to 2 percent. By comparison, the auditors' verification of 100 percent of applications reduced the overall eligibility rate at the 7 schools from 35 percent to 22 percent. However, 100 percent verification would require districts to use extensive resources. Therefore, ADE should instead require districts to significantly expand the size of their verification samples when the initial samples find high percentages of students who are not eligible or when there is a high nonresponse rate.

ADE can also explore other governmental data sources, such as data on the Food Distribution Program on Indian Reservations (FDPIR) and Medicaid (AHCCCS) eligibility, that districts might also use to establish categorical eligibility for students.

Finally, ADE should require the districts to ensure that district and school employees involved in the application and verification processes attend annual NSLP training provided by ADE.

Sample school detailed results (see pages a-i through a-xiii)

The Appendix includes a summary page for the sample schools, with the Copper Ridge schools combined as that is how the District reports them. In addition, page a-i describes the sources of the data being reported.

TABLE OF CONTENTS



Introduction & Background	1
Chapter 1: Application, eligibility, and meal participation at the sample schools	7
Sample schools reported 35 percent NSLP eligibility, on average	7
A greater proportion of students with subsidized lunches eat school meals	8
Processes of the sample schools generally follow requirements	10
Chapter 2: Verification processes and results	13
Auditors' verification followed required processes	13
Verification results found 43 percent eligible for their approved meal benefits	16
Most income documents were employer-prepared	18
Districts' sample verification results were similar to auditors'	21
Chapter 3: Conclusions and recommendations	23
Improvements can be made in program operation	23
Recommendations	26
Agency Comments	26
Appendix	a-i

♦ continued



TABLE OF CONTENTS

Tables:

1	Demographics of the Sample Schools	2
2	Sample Schools' Free and Reduced-Price Eligible Students Determined by the School Districts Fiscal Year 2006	8
3	Sample Schools' Eligibility Rates Determined by the School Districts October 2005	9
4	Sample Schools' Average Meal Participation Rates Based on Reimbursement Claims Fiscal Year 2006	9
5	Fiscal Year 2006 Income Eligibility Guidelines	15
6	Summary of Auditors' Confirmation Reviews of Schools' Applications Fiscal Year 2006	15
7	Summary of Direct Verification Results	16
8	Summary of 100 Percent Verification for the Sample Schools Fiscal Year 2006	17
9	Summary of District Verification Activities for the School Districts Containing the Sample Schools Fiscal Year 2006	21
10	Comparison of 2 Years' Verification Results for School Districts Containing the Sample Schools Fiscal Years 2005 and 2006	22
11	Schools' Eligibility Rates Before and After 100 Percent Verification Fiscal Year 2006	24

Figures:

1	Overview of NSLP Verification Process	14
2	Results of Follow-Up Telephone Calls	18
3	Income Verification Sources of Documents	19

concluded ♦

INTRODUCTION & BACKGROUND

As directed by the Joint Legislative Audit Committee (JLAC), the Office of the Auditor General has conducted a performance audit of Arizona's participation in the National School Lunch Program (NSLP). JLAC approved preparation of two reports, one providing a state-wide overview of the program, and the second providing certain specified information from a sample of three to five schools representing, to the extent feasible, a cross-section of Arizona public schools. Specifically, this report of the school-level information includes:

- The number and percentage of students determined eligible for free and reduced-price lunches,
- The number and percentage of students who actually participate in the program,
- The number of personnel used to operate the program,
- A description of any related outreach efforts to inform families about the program,
- The results of 100 percent NSLP eligibility verification at the selected schools, and
- Any conclusions and recommendations.

The first NSLP report, issued on December 12, 2005, provided the state-wide overview, with descriptive information on program characteristics, such as the number and percentage of the State's school population determined eligible for free and reduced-price meals and historical trends of participation. It also described the criteria and processes for determining program eligibility and for required income verification activities. Finally, the report summarized conclusions and recommendations regarding state-wide operation of the program based on the overview. Information from the state-wide report is summarized later in this section to provide a context for the information contained in this report.

Demographics of the sample schools

As directed by JLAC, schools were selected to represent, to the extent feasible, a cross-section of Arizona public schools. Thus, as shown in Table 1, these sample schools and their school districts include rural and urban locations; large and small districts; elementary, middle, and high schools; and a range of NSLP eligibility rates. Their Census Bureau poverty rates are provided as comparative information; NSLP eligibility begins at 185 percent of the federal poverty level.

Table 1: Demographics of the Sample Schools

School School District	Number of Students for 2005 ¹			NSLP Eligibility Percentage	Census Bureau Poverty Rate	Grade Levels	Location Description
	Free and Reduced- Price Students	Full-Price Students	Total Students				
Blue Ridge High School Blue Ridge USD	285	592	877	32.5%	9.0%	9–12	Rural, small town
Camp Mohave Elementary Mohave Valley ESD	216	211	427	50.6	16.2	K–6	Rural, small town
Copper Ridge Elementary and Junior High Schools ² Scottsdale USD	17	1,027	1,044	1.6	5.1	K–8	Urban, mid-sized city
Desert Shadows Elementary Paradise Valley USD	45	521	566	8.0	6.8	PreK–6	Urban, large city
Townsend Middle Tucson USD	400	203	603	66.3	19.3	6–8	Urban, large city
William C. Jack Glendale ESD	874	155	1,029	84.9	23.1	K–3	Urban, fringe of large city

¹ Fiscal year 2005 data was used for sample selection in September 2005 as schools were still evaluating fiscal year 2006 applications. Of each school's total students, Free and Reduced Price Students are those determined eligible for the NSLP; Full-Price students are not.

² Although Copper Ridge Elementary was chosen for the sample, the District provided all applications for both schools. As these schools are both located on one campus and the District reports their NSLP data together, both were included in the sample.

Source: Auditor General staff analysis of Arizona Department of Education's (ADE) March 2005 free and reduced-price lunch reports and district/school grade levels and U.S. Census Bureau poverty data.

Both schools with very low numbers of eligible students for fiscal year 2005, Copper Ridge and Desert Shadows Elementary, were included in the selection to ensure that a reasonably representative sample was achieved for fiscal year 2006 verification activities.

Arizona's state-wide participation and trends

The National School Lunch Program (NSLP) is a federal program, most recently re-authorized by Congress in 2004.¹ The U.S. Department of Agriculture's Food and Nutrition Service (FNS) administers the program. Arizona has participated in the program since 1947. As part of legislation to develop minimum nutrition standards for schools, effective August 2005, statute now requires all elementary, middle, and junior high schools to participate.² The Arizona Department of Education (ADE) is the designated state agency that serves as the liaison between FNS and the State's participating schools. Based on eligible meals served, ADE distributes the federal monies to all participating schools in the State and can attach any related state requirements. ADE also provides training and guidance for schools participating in the program, and conducts administrative reviews to assess their compliance with federal requirements.

Almost 943,000 students attended participating Arizona schools in fiscal year 2005, and schools reported that 44 percent of those students were eligible for free meals, with another 8 percent eligible for reduced-price meals. The proportion of students eligible for free or reduced-price meals has increased over the past 5 years, increasing from 49 to 52 percent. Though other types of schools participate in the program, public school districts served about 93 percent of the free and reduced-price eligible students. The most recent national data from the U.S. Department of Education's National Center for Education Statistics (NCES) indicates that only six other states reported eligibility rates exceeding 50 percent.

Although many Arizona students do not eat school meals, a greater proportion of students who receive free and reduced-price lunches eat school meals than those who pay full price. In 2005, 79 percent of the students receiving free or reduced-price lunches ate school meals while only 40 percent of students paying full price ate school meals.

Demographic characteristics of participating districts, schools, and students

In examining demographic characteristics of free- and reduced-eligible students, auditors aggregated data at district, school, and student levels. While district percentages of free- and reduced-eligible students are typically aligned with their

¹ The Child Nutrition and WIC Reauthorization Act of 2004.

² Arizona Revised Statutes (A.R.S.) §15-242(B), as amended in the 2005 first regular session by House Bill 2544. The law makes an exception for districts that 1) have fewer than 100 students and 2) were not participating in the program as of August 2005. These districts can choose to continue not to participate.

U.S. Census Bureau poverty rates, some districts reporting high eligibility percentages had low poverty rates. For example, among the group of districts reporting from 80 to 100 percent of their students eligible for free or reduced-price meals were 4 districts with poverty rates ranging from 6 to 16 percent. A district with a very low poverty rate would not be expected to report over 80 percent of their students as free- and reduced-eligible. Similarly, 19 districts that reported 60 to 79 percent of their students as free- and reduced-eligible had poverty rates of less than 20 percent. These examples indicate that NSLP eligibility may be over-reported in some districts.

School-level data show that more eligible students attend large, urban schools, but that small, rural elementary schools report higher percentages of their students as eligible. Schools located in large cities or their urban fringes served more than two-thirds of all free and reduced-price eligible students. However, a larger proportion of rural school student populations, 65 percent, were eligible for free and reduced-price lunches than in urban schools, which averaged 54 percent. Whether rural or urban, the proportion of eligible students was higher in smaller schools than medium or large schools. Also, elementary schools reported that higher proportions of their students were eligible for free or reduced-price lunches than did high schools. This may be due to fewer high school students' families applying for meal benefits. Open campuses, limited cafeteria seating, students becoming eligible to attend school for half-days, and/or other conditions generally contribute to fewer high school students choosing to eat school meals.

