

Nutrition Services

Unpaid Balances and Community Eligibility



Nutrition Services provides access to meals for students in a healthy and safe environment while generally maintaining a high-level of fiscal responsibility. However, much of the food served to students throughout the year is charged as a negative balance under the current no-limit meal charge policy. As a result, parental accountability for student meal funds is removed and unnecessary burden is placed on the budget. Allowing negative balances to accrue without limit may ultimately have a negative impact on federal reimbursement by decreasing the amount of qualified students applying for free-and-reduced priced meals. Additionally, Aramark and Nutrition Services incorrectly analyzed the Community Eligibility Provision, leaving supplementary federal benefits potentially untapped.



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OBJECTIVES

Can unpaid charges be decreased or mitigated?

Can the food service program financially benefit from school participation in the Community Eligibility Provision?

BACKGROUND

Nutrition Services, in partnership with Aramark, administers child nutrition programs to over 64,000 students at 97 sites throughout Washoe County School District (WCSD). The Sparks-based Nutrition Services Center features a central production kitchen and food distribution warehouse which provides breakfast and/or lunch to all school cafeterias including some charter schools. During the 2016-17 school year, an average of over 48,000 meals/meal equivalents were served daily.

COMMENDATIONS

- Multiple schools utilize Provision 2, easing the administrative burden associated with free and reduced meal programs.
- Nutrition Services widely and timely publicizes the online meal payment system and meal application process.
- Low-balance and negative-balance notifications are triggered automatically.
- Share tables to decrease school food waste are in the pilot-phase.

WHAT WE FOUND

Summary

Can unpaid charges be decreased or mitigated?

Unpaid meal charges can be mitigated by enforcing parental accountability, providing the district with options to reduce the mounting meal debt. Currently, WCSD allows no-limit negative charging at the elementary school level and does not enforce parental accountability for unpaid meal balances. Benchmarking research and responses revealed that the majority of similarly-populated school districts limit negative charges at the elementary school level and impose tiered parental consequences for failures to pay. WCSD's unpaid balance from the 2016-17 school year was nearly four times the average total of unpaid balances reported from districts that limit charges. Enforcing parental accountability helps mitigate and recoup negative charges and shifts the focus from students to parents.

Unused meal account funds may reduce the growing meal debt in particular circumstances. Per United States Department of Agriculture (USDA) requirements, the district must contact parents/guardians regarding unused funds after separating from the district. Currently, Nutrition Services does not contact households to return remaining funds once students separate from the district. Families may choose to donate their unused funds or receive a refund. Unclaimed refunds can then be used to further reduce meal debt. If the district contacted parents/guardians regarding unused meal account balances, approximately \$32,000 (2017 year-end balance) could reduce unpaid meal balances.

Can the food service program financially benefit from school participation in the Community Eligibility Provision?

The Community Eligibility Provision (CEP) allows schools and local educational agencies located in low-income areas to provide free meals to students while eliminating the burden of collecting household applications for eligibility determinations. Although Aramark and Nutrition Services have concluded participation in CEP as non-beneficial, analysis showed a financial benefit connected to thirteen schools if adopting CEP during the 2016-17 school year and carried through October 31, 2017. The total of potentially untapped federal benefits topped \$450,000.

FINDING 1

Unpaid Meal Account Balances Climbing

WCSD parents and guardians accrued over \$66,000 in negative meal charges during the 2016-17 school year and over an additional \$84,000 six months into the 2017-18 school year (as of December 29, 2017). The increase in negative charges may be attributed to the no-limit meal charge policy for elementary school students. Although the district distributes weekly notifications to parents and guardians regarding outstanding balances, the district does not enforce parental accountability for negative charges.

NO-LIMIT NEGATIVE CHARGING AT ELEMENTARY SCHOOLS

Beginning July 2017, the USDA required all school food authorities provide their meal charge policy in writing to all households at the start of each school year. As a result, the Nutrition Services Department sent a letter to parents stating:

Elementary School Students without money on account or in hand can charge USDA reimbursable meals to their student meal account as a negative balance.

