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STATEMENT OF  
HENRY ESCHWEGE, DIRECTOR  
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION  
BEFORE THE SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND  
VOCATIONAL EDUCATION  
OF THE  
COMMITTEE ON EDUCATION AND LABOR *N.R.*  
ON  
[ THE CHILD CARE FOOD PROGRAM ]

*HSEB1102*

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY AT YOUR REQUEST TO DISCUSS THE RESULTS  
OF OUR CURRENT REVIEW OF THE CHILD CARE FOOD PROGRAM. OUR  
FIELDWORK HAS BEEN COMPLETED, AND THE SECRETARY OF AGRICULTURE  
HAS RECEIVED A DRAFT OF OUR REPORT FOR COMMENT. ALTHOUGH OUR  
CONCLUSIONS AND RECOMMENDATIONS ARE STILL TENTATIVE, WE ARE  
GLAD TO PROVIDE YOU AT THIS TIME WITH OUR OBSERVATIONS.

*AGC 2/22/80*

BACKGROUND

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THE CHILD CARE FOOD PROGRAM IS ONE OF SEVERAL CHILD  
NUTRITION PROGRAMS FUNDED AND ADMINISTERED BY THE U.S. DEPART-  
MENT OF AGRICULTURE TO IMPROVE THE NUTRITIONAL INTAKE OF THE  
NATION'S CHILDREN. IT PROVIDES COMMODITIES AND FINANCIAL  
ASSISTANCE (INCLUDING CASH-IN-LIEU OF COMMODITIES) TO FOOD  
SERVICE PROGRAMS SERVING CHILDREN IN DAY CARE CENTERS,  
HEADSTART CENTERS, CENTERS FOR THE HANDICAPPED, AND FAMILY  
DAY CARE HOMES.

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THE PROGRAM, WHICH BEGAN AS A TEMPORARY PROGRAM IN 1968, BECAME PERMANENT IN 1978 WHEN THE CONGRESS ENACTED THE CHILD NUTRITION AMENDMENTS OF 1978 (PUBLIC LAW 95-627). . THIS LEGISLATION CALLED FOR INCREASING THE NUMBERS OF CHILD CARE CENTERS AND CHILDREN ENROLLED IN THE PROGRAM AND CHANGED THE REIMBURSEMENT METHODS TO PROVIDE GREATER FINANCIAL ASSISTANCE TO FOOD SERVICE PROVIDERS. IT ALSO EXPANDED LICENSING ALTERNATIVES, EASED RECORDKEEPING REQUIREMENTS AND PROVIDED FOR START-UP AND ADVANCE FUNDING TO ENCOURAGE EXPANSION. THE LAW ALSO EXTENDED PROGRAM BENEFITS TO THE MENTALLY AND PHYSICALLY HANDICAPPED, REGARDLESS OF AGE, WHO ATTEND QUALIFYING INSTITUTIONS.

*ACC 20517*

THE PROGRAM, WHICH OPERATES IN 53 STATES AND TERRITORIES, IS A TRIPARTITE PROGRAM INVOLVING THE DEPARTMENT OF AGRICULTURE, STATE GOVERNMENTS, AND PARTICIPATING INSTITUTIONS. STATE EDUCATION AGENCIES USUALLY ADMINISTER THE PROGRAM UNDER THE SUPERVISION OF THE REGIONAL OFFICES OF AGRICULTURE'S FOOD AND NUTRITION SERVICE. WHEN A STATE IS UNWILLING OR UNABLE TO ADMINISTER THE PROGRAM, HOWEVER, A COGNIZANT SERVICE REGIONAL OFFICE ADMINISTERS THE PROGRAM IN THE STATE. AS OF FEBRUARY 1980, THE SERVICE'S REGIONAL OFFICES WERE ADMINISTERING THE PROGRAM IN 12 STATES--NEW YORK, VIRGINIA, GEORGIA, SOUTH CAROLINA, TENNESSEE, MISSOURI, NEBRASKA, NORTH DAKOTA, ARKANSAS, HAWAII, OREGON, AND WASHINGTON.

PUBLIC OR PRIVATE NONPROFIT INSTITUTIONS--CALLED SPONSORS--MANAGE THE PROGRAM LOCALLY. ACTUAL FEEDING ACTIVITIES

ARE CARRIED OUT IN NONRESIDENTAL CHILD CARE CENTERS OR IN PRIVATE HOMES UNDER AN ELIGIBLE INSTITUTION'S SPONSORSHIP. CHILDREN PARTICIPATING IN THE PROGRAM MAY RECEIVE BREAKFAST, LUNCH, SUPPER, AND MORNING AND AFTERNOON SNACKS. MEALS MUST MEET AGRICULTURE'S MINIMUM NUTRITIONAL REQUIREMENTS. ALL CHILDREN RECEIVE THEIR MEALS FREE OR AT LESS THAN COST DEPENDING ON FAMILY INCOME.