Student-level demographic data show language, ethnic, and gender diversity among eligible students and ethnic group eligibility rates similar to poverty rates. The home language reported for 74 percent of the participating schools' students is English, and for another 23 percent is Spanish. The remaining 3 percent consists of more than 40 different home languages, including Vietnamese, Arabic, Korean, Navajo, Apache, and others. At these schools, White students represented approximately 47 percent of the total student population, and Hispanic students another 39 percent. Further, when compared to Census Bureau data, the ethnicity of students reported as free and reduced-price eligible is similar in proportion to that of children aged 5 to 17 years reported as living in households at or below the federal poverty standard.

Eligibility and income verification processes

Federal guidance prescribes many of the processes schools are to use in determining students' eligibility for free or reduced-price meals and to selectively verify the income information they receive from qualifying families. Most students receive approval for free or reduced-price meals on the basis of income information their families submit to schools. However, schools may also directly certify students as eligible for free meals if they already meet certain other criteria, such as being

eligible for Food Stamps, Temporary Assistance to Needy Families (TANF) or the Food Distribution Program on Indian Reservations (FDPIR), or have homeless, runaway, or migrant status. Most schools must verify income information from a sample of approved applications each year. In fiscal year 2005, Arizona schools conducted verifications of 14,868 applications. For almost 19 percent of these cases, the verification resulted in a lowered benefit. For another 32 percent, as required by federal regulations, benefits were terminated because the student's parent or guardian did not respond to the income verification request. A small number of schools—about 93 in fiscal year 2005—are exempt from the requirements to take applications, make eligibility determinations, and conduct verification activities annually. These schools, which have exceptionally large populations of eligible students, instead conduct these activities only every 4 to 5 years to reduce their administrative workload. The Federal Reauthorization Act of 2004 now requires ADE to collect and analyze schools' verification results and determine if more rigorous oversight is needed to support the objective of certifying only eligible children. ADE's first report indicated that it will require increased training on verification activities for school district personnel involved in these processes.

Scope and methodology

To meet federal verification requirements for the sample schools, auditors followed the prescribed verification procedures that school districts must follow. However, rather than selecting the standard 3 percent sample, auditors attempted to verify eligibility for 100 percent of each sample school's approved students. Auditors attended ADE training classes on NSLP certification and verification processes and interviewed NSLP specialists at ADE and the U.S. Department of Agriculture.

To collect information related to outreach efforts and staffing used in the program, auditors interviewed the school principals, their school district's Food Service manager or director, and school-level food service employees, as applicable. Auditors visited each of the sample schools and/or district offices in September and October of 2005, collecting copies of all applications on file at that time. The application information was entered into a database, reviewed for accuracy, and used to generate verification letters, summarize responses, and perform analyses. Auditors also reviewed the school's eligibility determination on each application for compliance with NSLP guidelines.

Auditors used district-provided NSLP program data to determine current year eligibility counts. To calculate meal participation averages, auditors analyzed each school's meal claims filed for August, September, and October 2005. Auditors compared these claims to the number of applications collected from each school to test for completeness and reasonableness. Prior year eligibility counts were based on March 2005 data that the districts submitted to ADE, and participation rates were

based on auditor analysis of all monthly meal claims in fiscal year 2005. While auditors determined each of the sample school's verification results for fiscal year 2006, districts provided district-level verification data for fiscal years 2005 and 2006.

ADE provided to auditors a copy of the Food Stamp/TANF data file that it received from the Department of Economic Security on October 3, 2005. This data was compared to NSLP applications listing Food Stamp or TANF case numbers to test its completeness. The number of Food Stamp/TANF records was also compared to a range of record counts from other daily Food Stamp/TANF files that ADE received.

In addition to verifying eligibility based on Food Stamp/TANF records, auditors collected information directly from applicant households. Records used to verify income included pay stubs, benefit award letters, child support checks, employer contacts, and other documents as specified in ADE's *Verification Manual* and in the related federal guidance. Auditors compared information provided during verification, such as Social Security number, income, and household size, to application data in order to test for reasonableness. Auditors provided schools with documentation supporting any changes in an applicant's eligibility status. For those households that reapplied after their benefits were terminated as a result of verification, school staff provided auditors with the documentation supporting the household's eligibility status. Auditors reviewed this documentation and accuracy of the household's revised eligibility status.

The descriptions in this report reflect the operating processes used and verification results achieved for these specific schools or their school districts, as applicable, and cannot be generalized to the other schools and districts in the State.

The audit was conducted in accordance with government auditing standards.

CHAPTER 1

Application, eligibility, and meal participation at the sample schools

The sample schools and their school districts use generally similar methods of disseminating information about and encouraging participation in the National School Lunch Program (NSLP). These methods include providing information through school district Web sites, school newsletters and open houses, and local newspapers. Consistent with the state-wide analysis, larger proportions of these schools' students who are eligible for free or reduced-price meals eat school lunches than do those paying full price.

Sample schools reported 35 percent NSLP eligibility, on average

Application processing and other eligibility determinations generally take place at the district level, rather than at the schools. As of October 1, 2005, the school districts of the sample schools reported that the schools had 1,600 students eligible for free and reduced-price meals, as shown in Table 2 (see page 8). Of these, the school districts based the eligibility determination for 1,194 students on information stated in their applications; 370 students were directly certified based on their eligibility for Food Stamps or Temporary Assistance to Needy Families (TANF), and the remaining 36 students were categorically eligible based on school liaisons' information classifying them as homeless, runaway, or migrant. The number of students exceeds the number of applications because a household's application can list students who are attending other schools within the same district.

Commonly Used Terms

- **Categorical Eligibility**—students are eligible for free meals if they are eligible for Temporary Assistance to Needy Families (TANF) or Food Stamps, or are homeless, runaway, or migrant.
- **Direct Certification**—schools can determine if students are eligible for TANF or Food Stamps by obtaining documentation directly from the Department of Economic Security (DES). If documentation is obtained from DES, the student's household does not need to submit an application for the program.
- **Income-Based Eligibility**—any student from a household whose current income is at or below the program's Income Eligibility Guidelines is eligible for either free or reduced-price lunches. The parent/guardian must submit an application providing household size and income.
- **Case Number-Based Eligibility**—any student from a household who submitted a case number identifying them as receiving TANF or Food Stamps. The parent/guardian must submit an application with the case number.
- **Error Prone Applications**—an income-based application where the household income is within \$100 of the maximum allowable monthly income.
- **Direct Verification**—the process of verifying case number-based applications to DES TANF or Food Stamp records for eligible students not identified during direct certification.

As indicated by Table 2, although required by the Arizona Department of Education (ADE), two of these six school districts did not perform direct certification to identify students who were eligible due to already being eligible for Food Stamp or TANF benefits.

Table 2: Sample Schools' Free and Reduced-Price Eligible Students Determined by the School Districts Fiscal Year 2006

School School District	Non-application-Based Eligible Students		Applications	Application-Based Eligible Students		Total Free and Reduced- Price Eligible Students
	Categorically Eligible	Direct Certifications		Income- Based	Case Number ¹	
Blue Ridge High Blue Ridge USD	2	0	196	206	55	263
Camp Mohave Elementary Mohave Valley ESD	2	71	94	123	13	209
Copper Ridge Schools Scottsdale USD	0	0	8	9	2	11
Desert Shadows Elementary Paradise Valley USD	0	8	20	23	5	36
Townsend Middle Tucson USD	4	121	228	229	24	378
William C. Jack Glendale ESD	<u>28</u>	<u>170</u>	<u>402</u>	<u>415</u>	<u>90</u>	<u>703</u>
Totals	<u>36</u>	<u>370</u>	<u>948</u>	<u>1,005</u>	<u>189</u>	<u>1,600</u>

1 Household provided a Food Stamp or TANF case number on its application.

Source: Auditor General staff analysis of fiscal year 2006 school applications and related data.

The sample schools' fiscal year 2006 eligibility determination rates, shown in Table 3 (see page 9), reflected approximately the same proportions that they reported in fiscal year 2005, as shown in the Introduction & Background on page 2. However, William C. Jack had the largest fluctuation, with its 69 percent free and reduced-price eligibility being almost 16 percentage points lower than its eligibility rate in the previous year.

A greater proportion of students with subsidized lunches eat school meals

At the state-wide level, a larger proportion of free and reduced-price eligible students eat school lunches than students paying full-price for meals.¹ As shown in Table 4 (see page 9), similar results were found at the sample schools, including those having

¹ As described in the Auditor General's Special Study on *Arizona's Participation in the National School Lunch Program*, December 2005.

Table 3: Sample Schools' Eligibility Rates Determined by the School Districts October 2005

School School District	Number of Students			Percentage		
	Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
Blue Ridge High Blue Ridge USD	197	66	714	20%	7%	73%
Camp Mohave Elementary Mohave Valley ESD	163	46	192	41	11	48
Copper Ridge Schools Scottsdale USD	8	3	1,053	1	0	99
Desert Shadows Elementary Paradise Valley USD	23	13	502	4	3	93
Townsend Middle Tucson USD	333	45	195	58	8	34
William C. Jack Glendale ESD	<u>611</u>	<u>92</u>	<u>318</u>	<u>60</u>	<u>9</u>	<u>31</u>
Totals	<u>1,335</u>	<u>265</u>	<u>2,974</u>	<u>29%</u>	<u>6%</u>	<u>65%</u>

Source: Auditor General staff analysis of NSLP eligibility rosters and district-reported student counts as of October 2005.

relatively few free and reduced-price eligible students. For example, only 4 percent of Desert Shadows Elementary's students are free-eligible, and almost half of these students eat lunch, compared to the 31 percent participation of those paying full-price. Further, the high school in the sample had a lower meal participation rate than elementary and middle schools in the sample, a trend that was also evident in the state-wide data.

