



**CHEATHAM COUNTY BOARD OF EDUCATION
SCHOOL NUTRITION DEPARTMENT**

Comptroller's Investigative Report
October 24, 2017

Justin P. Wilson, Comptroller





**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS**

Justin P. Wilson
Comptroller of the Treasury

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October 24, 2017

Director of Schools and Members of the School Board
Cheatham County Board of Education
102 Elizabeth Street
Ashland City, TN 37015

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Cheatham County Board of Education's School Nutrition Department and the results are presented herein. Also, these findings, recommendations, and management's responses have been reviewed with the district attorney general for the 23rd Judicial District.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson".

Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

CHEATHAM COUNTY BOARD OF EDUCATION SCHOOL NUTRITION DEPARTMENT

BACKGROUND

The Cheatham County Board of Education’s School Nutrition Department manages cafeterias for the 12 public and one charter school in the county. The school nutrition department employs 12 school nutrition managers and assistant managers as well as 80 other school nutrition employees to serve breakfast and lunch for the school system. Cheatham County participates in the National School Breakfast and Lunch Programs provided by the United States Department of Agriculture, administered through the Tennessee Department of Education. The National School Breakfast and Lunch Programs are federally assisted programs used to provide free or reduced meals to students whose families meet certain income criteria. The National School Lunch Program also provides a meal supplement or snack option for schools where at least 50 percent of the enrolled children are eligible for free or reduced price meals. During the scope of our work, the following schools participated in the after-school snack program:

- Ashland City Elementary School
- East Cheatham Elementary School
- Pegram Elementary School
- West Cheatham Elementary School
- Cheatham Middle School
- Harpeth Middle School
- Sycamore Middle School
- Cheatham County High School

On June 29, 2017, Cheatham County Schools notified our office of suspected discrepancies in their federally funded feeding program. Our investigation revealed the following deficiencies:

- The school nutrition department overcharged the National School Lunch Program at least \$13,842.42 for after-school snacks.
- The school nutrition department does not reconcile food inventory.
- The Cheatham County Board of Education did not follow its purchasing procedures for credit card purchases totaling \$1,350.29.
- The Cheatham County Board of Education did not have a written credit card policy or maintain control of the school nutrition department’s credit cards.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 The school nutrition department overcharged the national school lunch program at least \$13,842.42 for after-school snacks

Overcharges by the school nutrition department resulted from submitting claims for snacks prepared based on enrollment numbers and not snacks actually served to children.

Federal law (7 CFR § 210.7(c)(1)(v)), and the agreement to administer the school nutrition programs between the school system and the Tennessee Department of Education, requires recipients in the National School Lunch Program to ensure claims for reimbursement do not include reimbursement for more than one meal supplement (snack) per child per day.

Before school cafeteria staff leave for the day, snacks are prepared and left for teachers to pick up. Snacks are prepared and claims filed based on enrollment numbers, not actual attendance, thus the school nutrition department failed to ensure reimbursement is not received for more than one snack per child in attendance per day.

We reviewed attendance records for the after-school program, Cheatham Achievers, held at Cheatham Middle School, Harpeth Middle School, and Sycamore Middle School. We found claims in excess of attendance were submitted by all three schools in fiscal year 2016 totaling 11,015 snacks or \$9,252.60 and 5,337 snacks for two schools in fiscal year 2017 totaling \$4,589.82 (Note: Sycamore Middle School did not have a program in 2017). Overcharge details for these schools are shown in the following table:

**Overcharges for the Cheatham Achievers After-School Snack Program
Fiscal Years 2016 and 2017**

Fiscal Year 2016	Cheatham Middle	Harpeth Middle	Sycamore Middle	Total Fiscal Year
Snacks Claimed	9,450	5,330	9,700	24,480
Less: Total Attendance	<u>5,704</u>	<u>3,193</u>	<u>4,568</u>	<u>13,465</u>
No. of Snacks Overclaimed	3,746	2,137	5,132	11,015
Reimbursement Rate Per Snack	<u>\$ 0.84</u>	<u>\$ 0.84</u>	<u>\$ 0.84</u>	<u>\$ 0.84</u>
Total Overcharges FY 2016	\$3,146.64	\$1,795.08	\$4,310.88	\$9,252.60
Fiscal Year 2017	Cheatham Middle	Harpeth Middle	Sycamore Middle	Total Fiscal Year
Snacks Claimed	9,200	5,405		14,605
Less: Total Attendance	<u>5,098</u>	<u>4,170</u>	No	<u>9,268</u>
No. of Snacks Overclaimed	4,102	1,235	Program	5,337
Reimbursement Rate Per Snack	<u>\$ 0.86</u>	<u>\$ 0.86</u>		<u>\$ 0.86</u>
Total Overcharges FY 2017	\$3,527.72	\$1,062.10		\$4,589.82
Total Snacks Overclaimed	7,848	3,372	5,132	16,352
Total Overcharges	<u>\$6,674.36</u>	<u>\$2,857.18</u>	<u>\$4,310.88</u>	<u>\$13,842.42</u>

For additional programs, we were either not provided with attendance records or the records provided were such that we could not discern a reliable attendance number from them.