THE PROGRAM HAS GROWN STEADILY SINCE ITS INCEPTION. FROM FISCAL YEAR 1969 THROUGH FISCAL YEAR 1979, PEAK AVERAGE DAILY ATTENDANCE ROSE FROM ABOUT 40,000 TO MORE THAN 650,000. THE NUMBER OF MEALS SERVED ANNUALLY HAS INCREASED FROM ABOUT 8 MILLION TO ALMOST 400 MILLION. AT THE SAME TIME, ANNUAL PROGRAM COSTS HAVE RISEN FROM \$1.2 MILLION TO ABOUT \$192 MILLION. THE FISCAL YEAR 1980 FEDERAL OUTLAY FOR THE PROGRAM IS EXPECTED TO BE \$236 MILLION WHILE PARTICIPATION IS EXPECTED TO EXPERIENCE ITS USUAL GROWTH OF ABOUT 9 PERCENT.

#### OBJECTIVE AND SCOPE OF REVIEW

OUR REVIEW OBJECTIVE WAS TO EVALUATE THE EFFECTIVENESS OF THE CHILD CARE FOOD PROGRAM AND THE EFFICIENCY OF ITS ADMINISTRATION. WE MADE THE REVIEW PRIMARILY AT THE FOOD AND NUTRITION SERVICE'S HEADQUARTERS IN WASHINGTON, D.C.; AT FIVE OF ITS SEVEN REGIONAL OFFICES; AT THE STATE EDUCATION AGENCIES IN LOUISIANA, CALIFORNIA, AND MISSISSIPPI; AND AT 98 SPONSORS AND 115 FEEDING SITES IN NEW YORK, LOUISIANA, CALIFORNIA, AND MISSOURI. DURING OUR SPONSOR AND SITE

VISITS, WE TESTED 131 INDIVIDUAL MEALS AT 80 FEEDING SITES FOR COMPLIANCE WITH AGRICULTURE'S REQUIREMENTS, OBSERVED SITE CONDITIONS, AND EVALUATED OTHER SELECTED ASPECTS OF THE FEEDING PROGRAM. WHILE OUR SITE SELECTION PROCESS WAS STATISTICALLY ASSISTED, OUR SELECTION TECHNIQUE DID NOT ALLOW THE PROJECTION OF FINAL RESULTS.

WE ALSO INQUIRED INTO THE POSSIBLE IMPACT ON THE FUTURE DIRECTION OF THE PROGRAM AS A RESULT OF THE CHILD NUTRITION AMENDMENTS OF 1978.

MEALS DID NOT ALWAYS MEET NUTRITIONAL STANDARDS

WHILE MANY CHILDREN WERE RECEIVING PROGRAM BENEFITS, TESTS OF MEALS SERVED AT THE FEEDING SITES WE VISITED SHOWED THAT 62 PERCENT DID NOT MEET AGRICULTURE'S MEAL SERVICE STANDARDS. SPECIFICALLY, 81 MEALS AT 52 SITES DID NOT MEET AGRICULTURE'S STANDARDS. AN AVERAGE OF 47 CHILDREN WERE SERVED DAILY AT EACH OF THESE SITES. OF THE 81 MEALS THAT FAILED TO MEET STANDARDS, 69 DID NOT COMPLY WITH COMPONENT WEIGHT AND VOLUME STANDARDS. THE OTHER 12 LACKED ONE OR MORE OF THE REQUIRED COMPONENTS. REIMBURSEMENT MAY BE DISALLOWED FOR MEALS THAT DO NOT MEET STANDARDS.

WE OBSERVED A NUMBER OF FACTORS DURING OUR VISITS WHICH MAY HAVE CONTRIBUTED TO MEAL SERVICE FAILURES. AT 30 SELECTED SPONSORS, WE COMPARED MEAL SERVICE REQUIREMENTS WITH THE QUANTITIES OF MEAT, FISH, OR POULTRY USED TO PREPARE MEALS. ELEVEN OF THE SPONSORS DID NOT PREPARE ENOUGH FOOD TO SERVE THE NUMBER OF MEALS CLAIMED. FOR EXAMPLE, AT ONE SPONSOR

WITH 105 CHILDREN ENROLLED, OUR ANALYSIS SHOWED THAT NOT ENOUGH MEAT OR EQUIVALENT PROTEIN COMPONENT WAS USED TO PREPARE MEALS SERVED ON 5 OF THE 10 DAYS FOR WHICH AN ANALYSIS WAS MADE. THE SHORTAGES RANGED FROM 2 TO 23 PERCENT AND AVERAGED 15 PERCENT.

WE ALSO COMPARED THE QUANTITY OF MILK PURCHASED WITH MEAL SERVICE REQUIREMENTS AT 53 SPONSORS. EIGHTEEN OF THE SPONSORS DID NOT PURCHASE ENOUGH MILK TO SERVE THE NUMBER OF MEALS CLAIMED. FOR EXAMPLE, ONE SPONSOR CLAIMED TO HAVE SERVED 1,177 BREAKFASTS AND LUNCHESES DURING A 1-MONTH PERIOD BUT ONLY PURCHASED ENOUGH MILK FOR 528 OF THESE MEALS. ANOTHER SITE NEEDED 5,036 OUNCES OF MILK FOR MEALS CLAIMED DURING A 1-MONTH PERIOD BUT PURCHASED ONLY 1,783 OUNCES.