The schools with the highest proportion of free and reduced-price eligibility, Camp Mohave, Townsend, and William C. Jack, also had higher proportions of students eating meals.

Table 4: Sample Schools' Average Meal Participation Rates Based on Reimbursement Claims Fiscal Year 2006

School School District	Number of Students			Percentage of Students Within Each Category		
	Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
Blue Ridge High Blue Ridge USE	88	21	58	40%	29%	9%
Camp Mohave Elementary Mohave Valley ESD	118	24	89	67	56	47
Copper Ridge Schools Scottsdale USD	7	2	371	57	52	33
Desert Shadows Elementary Paradise Valley USD	14	7	150	49	35	31
Townsend Middle Tucson USD	232	24	73	68	57	40
William C. Jack Glendale ESD	<u>708</u>	<u>55</u>	<u>76</u>	<u>95</u>	<u>45</u>	<u>21</u>
Totals/Average	<u>1,167</u>	<u>133</u>	<u>817</u>	<u>77%</u>	<u>44%</u>	<u>27%</u>

Source: Auditor General staff weighted average of eligibility and participation counts reported on monthly Reimbursement Claims for August, September, and October 2005.

Processes of the sample schools generally follow requirements

Generally, these sample schools sent out parent letters and NSLP applications to all of their students at the beginning of the school year, and prior to conducting any direct certification efforts. Often these were included as part of the registration packet or other information sent home with students or provided at a school open house, and they were made available in English and Spanish. In one of the six school districts, officials noted that while there were other languages known to be the primary language spoken in the student's home, the parent or guardian was generally able to complete the English application.

Additional methods of publicizing the availability of free and reduced-price school lunches included providing information on the school district Web site, in school newspapers, and in the local newspaper. At some of these schools, the school principal mentions the program during open-house presentations or the cafeteria employee setting up student meal accounts makes NSLP applications available. Some schools also provide NSLP information on their school menus, either periodically or a couple of times during the school year. One school district noted that its school principals are aware that additional school funding is associated with NSLP eligibility, so they monitor and encourage program participation.

While waiting for completed applications to be returned, the school districts' Food Service office staff generally conducted direct certification efforts using the Food Stamp/TANF data access provided by ADE. However, two of the six school districts in our sample did not perform direct certification eligibility searches, although ADE's *Free and Reduced-Price Policy Manual* states that the searches are required.

Students usually bring the completed applications back to school, though some are returned by mail. If a parent or guardian does not return an application for a needy student, one school district in particular noted, a school or district official will complete an application for the student.

At half of the sample schools, the initial eligibility determinations are made at the school by cafeteria staff or school secretaries, and then the applications are sent to the district Food Service office. For the other half, all application processing occurs at the district level. At one of the sample school districts, the eligibility determination was made by the Food Service contractor, although this is not allowed by ADE regulation. After the initial determination, the applications are reviewed a second time, either by another person, such as the Food Service Director, or through a computerized application system. District-wide, these 6 school districts processed from 380 to 13,310 applications and estimated that it takes from 200 to 1,500 hours

to process all of their applications, or an average of 700 hours. Thus, on average, each application might take from 3 to 32 minutes to process.

In addition to processing applications, districts must also devote additional time to verify a small sample of applications. Most verification activities also take place at the district level, and the Food Service directors' estimates of the time to complete these activities ranged from 40 to 360 hours, depending on the required sample size. Five of the six districts use a computerized application system that can also select the verification sample and print the required notification letters. Districts that do not have a computerized application system that can perform sample selection generally must review each application's stated income to determine if it meets the error-prone criteria; that is, it falls within \$100 of the income eligibility guidelines for monthly income. For districts with large numbers of applications, this can be a cumbersome requirement. Further, as shown by auditors' verification work, only 56 of the 948 applications met this definition. If a district's required sample size is not met with those identified as error-prone, then additional sample applications must be selected from the others.

The six districts reported that they performed confirmation reviews, which were first added this year as a federal requirement for verification testing.

Five of the six districts reported that they perform direct verification, or equivalent processes, of the sample applications selected for verification. One district did not perform any type of direct verification.

After the first verification letters are sent to households, some of these six districts place follow-up calls while others wait and send second letters to the households that have not responded. Some of the districts did both. One school district indicated that it asked the household to make an appointment to bring in the required income documentation, but it does not retain copies of the documents, which are required by program regulations. Possibly due to the personal appointments, this school district had an 6 percent nonresponse rate, much better than the other districts'.

More specific information about each of these schools is provided in the Appendix (see pages a-i through a-xiii), Sample School Detailed Results.

CHAPTER 2

Verification processes and results

Applying processes that school districts must use, auditors tried to verify 100 percent of approved applications for the sample schools. Of their 1,194 students whose eligibility was subject to verification, 43 percent were eligible for their approved meal benefits and 1 percent were eligible for increased benefits. However, 14 percent had their benefits reduced based on income documentation, while 41 percent had meal benefits eliminated because their parent or guardian failed to respond. Meal benefits were also reduced or eliminated for 413 students at other schools within the same districts because they were listed on the same multi-student applications. The most common form of income documentation, 75 percent, was employer-prepared documents, such as pay stubs. Other documentation included items such as benefit statements or letters for pensions, Social Security, child support, and eligibility for DES programs. Although required, one of the six districts had not increased benefits for one student or decreased benefits for 147 students as of February 1, 2006.

Auditors' verification followed required processes

The required verification activities, as shown in Figure 1 on page 14, include determining the appropriate sampling method and selecting applications to verify, conducting a "confirmation" review of the sample applications, using Food Stamp/TANF data to determine if any of the sample applications can be directly verified, and mailing out verification letters to the remaining sample households. In addition, federal regulations require at least one follow-up contact attempt for any household not responding to the verification letter, and a report of verification results.

Sampling method and selection—After excluding the directly certified and categorically eligible students, the number of applications to be verified is based on the number approved as of October 1 of each year. Verification is generally done at the district level, and school districts generally must use the Standard Sampling Method. Using this method, a school district selects a minimum of 3 percent, up to 3,000, of its approved applications, excluding those directly certified or categorically eligible. The sample must be drawn first from error-prone applications, those

Figure 1: Overview of NSLP Verification Process

Verification sample is selected, generally 3 percent of approved applications, first selecting those which are error-prone.

Auditors verified 100 percent of the district-approved applications in the sample schools.

Confirmation review of sample applications is performed by someone not involved in initial application approvals to determine whether the original eligibility determination was correct.

Direct Verification of sample applications is performed to determine if any are categorically eligible due to being approved for Food Stamps or TANF.

Verification letters are sent to remaining households requesting income documentation.

Income documents are compared to application and evaluated for eligibility. Employer or other third-party calls are made to confirm income.

Follow-up activities such as a second letter, a phone call or other contact attempt, are performed for non-responsive households.

Verification results letters are sent notifying the household of any reduction or elimination of meal benefits.

Eligibility status is changed for each applicable student after 10 days, if additional information is not received changing verification results.

Source: Auditor General staff analysis of federal regulations and ADE guidance manuals.

reporting an income within \$100 per month of eligible income amounts, and then from the remaining applications, if necessary. The eligible monthly income amounts are shown in Table 5.

A school district can choose to verify up to 100 percent of its approved applications, and this is the method auditors applied at the selected schools.

Confirmation reviews—Next, federal regulations require the school district to conduct a “confirmation review” of the selected applications before verifying them. This means having a person other than the individual(s) who made the original determination review the accuracy of that determination. As shown in Table 6, auditors’ confirmation reviews found 259 (27 percent) of the 958 approved applications were incomplete and eligibility should not have been approved by the school districts, and another 10 application forms were missing from the school districts’ files.¹

The most common error for the incomplete applications, 70 percent, was listing household members without either including an income amount or checking the “no income” box. Another 23 percent of the errors related to not indicating the frequency of the reported income, such as yearly, monthly, or weekly. A few applications had other problems such as not being signed, not listing a Social Security number, and not indicating that the signer did not have one, or not listing any household members.

Federal regulations require ADE to review each school district once every 5 years, at a minimum, reviewing such requirements as eligibility determination, income verification, and the related recordkeeping. ADE does this by reviewing a sample of

Table 5: Fiscal Year 2006
Income Eligibility Guidelines

Family Size	Monthly Income	
	Free Meals	Reduced-Price Meals
1	\$1,037	\$1,476
2	1,390	1,978
3	1,744	2,481
4	2,097	2,984
5	2,450	3,486
6	2,803	3,989
7	3,156	4,491
8	3,509	4,994
Each Additional Member Add:	+ 354	+ 503

Source: Federal Register, Vol. 70, No. 52, Friday, March 18, 2005/Notices, page 3.