It is the intention of WCSD that each household will pay off the negative balance by the end of the school year. The District will keep families informed by sending weekly notifications to the parents and guardians regarding outstanding balances.

Every elementary-aged child will receive the same meal as their peers receive, regardless of their ability to pay. (Auditor emphasis)

Allowing unlimited negative charges lets parents and guardians avert financial responsibility for school meals, places financial burden on the district, and reduces the willingness of paying parents and guardians to continue paying.

Benchmarking research and responses from similarly populated school districts revealed fourteen of twenty-two districts (64%) limit negative charges at the elementary school level. Of those fourteen, six provided their unpaid balances for the 2016-17 school year, averaging approximately \$17,600 in unpaid balances.¹ WCSD's negative charges were nearly four-times that amount for the same year.

FORECASTING THE FUTURE

San Francisco Unified School District (SF Unified) reported over \$155,000 in accrued charges during the 2016-17 school year and over \$84,000 as of September 30, 2017. Similar to WCSD, SF Unified allows parents and guardians to accrue negative charges without limit or consequence. Therefore, both districts feed students regardless, but the affordances granted by their meal charge policies are unguarded from possible abuse.

FOLLOW-UP AND COLLECTIONS PROCESS

Benchmarking research and responses also provided insight on peer school districts' follow-up and collection process for unpaid meal charges. For example:

- **Seminole County Public Schools (FL)** distributes reminders for low or negative balances and, if payment is not received within ten days, the campus restaurant manager contacts the parent or guardian directly and notifies the school's guidance counselor or social worker, citing the student's well-being as the priority.
- **Granite School District (UT)** details a five-step communication process and refers to collections when the account has held a negative balance for ninety business days.
- **Virginia Beach City Public Schools (VA)** sends weekly negative balance notices to parents and guardians, turning over all unpaid balances to the City of Virginia Beach for collection at the end of the school year.
- **Davis School District (UT)** includes a debt collection agreement with other school policies that are signed by the parent/guardian. From there, the meal charge policy details several means of communication and all remaining unpaid charges are handled the same as other school debt: sent to collections on June 1 of each year with a 33.3% fee. Despite referring unpaid balances to collections upon year-end, they reported a 4% decrease in their free-and-reduced student population. No-limit charging "affects the free and reduced students," stated their Nutrition Services Director, "Why fill out an application if everyone gets fed[?]"

In response to school administrator outreach, one WCSD elementary school principal stated, "I don't think the school has enough clout behind us for these big balances." (See Appendix A for additional administrator responses.) Enforcing parental accountability when meal charges become delinquent will help mitigate negative charges and incentivize qualifying parents and guardians to submit meal benefit applications.