CONSUMPTION OF FOOD BY ADULTS AT THE FEEDING SITES ALSO MAY HAVE CONTRIBUTED TO THE CHILDREN NOT GETTING REQUIRED PORTIONS. AT 74 SITES WHERE WE DETERMINED THE EXTENT OF ADULT PARTICIPATION IN MEAL SERVICES, 58 SERVED MEALS TO ADULTS. WHILE ADULTS WHO PERFORM PROGRAM-RELATED SERVICES MAY EAT, AT SOME SITES THE NUMBER OF ADULT MEALS SERVED SEEMED EXCESSIVE. AT 12 LOCATIONS AT LEAST 1 OF EVERY 5 MEALS WAS SERVED TO AN ADULT. AT ONE SITE 19 ADULTS WERE SERVED MEALS WHILE WE ONLY OBSERVED 19 CHILDREN PARTICIPATING IN THE MEAL. AT ANOTHER SITE WITH AN AVERAGE DAILY ATTENDANCE OF ABOUT 120 CHILDREN, 26 ADULTS, INCLUDING NON-INSTRUCTIONAL ADMINISTRATIVE AND MAINTENANCE PERSONNEL, REGULARLY WERE SERVED MEALS.

DEFICIENT MENUS MAY HAVE ALSO PLAYED A ROLE IN THE FAILURE OF MEALS TO MEET STANDARDS. WE EXAMINED MENUS AT 66 LOCATIONS AND DETERMINED THAT 25--MORE THAN ONE-THIRD--DID NOT ADEQUATELY REFLECT AGRICULTURE'S COMPONENT REQUIREMENTS. FOR EXAMPLE, SOME MENUS PREPARED BY ONE STATE AGENCY AND DISTRIBUTED THROUGHOUT THE STATE DID NOT CONTAIN MILK AS A BREAKFAST ITEM WHILE OTHERS DID NOT CONTAIN JUICE.

ALSO, MEAL SERVING TIMES AT SOME SITES WERE NOT SUFFICIENTLY SPACED. AT 64 SITES SERVING MORE THAN ONE MEAL A DAY, WE DETERMINED THAT AT 35 SITES MEALS WERE SERVED ABOUT 2 HOURS APART, USUALLY TO THE SAME CHILDREN.

OTHER FACTORS WHICH MAY HAVE CONTRIBUTED TO MEALS NOT MEETING STANDARDS INCLUDED MEALS SERVED FAMILY STYLE, CHILDREN SERVING THEMSELVES, PORTION CONTROL UTENSILS NOT BEING USED, AND FOOD SERVICE PERSONNEL NOT FAMILIAR WITH MEAL REQUIREMENTS.

#### HEALTH AND SANITATION PROBLEMS

AT 24 OF THE 115 SITES VISITED, WE OBSERVED CONDITIONS WHICH COULD ADVERSELY AFFECT CHILDREN'S HEALTH. FOR EXAMPLE, WE FOUND EVIDENCE OF RODENTS OR ROACHES AT 7 SITES; UNSANITARY STORAGE, PREPARATION, OR SERVING AREAS AT 18 SITES; FOOD AND TOXIC CHEMICALS THAT WERE STORED ADJACENT TO ONE ANOTHER AND IN FOOD PREPARATION AREAS AT 4 SITES; AND FOODS SUCH AS RICE, BEANS, AND CEREALS THAT WERE STORED IN

UNCOVERED OR UNPALLETIZED CONTAINERS AT 7 SITES. WE CONSIDERED CONDITIONS AT THREE SITES IN ONE STATE SO SERIOUS THAT IN ADDITION TO ADVISING THE CENTER DIRECTOR OR SPONSOR, WE REPORTED THOSE CONDITIONS TO THE FOOD AND NUTRITION SERVICE FOR IMMEDIATE ACTION.

POOR FINANCIAL MANAGEMENT

IN EVALUATING RECORDKEEPING AND OTHER FINANCIAL MANAGEMENT PRACTICES OF 82 SPONSORS, WE DETERMINED THAT THE VALIDITY OF SUBMITTED AND PAID REIMBURSEMENT CLAIMS OF 61 WERE QUESTIONABLE BECAUSE RECORDS SUPPORTING EXPENDITURES, MEAL COUNTS, AND REIMBURSEMENT RATE ENTITLEMENT WERE EITHER MISSING, UNAVAILABLE, INCOMPLETE, OR INACCURATE. IN 16 CASES THE SPONSORS' CLAIMS WERE SO POORLY SUPPORTED OR OTHERWISE SUGGESTED FRAUD OR PROGRAM ABUSE THAT WE REFERRED THEM TO AGRICULTURE'S OFFICE OF INSPECTOR GENERAL FOR FOLLOWUP.

