



United States Department of Agriculture

FAV—Healthy Hunger Free Kids Act of 2010—Controls over Food Service Account Revenue



Report 27026-0001-24

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OFFICE OF INSPECTOR GENERAL



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TO: Stanley McMichael
Associate Chief Financial Officer
Office of the Chief Financial Officer

FROM: Gil H. Harden
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SUBJECT: FAV—Healthy Hunger-Free Kids Act of 2010—Controls over Food Service
Account Revenue

The Office of Inspector General (OIG) completed a final action verification (FAV) of all four recommendations in our September 28, 2015 report, *Healthy Hunger-Free Kids Act of 2010—Controls over Food Service Account Revenue* (Audit Report 27601-0001-22). An FAV determines whether the final action documentation the agency provided to the Office of the Chief Financial Officer (OCFO) supports the agency’s management decision reached with OIG.^{1,2} Our objective was to determine whether the documentation the Food and Nutrition Service (FNS) provided to OCFO was sufficient to close the recommendations made in Audit Report 27601-0001-22.

In a memorandum dated July 5, 2018, OCFO reported to FNS that it closed all of the recommendations, and we concur with this decision.

¹ “*Final action* is the completion of all actions that management has concluded, in its management decision, are necessary with respect to the finding and recommendations included in an audit report.” USDA OCFO, DR1720-001, 6g(1), *Audit Follow-up and Management Decision* (Nov. 2, 2011).

² “*Management decision* is an agreement between agency management and OIG on the action(s) taken or to be taken to address a finding and recommendations cited in an audit report. The management decision must include the agreed-upon dollar amount affecting the recommendations and an estimated completion date unless all corrective action is completed by the time agreement is reached.” USDA OCFO, DR1720-001, *Audit Follow-up and Management Decision*, 6i, (Nov. 2, 2011).

Background

Our report, *Healthy Hunger-Free Kids Act of 2010—Controls over Food Service Account Revenue*,³ made four recommendations to provide reasonable assurance that school food authorities (SFA) complied with the paid lunch equity and nonprogram foods revenue requirements (Sections 205 and 206) of the Healthy, Hunger-Free Kids Act of 2010. In addition, FNS needed to supply SFAs with updated guidance regarding indirect costs and needed to establish a date for publishing the annual paid lunch price report.

OIG and FNS reached management decision on all four recommendations on September 28, 2015. A memorandum, dated September 30, 2015, detailed what FNS needed to implement in order to achieve final action on all recommendations.

In accordance with Departmental Regulation 1720-001,⁴ OCFO has the responsibility to determine final action for recommendations where OIG has agreed to management decision. As such, OCFO evaluates agency-provided documentation to support planned corrective actions and to determine if final action has occurred.

Scope and Methodology

The scope of this final action verification was limited to determining whether FNS' plan of action for all of the recommendations in the subject report was completed in accordance with the management decisions reached on September 28, 2015. To accomplish our objective, we reviewed documentation FNS submitted to OCFO. We did not perform internal control testing or make site visits to determine whether the underlying deficiencies that were initially identified had been corrected. In addition, we did not provide an opinion on the results of the implementation or effectiveness of each recommendation. This FAV was conducted in accordance with our internal guidance IG-7710, *Nonaudit Work and Final Action Verification Guidance and Procedures*. As a result, this FAV was not conducted in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States or the *Quality Standards for Inspection and Evaluation*, issued by the Council of the Inspectors General for Integrity and Efficiency. However, before we performed the nonaudit service, we determined that it would not impair our independence to perform audits, inspections, attestation engagements, or any other future or ongoing reviews of the subject.

Results of the Final Action Verification

We determined that FNS provided sufficient documentation to OCFO to close the four recommendations we made in our September 2015 audit report, *Healthy Hunger-Free Kids Act of 2010—Controls over Food Service Account Revenue*. The table summarizes the action FNS took with respect to each recommendation. We informed FNS officials of the results of this final action verification.

³ Audit Report 27601-0001-22, *Healthy Hunger-Free Kids Act of 2010—Controls over Food Service Account Revenue*, Sept. 2015.

⁴ USDA OCFO, DR 1720-001, 7d (1-9), *Audit Follow-up and Management Decision* (Nov 2, 2011).

Table 1. FNS' Implemented Corrective Actions Sufficient to Achieve Final Action

Rec. No.	Recommendation	Action Taken
1	Redesign controls to provide reasonable assurance that SFAs comply with paid lunch equity and nonprogram food revenue requirements. At a minimum, FNS should revise the Resource Management Risk Indicator Tool to include sufficient detail for identifying whether SFAs have properly used the Paid Lunch Equity (PLE) and Nonprogram Food Revenue (NFR) tools.	FNS provided the revised Resource Management Risk Indicator tool for identifying whether SFAs have properly used the PLE and NFR tools. On July 29, 2016, FNS published the Administrative Reviews in the School Nutrition Program Final Rule, which outlines changes that are expected to strengthen program integrity through a more robust, effective, and transparent process for monitoring school nutrition program operations.
2	Establish a date for publishing the annual paid lunch price report.	FNS announced a permanent change to the reporting due date for the School Food Authority Paid Lunch Report. These reports are now due to FNS on the last operating day of January during the school year.
3	Develop and implement controls to ensure the paid lunch price reports are complete and submitted timely by State agencies.	FNS issued policy memo SP 10-2016 <i>FNS-828 Paid Lunch Price-Report: New Submission Date and Reporting Template</i> , on November 16, 2015. This memorandum announced the permanent change to the reporting due date to facilitate more timely and accurate reporting.
4	Provide updated guidance for indirect costs to SFAs.	FNS issued guidance on indirect costs on September 30, 2016, through policy memo SP 60-2016, <i>Indirect Cost Guidance</i> .

cc: Director, Office of Internal Controls, Audits and Investigations, FNS

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