Table 6: Summary of Auditors’ Confirmation Reviews
of Schools’ Applications
Fiscal Year 2006

School School District	District-Approved Applications	Incomplete Applications	Missing Applications	Valid Applications
Blue Ridge High Blue Ridge USD	202	33	6	163
Camp Mohave Elementary Mohave Valley ESD	94	9	0	85
Copper Ridge Schools Scottsdale USD	8	1	0	7
Desert Shadows Elementary Paradise Valley USD	21	1	1	19
Townsend Middle Tucson USD	230	46	2	182
William C. Jack Glendale ESD	403	169	1	233
Totals	958	259	10	689

Source: Auditor General staff analysis of applications.

¹ Under federal regulations, these 259 incomplete applications are considered ineligible. However, to provide the most complete assessment of students’ eligibility, auditors included these applications in the subsequent verification processes. The 10 missing applications were not verified, leaving a total of 948 that were subject to verification.

Complete income-based application must include:

- Student's name
- Names of all household members
- Income by source of each household member or "No Income" checked
- Income frequency by source of each household member (i.e. weekly, monthly, annual)
- Adult household member signature
- Social Security Number of adult signer or "Do not have a Social Security Number" checked

schools within a district. The results of these compliance reviews conducted by ADE's Health and Nutrition Services staff are not summarized and reported. However, based on auditors' review of the associated documentation, during the 2004 and 2005 compliance reviews, ADE staff found that 84 of 136 schools reviewed, or 62 percent, had incorrectly approved one or more applications.

Direct verification—After the confirmation review, the school district can directly verify the sample applications using Food Stamp and TANF eligibility data. Any direct verification matches reduce the number of applications that the school district has to verify with the households. School districts perform direct verification using an online system provided by ADE.

To conduct similar matches, auditors obtained a copy of the Food Stamp and TANF data file for October 3, 2005, from ADE. Using this file, auditors directly

verified the eligibility of the students listed on 169 applications by matching student name, date of birth, address, and/or parent or guardian name and Social Security number. These results are summarized by school in Table 7.

Therefore, auditors had 779 applications remaining to verify with households.

Table 7: Summary of Direct Verification Results

School District	Number of Applications		
	District Approved, Existing	Direct Verified	Subject to Income Verification
Blue Ridge High Blue Ridge USD	196	51	145
Camp Mohave Elementary Mohave Valley ESD	94	13	81
Copper Ridge Schools Scottsdale USD	8	1	7
Desert Shadows Elementary Paradise Valley USD	20	4	16
Townsend Middle Tucson USD	228	38	190
William C. Jack Glendale ESD	402	62	340
Totals	948	169	779

Source: Auditor General staff analysis of NSLP applications and Food Stamp/TANF eligibility data as of October 3, 2005.

Verification results found 43 percent eligible for their approved meal benefits

For the sample schools, the parent or guardian provided documentation and other information that supported the eligibility of 232 applications. When combined with direct

verification results, a total of 401 applications met eligibility requirements for their approved benefits. These 401 applications covered 518 students, or about 43 percent of those previously determined eligible by the sample schools. The submitted documentation supported a reduction in meal benefits for another 167 students, or 14 percent, and an increase in meal benefits for 15 students, or about 1 percent. However, as shown in Table 8 (see page 17), the parent's or guardian's failure to respond to repeated verification requests resulted in meal benefits being terminated for the remaining 494 students, or about 41 percent of those previously approved at the sample schools.

These verification results also caused meal benefits to be reduced or eliminated for 413 students at other schools. Beginning in fiscal year 2006, federal regulations require school districts to allow families to complete one application for all of their children who are attending schools within the same school district. As a result, verification efforts encompassed all students on an application whether at the same school (listed as “School Students”) or attending other schools within the same district (included in “All Students”). When eligibility changed for an application selected for verification, it also changed for all children listed on the application. As also shown in Table 8, the verification results for all 1,936 students listed on these applications mirrored the results of the sample schools’ students.

**Table 8: Summary of 100 Percent Verification for the Sample Schools
Fiscal Year 2006**

School School District	Verification Sample	No Change	Percent	Effect on Meal Benefits				No Response	Percent	
				Increased	Percent	Decreased	Percent			
Blue Ridge High Blue Ridge USD	Applications	196	84	42.9%	1	0.5%	30	15.3%	81	41.3%
	School Students	261	113	43.3	1	0.4	43	16.5	104	39.8
	All Students	464	208	44.8	1	0.2	74	16.0	181	39.0
Camp Mohave Elementary Mohave Valley ESD	Applications	94	33	35.1	1	1.1	18	19.1	42	44.7
	School Students	136	44	32.4	1	0.7	26	19.1	65	47.8
	All Students	174	56	32.2	2	1.1	31	17.8	85	48.9
Copper Ridge Schools Scottsdale USD	Applications	8	2	25.0	0	0.0	3	37.5	3	37.5
	School Students	11	2	18.2	0	0.0	4	36.4	5	45.4
	All Students	14	2	14.3	0	0.0	4	28.6	8	57.1
Desert Shadows Elementary Paradise Valley USD	Applications	20	11	55.0	0	0.0	4	20.0	5	25.0
	School Students	28	16	57.1	0	0.0	4	14.3	8	28.6
	All Students	41	19	46.3	0	0.0	8	19.5	14	34.2
Townsend Middle Tucson USD	Applications	228	87	38.1	4	1.8	31	13.6	106	46.5
	School Students	253	96	37.9	4	1.6	33	13.1	120	47.4
	All Students	471	180	38.3	10	2.1	69	14.6	212	45.0
William C. Jack Glendale ESD	Applications	402	184	45.8	6	1.5	51	12.7	161	40.0
	School Students	505	247	48.9	9	1.8	57	11.3	192	38.0
	All Students	772	372	48.2	12	1.6	92	11.9	296	38.3
Totals	Applications	948	401	42.3	12	1.3	137	14.5	398	42.0
	School Students	1,194	518	43.4	15	1.2	167	14.0	494	41.4
	All Students	1,936	837	43.2%	25	1.3%	278	14.4%	796	41.1%

Source: Auditor General staff analysis of auditor-conducted verification results as of November 15, 2005.

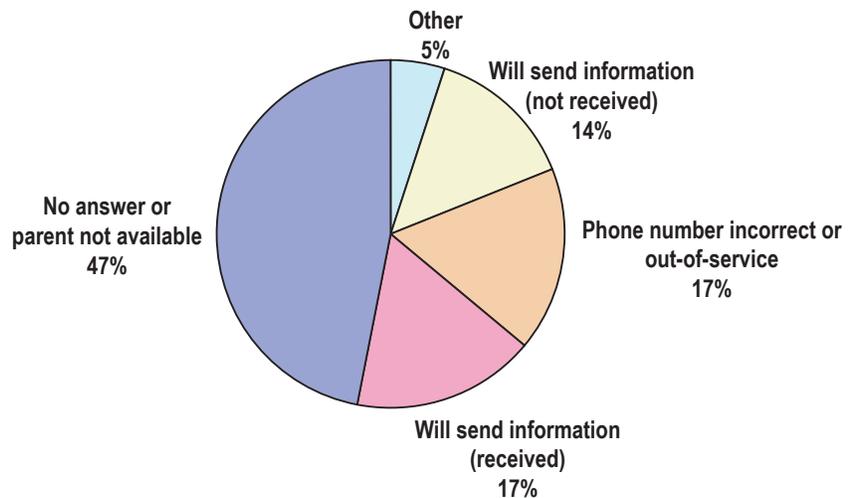
The state-wide results for fiscal year 2005 were similar, with 32.5 percent of previously approved students having their meal benefits eliminated due to the parent or guardian failing to respond to verification requests and another 18.8 percent being eligible for a reduced benefit level.

Efforts to reduce nonresponse rate—In performing verification activities, auditors followed the federal requirements, as adopted and incorporated into ADE

guidance, but made more than the required number of attempts to contact parents or guardians. The standard verification process requires an initial notification letter and one follow-up contact, which can be made by mail, phone, in person, or other method. However, approximately 10 days after sending out the initial notification letters to households, auditors began calling each household that had not yet responded. Shortly thereafter, auditors also sent a second letter to all nonresponding households.

Auditors made 740 calls to households that did not respond to notification letters that resulted in 129 households (17 percent) providing the necessary income documentation for verification. However, as shown in Figure 2, the majority of the households were not available, or the phone number was either no longer in service or was a wrong number.

Figure 2: Results of Follow-Up Telephone Calls



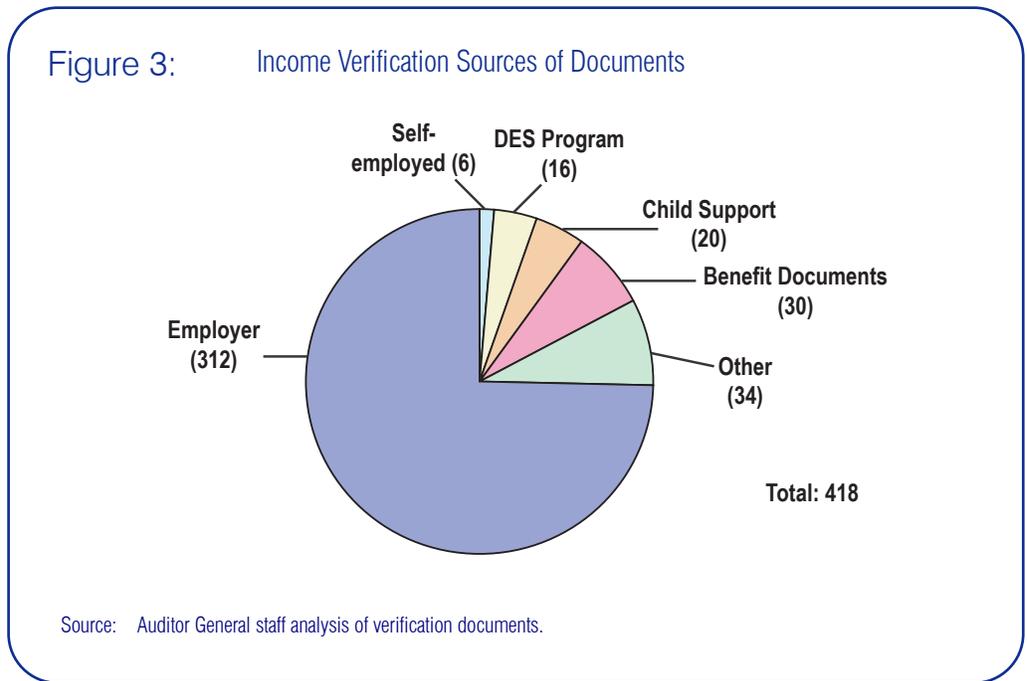
Source: Auditor General staff analysis of October 2005 telephone call results.