AT 24 OF THE 61 SPONSORS, DOCUMENTATION AND OTHER SUPPORT FOR PROGRAM EXPENDITURES WAS INCOMPLETE OR MISSING, THUS PROVIDING NO BASIS FOR DETERMINING THE VALIDITY OF COSTS CLAIMED. TWO OF THESE SPONSORS DID NOT HAVE ANY RECORDS TO SUPPORT COSTS CLAIMED. THE OTHER 22 SPONSORS' SYSTEMS WERE INADEQUATE TO ACCOUNT FOR COSTS CLAIMED.

IN THEIR REIMBURSEMENT CLAIMS, 29 SPONSORS HAD OVERSTATED MEAL COUNTS OR PROGRAM EXPENSES, INCLUDING 11 THAT HAD OVERSTATED BOTH. FOR EXAMPLE, AN AFTERSCHOOL PROGRAM SPONSOR CLAIMED THAT 100 SUPPERS WERE SERVED DAILY. THE

SPONSOR ACTUALLY SERVED SNACKS NOT SUPPERS. THE DIFFERENCE IN REIMBURSEMENT BETWEEN SNACKS AND SUPPERS WOULD AMOUNT TO ABOUT \$1,500 A MONTH. ANOTHER SPONSOR HAD ALTERED MEAL COUNT RECORDS BY ADDING 600 MEALS TO THE ACTUAL MEAL COUNT FOR THE MONTH EXAMINED. THIS PRACTICE INCREASED THE REIMBURSEMENT FOR THAT MONTH BY ABOUT \$337. THE CASES INVOLVING OVERSTATED PROGRAM EXPENSES INCLUDED ONE CASE WHERE THE SPONSOR CLAIMED EXPENSES AS THEY WERE INCURRED AND AGAIN WHEN THEY WERE PAID. THE QUESTIONED FOOD COSTS IN THIS CASE WERE \$2,868 FOR THE 4 MONTHS EXAMINED.

AT 51 SPONSORS, PROGRAM ELIGIBILITY DOCUMENTATION FOR CHILDREN IN THE FREE AND REDUCED-PRICE MEAL CATEGORIES WAS INCOMPLETE OR INACCURATE. OF THESE 51 SPONSORS, 22 DID NOT HAVE COMPLETE RECORDS SUPPORTING THE CLASSIFICATION OF CHILDREN WHOSE MEALS WERE REIMBURSED AT THE FREE OR REDUCED-PRICE RATES. IN ADDITION, 21 HAD MISCATEGORIZED SOME CHILDREN'S ELIGIBILITY STATUS AND 8 HAD ELIGIBILITY RECORDS THAT WERE BOTH INCOMPLETE AND MISCATEGORIZED. IN 22 OF THE 29 CASES WHERE ELIGIBILITY RECORDS WERE MISCATEGORIZED, THE SPONSORS RECEIVED MORE REIMBURSEMENT THAN THEY WERE ENTITLED TO. FOR EXAMPLE, ONE SPONSOR CLAIMED REIMBURSEMENT AT THE FREE RATE FOR 45 OF ITS ENROLLED CHILDREN. THE SPONSOR'S RECORDS, HOWEVER, SHOWED THAT ONLY 20 CHILDREN WERE ELIGIBLE FOR FREE MEALS. AS A RESULT THE SPONSOR RECEIVED AN ADDITIONAL \$500 FOR THE MONTH EXAMINED.



TWELVE SPONSORS HAD CLAIMED COSTS NOT ASSOCIATED WITH CHILD FEEDING OPERATIONS AS PROGRAM COSTS. FOR EXAMPLE, FOUR SPONSORS HAD CLAIMED COFFEE AND PET FOOD COSTS, AND ANOTHER HAD CLAIMED THE COST OF ELECTRIC HEATERS, TOOLS, AND PAINT SUPPLIES. WE ALSO IDENTIFIED THREE CASES IN WHICH THE SAME EXPENSE WAS BEING CLAIMED TWICE OR WAS INCLUDED IN MORE THAN ONE BUDGET. FOR EXAMPLE, ONE SPONSOR SUBMITTED FOOD SERVICE EQUIPMENT MAINTENANCE AND REPAIR COSTS TO BOTH THE CHILD CARE FOOD PROGRAM AND A PROGRAM FUNDED BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE. FOR THE 2 MONTHS EXAMINED, THE SPONSOR WAS REIMBURSED FOR THE SAME \$935 IN EXPENSES BY BOTH AGENCIES.