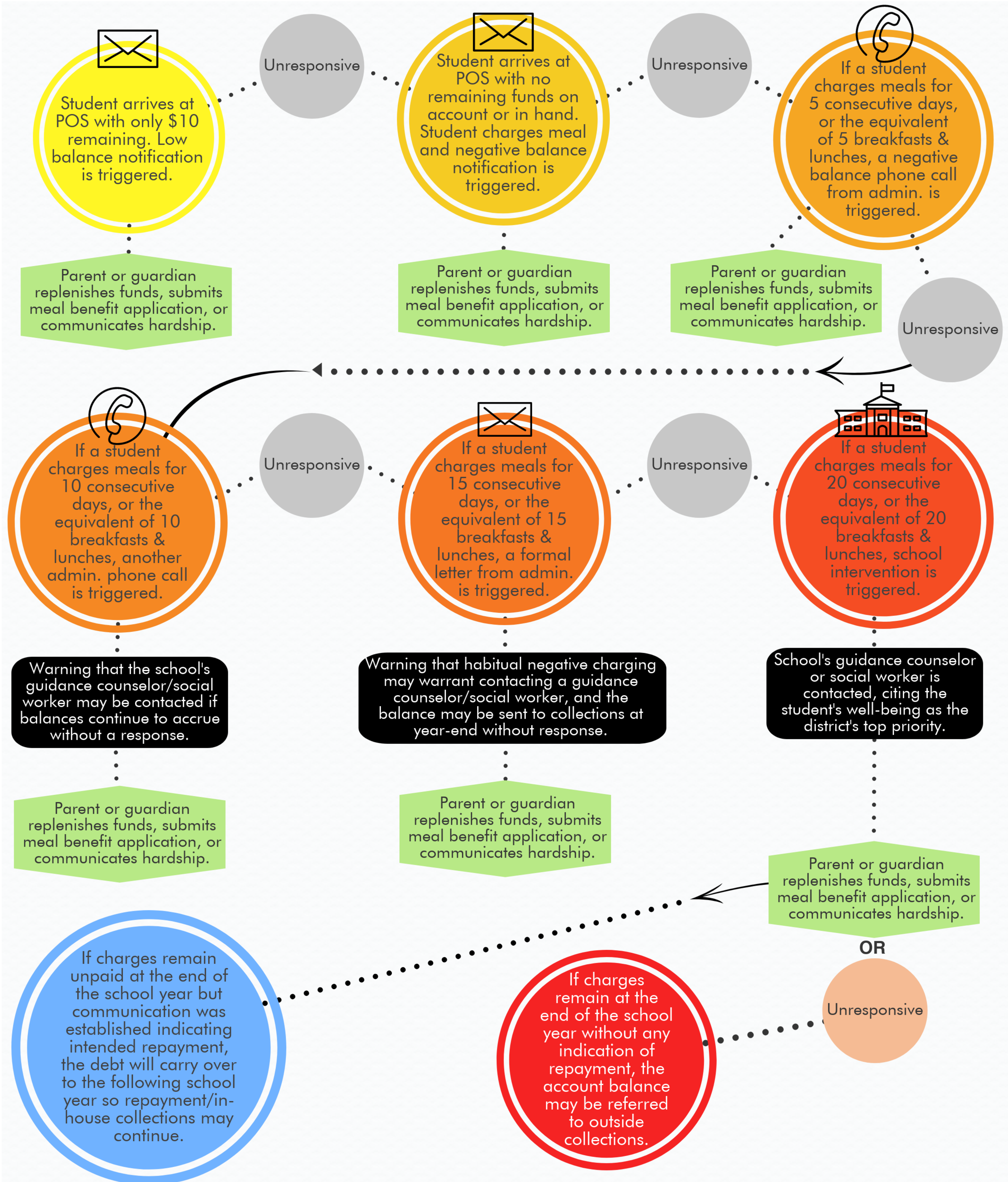
WE RECOMMEND

1. **Enforcing parental accountability when meal charges become delinquent.**

SEE EXHIBIT I on the following page for an example of a tiered parental accountability system.

¹ These six school districts offer courtesy meals for students without funds.

POSSIBLE TIERED PARENTAL ACCOUNTABILITY SYSTEM FOR UNPAID CHARGES



During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

We accept the recommendation. Nutrition Services agrees that enforcing parental accountability when meal charges become delinquent is important. Nutrition Services will draft a proposed Tiered Parental Accountability Plan which pending approval by the board of trustees will be presented as a recommendation for amendment to Board Policy 7546, School Nutrition Services. The proposed Tiered Parental Accountability Plan will include multiple opportunities, consisting of multiple communication platforms, for households to replenish funds, submit meal applications, and/or communicate a hardship. The plan will be compassionate and at no time will the District shame a child. The plan will specify tiered communication action based on a negative dollar account balance verses a set number of charged meals. Utilizing this approach will streamline reporting, data analysis, and is more in line with our POS reporting features. The District will work with any parent that claims hardship for any reason to set up a payment plan and to determine if the household qualifies for Free or Reduced Prices Meal Benefits.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval the draft will be finalized by June 30, 2018.