Spanish-fluent Auditor General staff made the follow-up calls to Spanish-speaking households, answered questions for Spanish-speaking callers, and interpreted written correspondence. Auditors did not encounter other language interpretation needs during verification activities.

Most income documents were employer-prepared

A total of 334 households responded with complete information providing 418 sources of income information. Several of the households submitted multiple

documents, either because the parent had multiple sources of income (e.g., two jobs), or multiple family members had income (e.g., both the mother and father work). As seen in Figure 3, the most common source for income verification was employer-provided documentation. The types of documents included:



- **Employers**—Almost 75 percent of income verification was employer-provided. This category represents employer-prepared documents, primarily consisting of pay stubs or letters from employers.
- **Benefit documents**—Over 7 percent of respondents submitted benefit-based documentation. Included in this category were Social Security benefit letters, pension benefit statements, pension award notices, notices of unemployment eligibility, and unemployment check stubs.
- **Child support**—Documents such as court orders and copies of child support checks comprised almost 5 percent of the income verification sources.
- **DES programs**—Another 16 households, or almost 4 percent, provided DES benefit letters listing their case number for Food Stamp/TANF program participation. In these cases, auditors also used the Food Stamp/TANF data file to determine whether all of the students listed on the application were eligible under the given case number.

- **Self-employed**—Only 1 percent of the documents related to self-employment income. Included in this category are bank statements, tax returns, and other such documentation that could be provided to verify the household's income.
- **Other**—The remaining responses, 8 percent, included phone interviews of employers and self-prepared documents, such as household letters explaining zero income amounts or other circumstances of the family's current financial situation.

Over 200 applications indicated no Social Security number—Although it is not a requirement for program eligibility, 215 of the sample schools' applications indicated "no Social Security Number." Of these, 45 were determined to be categorically eligible, 67 provided some form of income documentation, and 103 did not respond to verification, resulting in their students losing meal benefits. Similar to the overall results, about 76 percent of these respondents provided employer-prepared documents. Another 8 respondents, or 12 percent, provided Food Stamp or TANF case numbers, and 8 percent self-reported their income. In some of these cases, the person preparing the application was not the family wage earner whose Social Security number was later provided during verification. This occurs because the standard NSLP application requires the Social Security number of the person preparing the application rather than the primary wage earner.

Notice of Adverse Action—On November 3 and 4, auditors mailed letters of adverse action to households affected by a reduction or elimination of benefits. Federal regulations require a 10-day period for households to appeal before benefit changes are made effective. After adverse action letters were mailed, 35 families submitted documentation that resulted in unchanged benefits for 57 percent, reduced benefits for 26 percent, and increased benefits for another 3 percent. The remaining 14 percent did not provide sufficient documentation for eligibility to be properly determined.

District failed to change eligibility after verification and reported ineligible meals for reimbursement—One district did not correctly change the eligibility status of 148 students based on verification results, although this is a federal program requirement. One student's eligibility had not been increased to free meals, and 147 students' eligibility had not been reduced or eliminated as of February 1, 2006.

As a result of not complying with federal requirements, the District appears to have over-reported eligible meals in the 2 months following the verification deadline. For example, the number of free and reduced meals reported in December was similar to counts in September and October prior to the final verification results. Further, based on the reported December meal counts, twice as many eligible students, 93 percent, would have eaten lunches in December compared to the meal participation average, 40 percent, of those students in earlier months. Auditors provided this

information to ADE, which was conducting an administrative review of this District's program. According to ADE, its NSLP program specialists will investigate the District's failure to correctly adjust meal benefits following verification work and will assess penalties for over-reporting claims, as appropriate.

Districts' sample verification results were similar to auditors'

School districts typically perform and report verification activities district-wide rather than at the school level. The reported results for these six school districts, excluding the sample schools verified by auditors, are summarized in Table 9. These districts reported that 343 of the 842 applications they selected for verification, or almost 41 percent, did not respond, which is the same nonresponse rate found by the auditors. As a result of their parent or guardian not responding, the 525 students on these applications lost their free or reduced-price meal benefits. The districts further reported that 261 applications, or 31 percent, were determined to be receiving an appropriate level of meal benefits, while less than 2 percent were eligible for an increased level of meal benefits. However, benefits were reduced for 224 applicants, or 27 percent, as a result of the income documentation. This resulted in benefit reductions for 404 students. Table 10 (see page 22) shows district-wide results for fiscal year 2006, including auditors' 100 percent verification for the sample schools.

Table 9: Summary of District Verification Activities for the School Districts Containing the Sample Schools
Fiscal Year 2006

School District	Free- and Reduced-Price Applications	Verification Sample		Effect on Meal Benefits				Reapplied and approved	
		Required	Actual	Increased	Decreased	No Change	No Response	Free	Reduced-Price
Blue Ridge USD	582	17	23	2	9	11	1	0	0
Glendale ESD	6,343	190	224	6	70	60	88	19	6
Mohave Valley ESD	523	16	19	1	10	1	7	2	0
Paradise Valley USD	6,201	186	127	1	26	31	69	11	8
Scottsdale USD	2,827	85	82	2	7	49	24	9	0
Tucson USD	11,816	354	367	2	102	109	154	26	0
Totals	28,292	848	842	14	224	261	343	67	14

Source: Auditor General staff analysis of verification results reported by the districts that encompass the selected schools.

As of February 15, 2006, these 6 school districts also reported that, for the 7 sample schools, 212 students for whom meal benefits were terminated had subsequently reapplied and been re-approved. To reapply after meal benefits have been terminated during verification, the household has to provide income documentation. Auditors reviewed the income documents submitted for the reapproved students and found that 16 were approved based on incomplete documents or differing information.

Compared to fiscal year 2005, these 6 districts' fiscal year 2006 results, including the 100 percent verification results, were mixed. As shown in Table 10, in most cases, higher percentages of those tested had unchanged benefits and increased meal benefits. However, benefit reductions and nonresponse rates varied, with some districts' increasing and some decreasing.

Table 10: Comparison of 2 Years' Verification Results for School Districts Containing the Sample Schools Fiscal Years 2005 and 2006

School District	Benefits Unchanged		Benefits Reduced		Benefits Increased		No Response	
	2005	2006	2005	2006	2005	2006	2005	2006
Blue Ridge USD	88.2%	43.4%	5.9%	17.8%	0.0%	1.4%	5.9%	37.4%
Glendale ESD	36.1	39.0	15.9	19.3	1.0	1.9	47.0	39.8
Mohave Valley ESD	14.3	30.1	42.9	24.8	0.0	1.8	42.8	43.3
Paradise Valley USD	24.5	28.6	22.2	20.4	2.2	0.7	51.1	50.3
Scottsdale USD	25.0	56.7	47.5	11.1	2.5	2.2	25.0	30.0
Tucson USD	42.9	32.9	6.9	22.4	0.5	1.0	49.7	43.7

Source: Auditor General staff analysis of district-reported verification sample results for fiscal years 2005 and 2006 and auditors' verification results for fiscal year 2006.

CHAPTER 3

Conclusions and recommendations

Improvements can be made in the way the program is operated. These improvements include establishing more significant consequences for incorrectly approving applications and requiring districts to expand their verification processes when verification samples result in high nonresponse rates or loss of benefits. ADE should also explore other sources of governmental data that districts might use to establish categorical eligibility, and ensure that district and school employees responsible for program activities are trained in program requirements.

Improvements can be made in program operation

Penalties for errors in approving applications are minor—As both auditors' confirmation reviews and ADE's administrative reviews have noted, school districts are sometimes incorrectly approving applications. Based on auditors' review of the related documentation, ADE staff found incorrect application approval at 62 percent of the school districts it reviewed during 2004 and 2005. During this audit, auditors determined that 259 of the 948 approved applications (27 percent) did not contain required information and should not have been approved. Another ten applications were missing.

Incorrectly approving applications would result in a school district receiving meal reimbursements to which it is not entitled. Further, it increases the number of free and reduced-price eligible students that the school district reports and may result in additional state monies, such as All-Day Kindergarten or Early Childhood Block Grant monies, being allocated to the district.