MANY OF THE TYPES OF DEFICIENCIES WE HAVE IDENTIFIED HAVE ALSO BEEN FOUND BY AGRICULTURE'S OFFICE OF INSPECTOR GENERAL. THE INSPECTOR GENERAL HAS AUDITED SELECTED SPONSORS AND FEEDING SITE ACTIVITIES IN THE PAST AND IS CURRENTLY ENGAGED IN A NATIONWIDE AUDIT OF SELECTED PROGRAM ACTIVITIES. IN ADDITION, THESE SAME TYPES OF DEFICIENCIES HAVE BEEN IDENTIFIED BY GAO IN OTHER NUTRITION PROGRAMS AND WERE REPORTED TO THE SECRETARY IN THE PAST. THE PROGRAMS INCLUDE THE SUMMER FEEDING AND THE SCHOOL LUNCH PROGRAMS.

FEDERAL AND STATE PROGRAM MANAGEMENT

THE DEFICIENCIES WE HAVE DISCUSSED SO FAR HAVE RESULTED IN PART FROM POOR FEDERAL AND STATE PROGRAM POLICIES AND MANAGEMENT. THE ANNUAL STATE PLAN FOR PROGRAM OPERATIONS

IS A NECESSARY FIRST STEP IN DIRECTING AND MANAGING THE PROGRAM. ACCORDING TO PROGRAM REGULATIONS, THE PLAN IS TO INCLUDE DETAILS RELATING TO PROGRAM EXPANSION, MONITORING, AND AUDIT; THE PROGRESS MADE IN ACCOMPLISHING THE PRIOR YEAR'S GOALS; AND PLANS TO INSURE THAT MEALS ARE PROVIDED TO EVERY NEEDY CHILD. THE STATE PLANS WE REVIEWED, WHETHER PREPARED BY THE SERVICE'S REGIONAL OFFICES OR THE STATE EDUCATION AGENCIES, DID NOT ALWAYS CONTAIN THE REQUIRED INFORMATION. FOR EXAMPLE, ONE STATE'S FISCAL YEAR 1980 PLAN DID NOT IDENTIFY ITS ECONOMICALLY NEEDY AREAS NOR INCLUDE A DISCUSSION OF THE ACCOMPLISHMENT OF PAST GOALS. ANOTHER STATE PLAN DID NOT IDENTIFY CRITERIA FOR USE IN EXTENDING THE PROGRAM TO ALL ELIGIBLE CHILDREN AND FOR GIVING PRIORITY TO THE MOST NEEDY.

THE STATE EDUCATION AGENCIES AND THE SERVICE'S REGIONAL OFFICES DID NOT SEEM TO BE ADEQUATELY STAFFED TO MANAGE THE PROGRAM. WHILE STAFFING LEVELS ARE NOT MANDATED BY REGULATION, WE FOUND THAT FEW STAFF WERE AVAILABLE TO VISIT PROGRAM SITES AND THAT FEW VISITS WERE MADE. FOR EXAMPLE, ONE STATE AGENCY HAD NINE PEOPLE TO ADMINISTER THE PROGRAM AND MONITOR ALMOST 500 SPONSORS AND ABOUT 2,500 FEEDING SITES. DURING CALENDAR YEAR 1978, STATE AGENCY PERSONNEL MADE 247 VISITS TO ONLY 185 SPONSORS. ALSO, ONE OF THE SERVICE'S REGIONAL OFFICES, WHICH WAS RESPONSIBLE FOR ADMINISTERING THE PROGRAM IN THREE STATES, HAD ONLY SEVEN PERSONS ASSIGNED TO THE

PROGRAM. THIS STAFF HAD MADE ONLY 29 MONITORING VISITS SINCE 1977 IN ONE OF THE STATES WHICH HAD 137 SPONSORS AND ABOUT 700 FEEDING SITES.

EVEN WHEN MONITORING VISITS WERE MADE, THERE WAS A QUESTION AS TO HOW ADEQUATE THEY WERE. IN ONE REGIONAL OFFICE-RUN PROGRAM, FOR EXAMPLE, SPONSORS WERE NOT ALWAYS NOTIFIED OF MONITORING RESULTS, INCLUDING VIOLATIONS THAT HAD BEEN NOTED, AND WERE NOT REQUESTED TO TAKE CORRECTIVE ACTION. ALSO, IN ONE STATE 18 OF THE 22 SPONSOR PERSONNEL WE INTERVIEWED INDICATED THAT THE STATE'S MONITORING AND TECHNICAL ASSISTANCE EFFORTS WERE NOT ADEQUATE AND THE NUMBER OF STATE STAFF WAS NOT SUFFICIENT TO MEET PROGRAM NEEDS.

NONE OF THE STATES OR SERVICE REGIONAL OFFICES INCLUDED IN OUR REVIEW HAD FULLY COMPLIED WITH THE PROGRAM'S REQUIREMENT TO AUDIT SPONSORS FOR COMPLIANCE AND FISCAL INTEGRITY. OF A TOTAL OF ABOUT 1,500 AUDITS THAT SHOULD HAVE BEEN MADE IN FISCAL YEARS 1978 AND 1979 IN THE STATES WE VISITED, ONLY 85 HAD BEEN MADE. ALSO, ONE STATE USED \$90,000 WHICH WAS SPECIFICALLY PROVIDED FOR AUDITS FOR FISCAL YEARS 1978 AND 1979 FOR PROGRAM ADMINISTRATION. AN AMOUNT EQUAL TO TWO PERCENT OF A STATE'S REIMBURSEMENTS IS MADE AVAILABLE SPECIFICALLY FOR AUDIT.