OUTSIDE COLLECTIONS

Once internal collection efforts have been exhausted, many organizations use attorneys or collection agencies to continue pursuit of unpaid balances. However, the district currently does not pursue unpaid meal charges.

According to NRS Chapter 353C, the State Controller's Office (SCO) holds the overall responsibility for debt collection for all state agencies after accounts receivable reach the 60-day aging level. State agencies provide delinquent debts to the State Controller's Office for collection, which may be contracted out by the Controller's Office to professional debt collection agencies.

The SCO has contracted with three private collection agencies that the school district may use to provide assistance in the recovery of delinquent debt owed. These private collection agencies perform collection services for the SCO for a contingency fee. If the private collection agencies don't collect, then the district will not pay collection fees.

RECORDKEEPING

Upon the conversion of delinquent debt to bad debt, records related to the unpaid meal charges must be maintained. Recordkeeping requirements for bad debt were outlined in the USDA guidance updated May 2017, *Overcoming the Unpaid Meal Challenge: Proven Strategies from Our Nation's Schools*:

Once delinquent debts are converted to bad debts, records relating to those charges must be maintained in accordance with the record retention requirements outlined in 7 CFR 210.9(b)(17) and 7 CFR 210.15(b). The following records should be maintained to document the appropriate establishment and handling of bad debt:

- Evidence of efforts to collect unpaid meal charges in accordance with the State or local unpaid meal charge policy;
- Evidence the collection efforts fell within the timeframe and methods established by the State or local meal charge policy;
- Financial documentation showing when the unpaid meal charge(s) became an operating loss; and
- Evidence any funds written off as bad debt were restored to the [nonprofit school food service account] using non-Federal sources.

WE RECOMMEND

2. Referring bad debt to outside collections once in-house collection efforts are exhausted.
 - Maintain records upon converting unpaid meal charges to bad debt.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

Business and Finance agrees with this change.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval a process will be finalized by June 30, 2018.

FINDING 2

Delinquent Debt
Prematurely Deemed
Uncollectible

Unpaid meal charges are considered “delinquent debt” when payment is overdue. The debt is classified as delinquent as long as it is considered collectible and efforts are made to collect it. When an organization determines delinquent debt uncollectible, the organization must reclassify the debt to “bad debt.”

Bad debts must be written-off as operating losses.² Any operating loss incurred as a result of unpaid meal charges may not be absorbed by the nonprofit school food service account and must be reimbursed from a non-federal source of funds.

CARRYOVER UNPAID BALANCES

Each year, the district reclassifies unpaid meal charges to bad debt then writes it off as an operating loss. As a result, WCSD reclassified over \$66,000 in unpaid meal charges from fiscal year 2017 as bad debt and wrote it off as an operating loss. Although the district received a small donation, the general fund largely absorbed this loss, which equated to over 126% of the average WCSD teacher's salary during the same year.

The district’s meal charge policy states the student’s parent/guardian must pay the “negative balance” by the end of the school year. However, a USDA memo from July 2016 offered clarification on the collection of unpaid meal charges (negative balances). The memo noted:

Unpaid meal charges may be carried over at the end of the school year (i.e., beyond June 30) as a delinquent debt and collection efforts may continue into the new school year. This allows [School Food Authorities] to work with families to establish longer repayment plans and to continue pursuing collection efforts... [School Food Authorities] must make reasonable efforts to collect unpaid meal charges classified as delinquent debt and the cost of these efforts is an allowable use of [nonprofit school food service account] funds.

² Expenditures from the nonprofit school food service account must meet the standards for allowable costs set out in the Federal cost principles at 2 CFR Part 200, Subpart E.

Section 200.426 of the subpart states “Bad debts...including losses...arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable.”