Currently, the consequences consist of reimbursing the specific amount of excess meal reimbursements identified. However, if the review was based on a sample, the excess reimbursement is based only on the number of incorrectly approved applications within the sample and is not projected across the remainder of applications. This can result in relatively minor penalties for errors. For example, at

one district where several applications were not approved correctly, the fiscal penalty assessed was \$117.63. Also, because ADE's administrative reviews are conducted once every 5 years, districts do not incur even these minor penalties very frequently.

ADE should more strongly encourage school districts to reduce errors in approving applications. For example, ADE could expand its reviews to select additional applications on a district-wide basis when the sample schools disclose a high error rate.

Verification results generally have limited impact—Even though this study and the districts' own verification efforts show that 14 percent or more of the students are not eligible for the benefits they are receiving, and about 40 percent of the students lose eligibility when their parents fail to respond to verification requests, these verification results generally have a small total impact. Because the district verification efforts are generally based on a sample of 3 percent of applications, and because the results affect only those applications that are within the sample, a district's overall eligibility rate may be affected by only 1 to 2 percent. By comparison, the eligibility rates for the 7 schools for which auditors conducted 100 percent verification decreased from 35 percent to 22 percent, as shown in Table 11.

Table 11: Schools' Eligibility Rates Before and After 100 Percent Verification Fiscal Year 2006

School School District	Total Students	Before Verification		After Verification	
		Free and Reduced- Price Eligible	Full-Price	Free and Reduced- Price Eligible	Full-Price
Blue Ridge High Blue Ridge USD	977	26.9%	73.1%	13.6%	86.4%
Camp Mohave Elementary Mohave Valley ESD	401	52.1	47.9	32.4%	67.6
Copper Ridge Schools Scottsdale USD	1,064	1.0	99.0	0.2	99.8
Desert Shadows Elementary Paradise Valley USD	538	6.7	93.3	4.5	95.5
Townsend Middle Tucson USD	573	66.0	34.0	41.4	58.6
William C. Jack Glendale ESD	<u>1,021</u>	<u>68.9</u>	<u>31.1</u>	<u>47.4</u>	<u>52.6</u>
Totals	<u>4,574</u>	<u>35.0%</u>	<u>65.0%</u>	<u>22.1%</u>	<u>77.9%</u>

Source: Auditor General staff analysis of schools' pre- and post-verification eligibility data.

ADE could address this by requiring districts to verify 100 percent of their applications. However, auditors estimate that for just the 6 districts involved in this study, it would take an additional 29,000 to 50,000 staff hours to perform 100 percent verification. Alternatively, ADE could require those districts with high nonresponse rates and/or ineligible rates to verify a significantly larger sample of applications. This requirement for increased sampling could be incorporated as part of ADE's newly required action plan for state-wide verification results.

Direct certification and verification results are incomplete—Auditors analyzed the 169 applications that were direct verified to determine why these eligible students were not previously identified during the school districts' direct certification process. Of these, 52 are from the 2 school districts that do not perform direct certification. To check for Food Stamp/TANF eligibility, the school districts that do perform direct certification must submit the student's first and last name, date of birth, Social Security Number, and mother's first name. The most common reason that eligible students were not matched by this method related to misspelled, changed, or hyphenated last names. While the Food Stamp/TANF eligibility data includes the student's and a parent's Social Security numbers, the NSLP application requires only the Social Security number of the person completing the application. Further, confidentiality safeguards prevent the state agencies from providing the complete file to all school districts. Therefore, with data entry errors and the programs' differing data requirements and confidentiality safeguards, it is not currently feasible for schools to achieve more complete direct certification results. Additionally, two districts did not perform direct certification, so 52 of the eligible applications at these districts were only matched to Food Stamp/TANF data later during the verification process.

Despite these issues, it may be possible for ADE to develop additional sources of income-based program eligibility data. Additional eligibility data sources might include other programs that qualify for categorical eligibility such as the Food Distribution Program on Indian Reservations (FDPIR), or other programs that have been recently listed in federal guidance as potentially allowable for direct verification, such as Medicaid eligibility (AHCCCS).

Unfamiliarity with program requirements—At one of the six districts, the personnel operating the program were not familiar with basic requirements, such as direct certification, verification documentation, or reporting requirements for verification results. In all but one of these districts, the employees who are responsible for processing the applications had never attended ADE's NSLP training or last attended trainings prior to the 2005 training regarding new NSLP requirements. Further, a district may hire new employees or may shift responsibilities among employees without ensuring that the person responsible for application and verification has been trained.

As part of its 2005 Ameliorative Action plan, ADE staff will now track whether the Food Service directors attend its annual workshop. However, the most efficient method of

addressing this issue may be requiring districts to ensure that the correct person has been trained.

Recommendations

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.
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.
3. ADE should explore additional government program data sources, such as FDPIR or AHCCCS, for districts to use to establish categorical eligibility.
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.

Agency Comments

Auditors provided a preliminary draft of this report to ADE for technical review and comment. ADE provided technical clarifications, which auditors incorporated as appropriate. In general comments, ADE indicated that the U.S. Department of Agriculture (USDA) audited ADE's administration of the NSLP in January 2006, found ADE in compliance for all areas reviewed, and commended ADE's processes. Additionally, ADE noted that Arizona's results are more favorable than those found in a recent USDA study¹. In that study, half of the selected households did not respond to verification, while only 32 percent of those selected in Arizona's fiscal year 2005 verification did not respond. Additionally, the USDA study found that 32 percent of those responding were eligible for their approved meal benefits, while Arizona's fiscal year 2005 verification efforts found that 48 percent were eligible for the benefits they were receiving.

Regarding the first recommendation, ADE indicated that only 6 percent of participating school districts and other NSLP sponsors reviewed in fiscal year 2005

¹ *Case Study of National School Lunch Program Verification Outcomes in Large Metropolitan School Districts*, April 2004, Report No. CN-04-AV3, U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation.

failed the federal performance standard due to application errors. Therefore, ADE believes the current review process is successful. However, auditors' review of ADE's detailed documentation determined that 53 percent of the individual school district sites evaluated in fiscal year 2005 and 69 percent in fiscal year 2004 were noted as having incorrectly approved applications. Consistent with these errors, auditors' 100 percent verification efforts at the seven schools found that 27 percent of applications were incomplete and should not have been approved. While ADE's efforts are sufficient to meet federal requirements, ADE can further ensure the integrity of the program by reviewing additional applications at other district sites when such errors are identified at the sample school sites.

For the second recommendation, ADE indicated that larger verification sample sizes would merely increase the number of households for which benefits are terminated including many eligible households. ADE noted that the previously cited federal study also reported that a large proportion of those not responding to verification were actually eligible for meal benefits. However, auditors determined that the data collection instrument associated with the cited USDA study asked for, but did not require, income documents to be produced to verify income. Therefore, it is unclear what portion of these results was based solely on self-reported income. Further, this USDA study specifically selected only large metropolitan school districts, rather than a more broadly representative sample, and therefore, its results cannot be presumed to be representative of what Arizona school districts' results might be. ADE also commented that a significant amount of district resources would be required to do increased sample sizes. Further, ADE indicated that the high rate of ineligibility may be due, in part, to schools providing limited outreach and technical assistance to persons completing the applications. However, households documenting incomes higher than allowed by the income eligibility guidelines is not indicative of schools' failure to provide outreach or technical assistance to the community. Further, such concerns would increase the need to verify the eligibility of those approved for free or reduced-price meal benefits rather than reduce it.

ADE agreed with the third and fourth recommendations. Specifically, ADE indicated that it is currently evaluating the use of Medicaid eligibility data for determining NSLP eligibility and, starting in school year 2006-2007, will be requiring the food service director of each district or other NSLP sponsor to attend its annual A+ School Lunch workshop.

APPENDIX

Sample School Detailed Results

The following pages summarize NSLP data and processes for the sample schools. Following are the sources for the various data elements:

Data	Source
Number of students	District-reported counts
Eligible students, by category	Fiscal year 2006 school—Auditor General staff analysis of applications, direct certification listings, and approved student rosters Fiscal year 2005 school and fiscal years 2006 and 2005 district—Auditor General staff analysis of district-reported data
Meal participation, by category	Auditor General staff analysis of district-reported meal counts
Processes	District-reported processes and staffing
Verification results	Fiscal year 2006 school—Auditor General staff analysis of auditors' 100 percent verification activities for the sample school Fiscal year 2005 school and fiscal years 2006 and 2005 district—Auditor General staff analysis of district-reported data for its required 1.5 percent or 3 percent sample. In fiscal year 2005, the sample schools may not have had any students selected in the district-wide sampling.

Fiscal Year	School District	Eligible Students			Meal Participation ¹ (percentage of eligible students)		
		Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
2006	Blue Ridge High	197	66	714	40%	29%	9%
	Blue Ridge USD	849	269	1,937	72	53	22
2005	Blue Ridge High	222	63	592	46	24	9
	Blue Ridge USD	996	285	1,441	53%	45%	29%

¹ Weighted average of monthly Reimbursement Meal Claims; fiscal year 2006 data based on claims between August and October 2005; fiscal year 2005 data based on claims between August 2004 and June 2005.

Processes and Resources

Outreach—The District sends the parent letter and NSLP application, along with other district enrollment information, home with every student at the beginning of the school year. The applications are available in English or Spanish, and the school secretaries determine which students need the Spanish-language forms. The District also has two Food Service employees who speak Spanish and can assist parents in completing the applications. The District indicated that some students' primary home languages are Russian, Apache, or German, but these households are generally able to complete the English language forms.