WE ALSO DETERMINED THAT SOME NONFOOD ASSISTANCE FUNDS, WHICH ARE TO BE USED FOR PROGRAM-RELATED EQUIPMENT, WERE

DISBURSED WITHOUT REGARD FOR APPROPRIATE CONTROLS. IN ONE STATE-RUN PROGRAM, WE IDENTIFIED EQUIPMENT WHICH DID NOT CONFORM TO REQUIREMENTS, EQUIPMENT THAT HAD BEEN PAID FOR BUT NEVER RECEIVED, AND EQUIPMENT THAT WAS PURCHASED AND USED BY SPONSOR PERSONNEL AT HOME. ALSO, ONE OF THE SERVICE'S REGIONAL OFFICES HAD GIVEN A SPONSOR FUNDS FOR EQUIPMENT PURCHASES BASED ON THE SPONSOR-SUBMITTED AVERAGE DAILY ATTENDANCE WHICH WAS FOUND TO BE INFLATED ALMOST 7 TIMES.

ALTHOUGH THE STATE AGENCIES AND THE SERVICE'S REGIONAL STAFFS REVIEWED SPONSORS' REIMBURSEMENT CLAIMS, REIMBURSEMENT PROCESSING PROCEDURES WERE NOT CONSISTENT AND IN SOME CASES LACKED PROPER CONTROLS. FOR EXAMPLE, IN ONE STATE ALMOST \$100,000 IN FEDERAL FUNDS HAD BEEN OVERPAID TO SPONSORS BECAUSE THEY FAILED TO REPORT AN EQUIVALENT AMOUNT OF CASH ALREADY RECEIVED FROM THE STATE.

SPONSOR APPROVAL PROCEDURES WERE ALSO WEAK. WE NOTED CASES WHERE THE STATE EDUCATION AGENCIES OR THE SERVICE'S REGIONAL OFFICES HAD FAILED TO VERIFY SPONSORS' APPLICATION DATA, ASSESS SPONSORS' FINANCIAL AND MANAGERIAL CAPABILITIES, OR EVEN VISIT SPONSORS. ONLY LIMITED TRAINING IN AREAS SUCH AS NUTRITION AND FOOD SERVICE MANAGEMENT HAD BEEN PROVIDED PROGRAM PERSONNEL AND THE SERVICE HAD NOT PROVIDED GUIDANCE OR CRITERIA FOR TRAINING OF SPONSOR PERSONNEL EVEN

THOUGH THE NEED FOR SUCH TRAINING WAS RECOGNIZED AS EARLY AS JULY 1974.

THE SERVICE'S MANAGEMENT OF THE PROGRAM  
NEEDS TO BE STRENGTHENED

THE FOOD AND NUTRITION SERVICE HAS NOT FULFILLED CERTAIN OF ITS MANDATED MANAGERIAL RESPONSIBILITIES NOR INITIATED ALL THE NECESSARY MANAGEMENT ACTIONS TO ASSURE PROGRAM EFFECTIVENESS AND EFFICIENCY. THE SERVICE DID NOT REVIEW THE PROGRAMS ITS REGIONAL OFFICES MANAGE, IT LACKED CERTAIN PROGRAM INFORMATION, AND IT DID NOT USE AUDIT AND INVESTIGATIVE REPORTS TO IDENTIFY SYSTEMIC WEAKNESSES AND STRENGTHEN PROGRAM POLICIES. ALSO, THE SERVICE HAD NO SYSTEM FOR ADEQUATELY DEALING WITH SPONSORS THAT DID NOT PERFORM SATISFACTORILY.

ALTHOUGH THE PROGRAM IS SOME 10 YEARS OLD AND ALMOST \$1 BILLION WILL HAVE BEEN SPENT ON IT BY THE END OF FISCAL YEAR 1980, THE SERVICE HAS NEVER MADE A COMPREHENSIVE DETERMINATION OF THE PROGRAM'S EFFECTS ON PARTICIPANTS' NUTRITIONAL STATUS, INCLUDING DIETARY INTAKE. THE SERVICE, HOWEVER, RECENTLY ENGAGED A CONTRACTOR TO STUDY ASPECTS OF THE PROGRAM. THIS STUDY IS INTENDED TO IDENTIFY AND DESCRIBE BARRIERS TO PROGRAM PARTICIPATION; INSTITUTIONS' ADMINISTRATIVE COSTS; AND THE PROGRAM'S FOOD SERVICE OPERATIONS, INCLUDING MEAL QUALITY AND COST. NUTRITIONAL IMPACT WILL ALSO BE EXAMINED IF STUDY METHODS CAN PROVIDE THE REQUIRED DATA. IMPROVED PROGRAM ADMINISTRATION IS A DESIRED OUTCOME OF THE STUDY.