RECOMMENDATION

Management of the school nutrition department should ensure claims submitted to the National School Lunch Program for after-school snacks do not exceed actual attendance numbers.

MANAGEMENT’S RESPONSE – Dr. Cathy Beck, Director of Schools

We accept this finding. We are putting into effect changes to ensure this does not happen again. This will include having the director of business services check numbers turned in against attendance every month.

FINDING 2 **The school nutrition department does not reconcile food inventory**

The school nutrition department spent more than 40 percent of its budgeted expenditures on food processing and supplies in fiscal years 2016 and 2017. Food supplies are the department’s largest variable expense each year due to supply and demand issues.

Current department practices require cafeteria managers to do a complete inventory count at the end of each month; however, these inventories are not reconciled or in any way compared with the items bought, used, or expired during the month to ensure inventory is accounted for properly.

Sound business practices dictate that inventory reconciliations are performed monthly. Lack of proper review and timely reconciliations allow errors to remain undiscovered and uncorrected.

RECOMMENDATION

Management of the school nutrition department should review and reconcile inventory items on hand at the end of the month compared with items bought, used, or expired during the month to ensure inventory is accounted for accurately.

MANAGEMENT’S RESPONSE – Dr. Cathy Beck, Director of Schools

We accept this finding. Inventory reconciliation will be required at the end of every month. The report shall be given to the director of business services by the 5th of every month.

FINDING 3 **The Cheatham County Board of Education did not follow its purchasing procedures on credit card purchases totaling \$1,350.29**

The board of education’s purchase order and contracts policy requires all expenditures to have a purchase order, contract, or professional development/travel authorization. The policy further

states, “No purchase shall be made nor payment approved unless covered by an approved purchase order, approved professional development/travel authorization, or fully executed contract.”

We reviewed purchases made on Walmart and bank credit cards maintained by the director of the school nutrition department and found nine transactions totaling \$1,105.88 that did not have an approved purchase order or travel authorization. Three transactions totaling \$244.41 had the appropriate purchase order but no final invoice or receipt to document the transaction was completed as described on the purchase order or estimate submitted with the purchase order.

Sound business practices dictate completed transactions should have sufficient supporting documentation to ensure the expenditure was made for its stated purpose.

RECOMMENDATION

Management of the Cheatham County Board of Education should follow its purchasing procedures regarding purchase orders and travel authorizations. The board should ensure completed purchases have sufficient supporting documentation to show the expenditure was made for its stated purpose.

MANAGEMENT’S RESPONSE – Dr. Cathy Beck, Director of Schools

We accept this finding. The director of business services shall ensure that the director of food services understands and follows the board’s policy already in place regarding procedures on credit card purchases.

FINDING 4 The Cheatham County Board of Education did not have a written credit card policy or maintain control of the school nutrition department’s credit cards

The board of education’s finance department maintains possession of the board’s Walmart credit cards and bank credit cards; however, the credit cards for the school nutrition department were not controlled by the finance department but were maintained by the director and assistant director of the school nutrition department until the beginning of our investigative work.

When credit card purchases were made, the finance department used an informal unwritten policy for credit cards where the cards could be used for travel to reserve space in professional education classes and conferences. To use the cards for conferences, an approved travel authorization was required before the charge could be made. The unwritten policy also covered credit card purchases from vendors who do not accept purchase orders; however, an approved purchase order would be required prior to using the credit cards. (Refer to Finding 3.)

Sound business practices dictate that management should provide written guidance by identifying those who are entitled to use the credit cards and the purposes for which the credit cards can be used. Without a written credit card policy, employees have no limitations on their credit card purchases.

RECOMMENDATION

The Cheatham County Board of Education should adopt written guidelines governing the use of credit cards and implement controls to ensure the policy is followed. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used.

MANAGEMENT’S RESPONSE – Dr. Cathy Beck, Director of Schools

We accept this finding. We are in the process of writing a credit card policy and also ensuring there is a checks and balances system in place for the school nutrition department.

As a final result of these findings, we have made a personnel change in our district in terms of the director of food services.