Application processing—The Food Service staff are available to answer parent questions about the program and assist in completing the applications. The Food Service Director (an employee of the Food Service contractor) makes the initial eligibility determinations, and the business manager reviews all applications and determinations. According to ADE, only district personnel are authorized to make or review eligibility determinations. Also, instead of directly certifying students, as required by ADE, district staff make determinations solely based on applications submitted. The application process is estimated to require approximately 360 hours of staff and contractor time.

Verification—The District's Business Manager selects the verification sample and prepares each verification letter in the same language as the selected application. The Food Service Director then mails the letters to the students' homes and schedules appointments to meet with the parents or guardians to verify income.

Households have the option of mailing in copies of their income documents, but generally come in for the appointments instead. District and contractor staff devoted approximately 120 hours to this process, which included meeting with selected applicants and verifying their income.

Verification Results

Of the 196 approved applications, 2 were categorically eligible and not subject to verification, and 51 were directly verified using Food Stamp/TANF data. Of the 54 respondents, 94 percent provided documentation, primarily employer pay stubs but also including benefit and child support documents. The other 6 percent included self-reported income or income that was confirmed through employer phone calls. Another 81 households did not respond. This school-level nonresponse rate of 41 percent is much higher than the district sample's 8 percent nonresponse rate in fiscal year 2005.

Verification Results¹

Fiscal Year	School District	Number of Applications			
		Unchanged	Increased	Decreased	No Response
2006	Blue Ridge High	84	1	30	81
	Blue Ridge USD	95	3	39	82
2005	Blue Ridge High	0	0	1	1
	Blue Ridge USD	15	0	1	1
		Number of Students			
		Unchanged	Increased	Decreased	No Response
2006	Blue Ridge High	113	1	43	104
	Blue Ridge USD	231	4	94	183
2005	Blue Ridge High	0	0	3	2
	Blue Ridge USD	29	0	3	2

¹ Fiscal year 2006 district results include both the District's sample and the 100 percent verification results.

The District did not correctly change the eligibility status of 148 students based on verification results. One student's eligibility had not been increased, and 147 students' eligibility had not been reduced or eliminated as of February 1, 2006. Subsequent meal claims in December and January appear to incorrectly include meals for these students with incorrect eligibility. These results were provided to ADE for its administrative review, which was already in progress.

Fiscal Year	School District	Eligible Students			Meal Participation ¹ (percentage of eligible students)		
		Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
2006	Camp Mohave Elementary	163	46	192	67%	56%	47%
	Mohave Valley ESD	859	196	941	73	59	52
2005	Camp Mohave Elementary	172	44	211	73	60	45
	Mohave Valley ESD	873	177	973	70%	61%	48%

¹ Weighted average of monthly Reimbursement Meal Claims; fiscal year 2006 data based on claims between August and October 2005; fiscal year 2005 data based on claims between August 2004 and June 2005.

Processes and Resources

Outreach—During the first week of school, the District sends NSLP program information and an application home in every student’s “start-up” packet. The school determines whether an English or Spanish application should be sent. The District also uses its Web site, school newspaper, and local newspaper to provide information about the program. If the District learns of a local factory closing or a significant employment layoff taking place, the Food Service secretary sends program information to the employer for distribution to the affected employees. Also, the schools may identify a need for free or reduced-price meals, and again provide program information for the student to take home.

Application processing—Students usually bring the completed applications back to school. The school’s Food Service staff make the initial eligibility determinations, and then forward the applications for the district Food Service Manager’s final approval. If a district employee fills out an application for a student, the school principal evaluates whether the student is eligible. Instead of using direct certification to limit the number of applications sent with students, district staff use the information to make determinations on submitted applications. The District estimated that it takes approximately 200 staff hours to process applications.

Verification—The District’s application evaluation software can randomly select students from the error-prone applications, as the new sampling methods require. Notification letters are sent in English or Spanish, as determined at the school level. After notification letters are sent, the Food Service Manager tries to call the parents

because many addresses are incorrect. Many students' families live outside the District's boundaries but are closer to Mohave Valley ESD schools than others. So, these parents provide a local address, which may or may not be valid, and their real phone number. Therefore, it is common for district mail to be returned as undeliverable. After calling, the Food Service Manager sends out a second letter. Adverse action letters are sent immediately after a change in the student's eligibility status has been determined, and meal benefits are terminated by November 15 for nonrespondents' students. The District estimated that it takes 40 hours for verification.

Verification Results

Of the 99 approved applications, 1 was categorically eligible and not subject to verification, 13 were directly verified using Food Stamp/TANF data, and 5 withdrew from the program during the verification process. For the 34 respondents, all of the verification information was from third-party sources, primarily employer pay stubs but also including benefit and child support documents, and verified self-employment earnings. Another 42 households did not respond. This school-level nonresponse rate of 45 percent in fiscal year 2006 is similar to the district sample's 43 percent nonresponse rate in fiscal year 2005.

Verification Results¹

Fiscal Year	School District	Number of Applications			
		Unchanged	Increased	Decreased	No Response
2006	Camp Mohave Elementary	33	1	18	42
	Mohave Valley USD	34	2	28	49
2005	Camp Mohave Elementary	0	0	0	1
	Mohave Valley USD	3	0	9	9
		Number of Students			
		Unchanged	Increased	Decreased	No Response
2006	Camp Mohave Elementary	44	1	26	65
	Mohave Valley USD	57	4	51	123
2005	Camp Mohave Elementary	0	0	0	3
	Mohave Valley USD	4	0	17	17

¹ Fiscal year 2006 district results include both the District's sample and the 100 percent verification results.

Copper Ridge Elementary and
Junior High Schools
Scottsdale Unified School District

1,064 Students

Fiscal Year	School School District	Eligible Students			Meal Participation ¹ (percentage of eligible students)		
		Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
2006	Copper Ridge Elementary and Junior High Schools	8	3	1,053	57%	52%	33%
	Scottsdale USD	3,678	976	22,438	75	56	26
2005	Copper Ridge Elementary and Junior High Schools	11	6	1,027	66	32	44
	Scottsdale USD	4,242	949	23,030	65%	57%	26%

¹ Weighted average of monthly Reimbursement Meal Claims; fiscal year 2006 data based on claims between August and October 2005; fiscal year 2005 data based on claims between August 2004 and June 2005.

Processes and Resources

Outreach—On the first day of school, the District sends the NSLP parent letter and application to all students of every school, as part of the student packet. This packet contains the necessary information about the school that students need to know at the start of the school year. The District reported that this is the only form of outreach it uses to educate the public about its participation in the NSLP.

Application processing—Applications are returned to the school cafeteria staff, where cafeteria managers do an initial screening and make preliminary eligibility determinations. Instead of directly certifying students, as required by ADE, district staff make determinations based solely on submitted applications. The applications are then forwarded to the District Office, where they are entered into the application evaluation system and the preliminary eligibility determinations are verified. Three employees work solely on processing applications for 3 to 4 weeks at the beginning of each school year, requiring approximately 360 to 480 staff hours.

Verification—The District's application system can select the verification sample, including selecting the error-prone applications needed to meet this year's new requirement. The system then prints the verification notification letters. The normal follow-up process involves sending a second letter approximately 7 to 14 days before the response due date. On this follow-up letter, the Food Service

Coordinator/Expeditor stamps in red ink a notation that this is the second letter. The District also sends results notification letters for all applications that were verified.

The Food Service Coordinator/Expeditor is the only person involved in verification. She spends a week preparing for verification, then once the initial notification letters go out, she spends an hour or two each day verifying applications, until the date when she has to eliminate benefits due to nonresponse. The District estimated that it takes about 40 hours for verification.

Verification Results

Of the eight approved applications, one was directly verified using Food Stamp/TANF data. Two respondents provided income documentation in the form of pay stubs and/or benefit documents. Three households did not respond. This school-level nonresponse rate of 37 percent in fiscal year 2006 was higher than the district sample's 25 percent nonresponse rate in fiscal year 2005.

Verification Results¹

Fiscal Year	School School District	Number of Applications			
		Unchanged	Increased	Decreased	No Response
2006	Copper Ridge Elementary and Junior High Schools	2	0	3	3
	Scottsdale USD	51	2	10	27
2005	Copper Ridge Elementary and Junior High Schools	0	0	0	0
	Scottsdale USD	10	1	19	10
		Number of Students			
		Unchanged	Increased	Decreased	No Response
2006	Copper Ridge Elementary and Junior High Schools	2	0	4	5
	Scottsdale USD	75	4	17	42
2005	Copper Ridge Elementary and Junior High Schools	0	0	0	0
	Scottsdale USD	22	2	29	14

¹ Fiscal year 2006 district results include both the District's sample and the 100 percent verification results.

Fiscal Year	School District	Eligible Students			Meal Participation ¹ (percentage of eligible students)		
		Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
2006	Desert Shadows Elementary	23	13	502	49%	35%	31%
	Paradise Valley USD	7,568	1,991	23,638	74	63	30
2005	Desert Shadows Elementary	22	23	521	54	31	28
	Paradise Valley USD	7,925	1,936	24,574	69%	62%	26%

¹ Weighted average of monthly Reimbursement Meal Claims; fiscal year 2006 data based on claims between August and October 2005; fiscal year 2005 data based on claims between August 2004 and June 2005.