ALTHOUGH THE PROGRAM CONTINUES TO EMPHASIZE GIVING PRIORITY TO THE MOST NEEDY, THE SERVICE HAS NOT DETERMINED HOW WELL IT IS REACHING NEEDY CHILDREN. THE SERVICE ALSO DOES NOT KNOW THE NUMBERS OF PARTICIPATING CHILDREN WITH LOW SOCIO-ECONOMIC PROFILES OR WITH HANDICAPS; NOR HAS IT IDENTIFIED THE POPULATION AND PROFILE OF UNSERVED AND ELIGIBLE CHILDREN.

PROGRAM COSTS WILL INCREASE  
AND PROBLEMS MAY GET WORSE

THE 1978 CHILD NUTRITION AMENDMENTS PROVIDE A BASIS TO EXTEND IMPROVED SERVICES TO MORE CHILDREN. ALTHOUGH THE EFFECT OF THE AMENDMENTS IN EXPANDING THE PROGRAM AND IMPROVING SERVICES IS UNKNOWN AT THIS TIME, THE IMPLEMENTATION OF THESE AMENDMENTS, WHICH IS SCHEDULED FOR MAY 1980, WILL INCREASE PROGRAM COSTS AND MAY EXACERBATE PROBLEMS CAUSED BY POOR MANAGEMENT. THESE LEGISLATIVE MEASURES, AS WELL AS THE IMPLEMENTING REGULATIONS, NEED TO BE RE-EXAMINED TO ASSURE THAT THE HEALTH AND WELL-BEING OF THE NATION'S CHILDREN IS BEST SERVED. IN ADDITION, ANY MAJOR PROGRAM EXPANSION EFFORT SHOULD BE PRECEDED BY IMPROVED PROGRAM MANAGEMENT.

ONE OF THE BASIC PURPOSES OF THE 1978 AMENDMENTS IS TO EXPAND THE BENEFITS OF THE PROGRAM TO MORE ELIGIBLE CHILDREN. THE LEGISLATIVE HISTORY INDICATES, AND THE SERVICE CONTENDS, THAT SOME OF THESE AMENDMENTS WILL INCREASE PROGRAM PARTICIPATION BY REMOVING CERTAIN BARRIERS TO PARTICIPATION, EASING

ADMINISTRATIVE BURDENS, AND PROVIDING MORE FINANCIAL ASSISTANCE TO SPONSORS.

IT WILL COST MORE TO FEED THE SAME NUMBER OF CHILDREN BECAUSE SOME MEALS WILL BE REIMBURSED AT HIGHER RATES THAN THEY WERE BEFORE. THE SERVICE BELIEVES THAT AS A RESULT OF THE LEGISLATION, THE NUMBERS OF UNITS SERVING CHILDREN WILL INCREASE. THE SERVICE ESTIMATES THAT, TOGETHER WITH INFLATION AND THE CHANGE IN THE REIMBURSEMENT METHODOLOGY, PAYMENTS TO SPONSORS WILL INCREASE BY ABOUT \$41 MILLION IN FISCAL YEAR 1981. THE SERVICE, HOWEVER, HAS NOT DETERMINED WHETHER THERE WILL BE AN INCREASE IN BENEFITS TO CHILDREN.

THE 1978 AMENDMENTS ALSO PROVIDE THAT FAMILY AND GROUP DAY CARE HOME SPONSORS WILL NOT BE REQUIRED TO MAINTAIN RECORDS OF FOOD AND LABOR COSTS. WE BELIEVE THAT THE LACK OF SUCH DOCUMENTATION WILL IMPAIR THE ABILITY OF FEDERAL AND STATE PROGRAM MANAGERS TO PERFORM NUTRITIONAL AND FISCAL SURVEILLANCE OF SUCH PROVIDERS. IN VISITS TO SELECTED FEEDING SITES, WE DETERMINED THAT THESE RECORDS ARE AN ESSENTIAL TOOL IN EVALUATING THE AMOUNT OF FOOD PURCHASED BY FEEDING SITE MANAGERS TO FULFILL AGRICULTURE'S MEAL REQUIREMENTS.

MANAGEMENT AT BOTH THE FEDERAL AND STATE LEVELS MUST BE IMPROVED TO ACCOMMODATE CHANGES IN THE PROGRAM OCCASIONED BY THE 1978 AMENDMENTS AND THE IMPLEMENTING REGULATIONS. HOWEVER, IN SOME STATES AND SERVICE REGIONAL OFFICES, THE NEED

FOR INCREASED LEVELS OF MANAGEMENT ATTENTION WILL BE CERTAIN TO STRAIN ALREADY INADEQUATE FINANCIAL AND PERSONNEL RESOURCES. IN FACT, IN COMMENTING ON THE RECENTLY ENACTED REQUIREMENTS, 13 STATES HAVE INDICATED THAT THEY MAY TURN THE PROGRAM BACK TO THE SERVICE AND ONE OTHER HAS ADVISED THE SERVICE IT WILL RETURN THE PROGRAM IN MAY 1980.

RECENTLY THE DEPARTMENT HAS PROPOSED LEGISLATION WHICH WOULD NOT PERMIT THE SECRETARY TO ADMINISTER THE SUMMER FOOD SERVICE PROGRAM AND THE CHILD CARE FOOD PROGRAM DIRECTLY IN ANY STATE. THE PROPOSAL ALSO PROVIDES AN INCENTIVE FOR THE STATES TO ADMINISTER THE PROGRAMS BY MAKING FLEXIBLE THE METHOD FOR REIMBURSING STATE ADMINISTRATIVE EXPENSE FUNDS AND ASKS FOR THE AUTHORITY TO WITHHOLD ALL OR PART OF A STATE'S ADMINISTRATIVE EXPENSE FUNDS IF SERIOUS DEFICIENCIES PERSIST IN A STATE'S ADMINISTRATION OF THE CHILD NUTRITION PROGRAMS.

#### AGENCY ACTIONS

WE DISCUSSED THE PROGRAM'S SHORTCOMINGS WITH THE SERVICE ADMINISTRATOR, THE PROGRAM DIRECTOR, AND OTHER SERVICE OFFICIALS. THEY BELIEVE THAT THESE CONDITIONS RESULTED FROM THE LACK OF AGGRESSIVE MANAGEMENT AND CERTAIN CONSTRAINTS INCLUDING PERSONNEL CEILINGS AND FINANCIAL LIMITATIONS.

PROGRAM OFFICIALS TRIED TO ASSURE US THAT NOT ONLY WOULD SOME OF THESE PROBLEMS BE RECTIFIED BY THE RECENTLY ISSUED REGULATIONS BUT THAT THE PROGRAM'S PRIORITY HAD BEEN ELEVATED AND THAT ACTIONS HAD ALREADY BEEN TAKEN TO CORRECT



SOME OF THE PROBLEMS WE ARE REPORTING HERE TODAY.

OBSERVATIONS

AS WE SEE IT AT THIS TIME, THE FINDINGS AS DEVELOPED TO DATE INDICATE THE NEED FOR THE FOLLOWING ACTIONS.

1. THE SECRETARY, WITH THE POSSIBLE ASSISTANCE OF THE INSPECTOR GENERAL, NEEDS TO ASSURE THAT REMEDIAL MEASURES PROMISED OR INITIATED BY PROGRAM OFFICIALS WILL IN FACT RESULT IN OVERCOMING THE MANY SHORTCOMINGS DISCLOSED BY OUR REVIEW.

2. THE SECRETARY WILL HAVE TO DEMONSTRATE TO THE CONGRESS THAT PROGRAM EXPANSION CAN BE CARRIED OUT EFFECTIVELY AND WITHOUT EXACERBATING FURTHER THE MANAGEMENT WEAKNESSES CURRENTLY EXISTING. AS PART OF THIS EFFORT, THE SECRETARY SHOULD IDENTIFY ANY NEED FOR LEGISLATIVE OR REGULATORY CHANGES AND ANY ADDITIONAL RESOURCES REQUIRED TO RESTORE AND MAINTAIN PROGRAM INTEGRITY.

3. WHETHER OR NOT THE DEPARTMENT'S PROPOSAL PRECLUDING THE SECRETARY FROM DIRECTLY OPERATING THE PROGRAM--PREVIOUSLY REFERRED TO--BECOMES LAW, THE SECRETARY SHOULD CLOSELY OVERSEE STATE ACTIVITIES SO THAT OBSTACLES TO EFFICIENT AND ECONOMICAL PROGRAM MANAGEMENT CAN BE IDENTIFIED. THIS WILL IMPROVE THE SECRETARY'S ABILITY TO RENDER ASSISTANCE TO STATES AND TAKE WHATEVER ACTIONS ARE POSSIBLE TO ALLEVIATE THOSE BURDENS INHIBITING PROGRAM IMPLEMENTATION BY THE STATES.

IF THE PROPOSAL IS NOT ENACTED, THE SECRETARY SHOULD IDENTIFY FOR THE CONGRESS THE TYPES OF ACTIONS NEEDED TO HELP ALLEVIATE THOSE BURDENS ENCOUNTERED BY STATES IN RUNNING THE PROGRAM. THE MEASURES IDENTIFIED SHOULD BE DESIGNED TO HELP STATES TO REMAIN IN THE PROGRAM, AND ENCOURAGE NONPARTICIPATING STATES TO RESUME PROGRAM RESPONSIBILITY. AT THE SAME TIME THE SECRETARY SHOULD INTENSIFY THE LEVEL OF ASSISTANCE GIVEN TO THE STATES IN THEIR EFFORTS TO IMPROVE THE QUALITY OF PROGRAM SERVICES.

THAT CONCLUDES MY STATEMENT, MR. CHAIRMAN. I WILL BE GLAD TO RESPOND TO ANY QUESTIONS.