Processes and Resources

Outreach—At the beginning of the school year, a Food Service employee attends open house at the schools to set up student meal accounts and make available NSLP applications. Additionally, the District provides NSLP information on the first bi-monthly menu and in the first couple of school newsletters. When the second semester begins, the information is again provided in school newsletters. Further, elementary and middle schools send NSLP applications home in students' backpacks, while high school students are able to pick them up during orientation. The applications are provided in both English and Spanish.

Application processing—Applications are initially reviewed by the District's Nutrition and Wellness Office staff, and then a second staff member confirms the eligibility determination. The District's application system also determines eligibility as the information is entered. Instead of using direct certification to limit the number of applications sent to students, district staff use the information to make determinations on submitted applications. The District estimates that it takes approximately 1,500 staff hours to process the applications.

Verification—This year, the District's 3 percent sample had to be drawn from error-prone applications. Therefore, the Food Service technician reviewed the 4,127 applications and made a manual list of the error-prone applications from which to select the 130 to be verified. The Food Service technician and the Office's budget coordinator conduct the confirmation review, and then verification letters are mailed in English or Spanish, as appropriate. The Office sends a second letter to

nonrespondents. For any returned undeliverable letters, the technician calls the parent or guardian. If phone contact is not successful, the school cafeteria manager sends the verification letter home with the student. Adverse action notification letters are sent for all households with a change in eligibility status. The District estimates that it takes approximately 80 staff hours to perform verification.

Verification Results

Of the 20 approved applications, 4 were directly verified using Food Stamp/TANF data. Of the 8 respondents, all but one household provided income documents, primarily employer pay stubs but also including benefit and child support documents and verified self-employment earnings. One household provided a self-reported earnings statement. Five households did not respond. This school-level nonresponse rate of 25 percent in fiscal year 2006 is half of the district sample's 51 percent nonresponse rate in fiscal year 2005.

Verification Results¹

Fiscal Year	School District	Number of Applications			
		Unchanged	Increased	Decreased	No Response
2006	Desert Shadows Elementary	11	0	4	5
	Paradise Valley USD	42	1	30	74
2005	Desert Shadows Elementary	0	0	0	0
	Paradise Valley USD	11	1	10	23
		Number of Students			
		Unchanged	Increased	Decreased	No Response
2006	Desert Shadows Elementary	16	0	4	14
	Paradise Valley USD	62	1	54	114
2005	Desert Shadows Elementary	0	0	0	0
	Paradise Valley USD	21	2	14	37

¹ Fiscal year 2006 district results include both the District's sample and the 100 percent verification results.

Fiscal Year	School District	Eligible Students			Meal Participation ¹ (percentage of eligible students)		
		Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
2006	Townsend Middle	333	45	195	68%	57%	40%
	Tucson USD	27,508	4,333	29,273	79	67	26
2005	Townsend Middle	351	49	203	62	45	17
	Tucson USD	30,137	5,086	25,270	73%	62%	29%

¹ Weighted average of monthly Reimbursement Meal Claims; fiscal year 2006 data based on claims between August and October 2005; fiscal year 2005 data based on claims between August 2004 and June 2005.

Processes and Resources

Outreach—The District provides the NSLP parent letter and application during school registration. Students previously eligible for the program receive applications preprinted with the student’s name, grade, parent or guardian’s name, address, and previously listed household members. The District also mails parent letters with blank applications to the homes of students not previously in the program. Principals mention the program in their presentations to parents; in its first letter to parents, the District’s Student Services gives program information along with a contact phone number; information is provided in school newsletters; cafeteria managers and teachers inform students and parents about the program as they see the need arise (e.g., a student continually comes to school without lunch money). If a student continues to not have lunch, the Food Service Director can exercise the option to make a student temporarily free-eligible for 30 days until a parent submits an application.

Application process—To limit the number of applications processed, the District directly certifies students before applications are sent out. Direct Certification is repeated every 2 weeks to screen for families who have been newly approved for Food Stamps or TANF. The applications are returned to the District’s Food Service office. However, the Food Service Director indicated that most parents come to the office to either fill out, or to seek assistance with filling out, the application. The certification process generally takes 15 minutes for an application. However, if a parent comes in to fill out the application, it can take 30 to 45 minutes. For approximately 6 weeks, the District’s full-time Federal Meals Benefit Technician works only on collecting, entering the data from, and evaluating meal applications. In addition, temporary employees are hired to assist with entering the data into the

District's application evaluation system. The District estimates that it takes approximately 1,400 staff hours to process applications.

Verification—The District's application system can select the verification sample using the standard, random, or focused sample requirements. The District sends its verification notification, follow-up, and adverse action letters based on the timeline established by ADE. The Food Service Director estimated that approximately 51 percent of the households submit something other than a single "traditional pay stub." Therefore, the process is time-consuming as it takes several phone calls to verify employment and income for these applications. The District estimates that the verification process requires approximately 240 staff hours.

Verification Results

Of the 231 approved applications, 3 were categorically eligible and not subject to verification, and 38 were directly verified using Food Stamp/TANF data. Of the 71 respondents, 93 percent provided income documents, primarily employer pay stubs but also including benefit and child support documents, and verified self-employment earnings. The other 7 percent included self-reported income or income confirmed through employer phone calls. Another 106 households did not respond. This school-level nonresponse rate of 46 percent in fiscal year 2006 is slightly lower than the District's 50 percent nonresponse rate in fiscal year 2005.

Verification Results¹

Fiscal Year	School District	Number of Applications			No Response
		Unchanged	Increased	Decreased	
2006	Townsend Middle	87	4	31	106
	Tucson USD	196	6	133	260
2005	Townsend Middle	n/a ²	n/a	n/a	n/a
	Tucson USD	81	1	13	94

Fiscal Year	School District	Number of Students			No Response
		Unchanged	Increased	Decreased	
2006	Townsend Middle	96	4	33	120
	Tucson USD	364	11	253	458
2005	Townsend Middle	n/a ²	n/a	n/a	n/a
	Tucson USD	143	2	26	154

¹ Fiscal year 2006 district results include both the District's sample and the 100 percent verification results.

² n/a— not available.

Fiscal Year	School District	Eligible Students			Meal Participation ¹ (percentage of eligible students)		
		Free	Reduced-Price	Full-Price	Free	Reduced-Price	Full-Price
2006	William C. Jack	611	92	318	95%	45%	21%
	Glendale ESD	8,979	1,825	3,039	87	70	68
2005	William C. Jack	757	117	155	74	70	29
	Glendale ESD	9,255	1,661	3,722	75%	69%	45%

¹ Weighted average of monthly Reimbursement Meal Claims; fiscal year 2006 data based on claims between August and October 2005; fiscal year 2005 data based on claims between August 2004 and June 2005.

Processes and Resources

Outreach—At the beginning of the school year, the District sends NSLP applications and parent letters in both English and Spanish home with all students in student packets. A few days prior to the start of school, at each school’s open house, teachers also discuss program availability. The cafeteria manager and cashier attend the open houses to answer questions and accept applications. Further, all department directors (i.e. special education, homeless, etc.) provide information to the students’ families that they contact. School principals understand that additional funding is attached to their school’s free and reduced eligibility percentage, so they have increased monitoring their numbers and try to get as many students on the program as they can. One of the methods they use is putting program information in the school newsletters.

Application process—Applications that were pre-approved on-site at open houses are sent to the District’s Food Service Specialist. As other applications are returned, the school’s cafeteria cashier performs the initial pre-approval. The Food Service Specialist enters applications into the District’s application evaluation program, which also generates the eligibility letters. Instead of using direct certification to limit the number of applications sent to students, district staff use the information to make determinations on submitted applications. Eligibility letters are sent home with students. The Food Service Specialist dedicates approximately 320 hours during the first 2 months of school getting the applications entered and processed. The District also has a few other people on a part-time basis to assist with data entry.

Verification—The Food Service Specialist performs all verification activities, and the complete process takes about 45 days. After selecting the sample and preparing the related documents, she creates a spreadsheet to summarize those applications' information and each student's current status. Then she sends the verification, follow-up, and result letters to all of the households that were selected. Though previously not required, the Food Service Specialist sent follow-up letters about 2 weeks prior to the response due date. The District estimates that verification takes approximately 360 hours.

Verification Results

Of the 425 approved applications, 23 were categorically eligible and not subject to verification, and another 62 were directly verified using Food Stamp/TANF data. Of the 165 respondents, 94 percent provided income documents, primarily employer pay stubs but also including benefit, DES program participation, and child support documents as well as verified self-employment earnings. The other 6 percent included self-reported income or income confirmed through employer phone calls. Another 161 households did not respond. This school-level nonresponse rate of 40 percent in fiscal year 2006 is slightly lower than the district sample's 47 percent nonresponse rate in fiscal year 2005.

Verification Results¹

Fiscal Year	School District	Number of Applications			
		Unchanged	Increased	Decreased	No Response
2006	William C. Jack	184	6	51	161
	Glendale ESD	244	12	121	249
2005	William C. Jack	7	0	6	8
	Glendale ESD	75	2	33	98
		Number of Students			
		Unchanged	Increased	Decreased	No Response
2006	William C. Jack	247	9	57	192
	Glendale ESD	498	26	213	421
2005	William C. Jack	7	0	7	9
	Glendale ESD	155	5	55	164

¹ Fiscal year 2006 district results include both the District's sample and the 100 percent verification results.