One creative approach to handling unpaid meal charges includes a distinction between which balances carry forward. Katy Independent School District (TX) carries forward any charges attributed to ‘paid’ students (who are ineligible to receive meal benefits) so in-house collection efforts may continue, while the general fund covers charges attributed to ‘free and reduced’ students (whose meal benefits lapsed).

WE RECOMMEND

- 3. Carrying over delinquent debt (unpaid meal charges) attributed to ‘paid’ students each year so in-house collection efforts may continue.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

Business and Finance agrees with this change as long as the Board of Trustees’ School Nutrition Policy allows for collection efforts or a meaningful change in the notification/communication process. Otherwise, based on the results of the current process, simply carrying over delinquent debt without a significant change in policy or approach would only have the effect of overstating assets of the fund in the current fiscal year and deferring the write-off of uncollectible debt.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval the draft will be finalized by June 30, 2018.

CONSIDER ALTERNATIVE FUNDING SOURCES

Benchmarking responses from similarly populated school districts also provided insight on the different sources of non-federal funds used to reimburse bad debt resulting from negative charges.

Sources of Funding for Reimbursement of Unpaid Meal Charges				
School Districts	General Fund	Individual Schools	Designated Donation	No Charge Policy
Washoe County (NV)	✓			
Katy ISD (TX)	✓			
Long Beach Unified (CA)	✓			
SF Unified (CA)	✓			
North East ISD (TX)	✓	✓		
Davis School District (UT)	✓	✓		
Anne Arundel (MD)		✓		
El Paso ISD (TX)			✓	
Mesa Unified (AZ)				✓

Aside from the general fund, alternative sources of funding are allowable per the same USDA guidance updated May 2017, such as local contributions provided by the community, a la carte revenue, and catering revenue.

One district designates separate sources of reimbursement for separate negative charges. At North East Independent School District (TX), the general fund reimburses the nutrition services fund for charges attributed to 'free and reduced' students, while individual schools provide reimbursement for charges attributed to 'paid' students.

Analysis of schools' student activity funds revealed a substantial amount of discretionary funds remained at the close of the 2016-17 school year, which could have supported each school's own collectible unpaid balance.³ If individual schools utilized discretionary student activity funds remaining at year-end (e.g., principal's discretionary, general donations, and photos), schools could have decreased their unpaid meal balances by over 73% (while also reducing the amount of schools holding a negative balance from 63 sites to 6 sites).

WE RECOMMEND

- 4. Considering alternative sources of funding to restore any operational loss incurred from unpaid meal charges.**

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

Do not accept. Currently the Nutrition Services a la carte and catering funding sources are not capable of subsidizing the district negative balance totals, especially with unlimited charging at all elementary schools. Further, schools should not be required to use their student activity funds (SAF), which are funds raised and collected by the school to improve the overall educational experience of children. Typically, SAF are generated through specific fundraising activities by the entire school for specific purposes and should not be used to pay for a select sub group.

REVISE MEAL CHARGE POLICY

According to the USDA, in establishing policies regarding collection of delinquent debt, school food authorities should ensure efforts do not have a negative impact on the children involved, but focus primarily on the parents or guardians responsible for providing funds for meal purchases. School food authorities are also encouraged to consider whether the benefits of potential collections outweigh the costs which would be incurred to achieve those collections. Policies regarding the collection of unpaid meal charges should be included in the written meal charge policy.

³ From Nutrition Services' Customer List with Account Balances report (Negative Balances) which excludes certain accounts that either wouldn't be collected due to categorical circumstances or are not tied to an individual, such as CIT, withdrawn students, and Generic Accounts. (Unaudited)

While the district's meal charge policy briefly addresses collecting outstanding meal charges, it does not detail the methods or quantify the timeframe for collection. The meal charge policy states, "The District shall take appropriate steps to notify the parent/guardian and collect any outstanding balance, to include sending notification to the home and making follow-up phone calls."

WE RECOMMEND

5. Documenting revisions to collections procedure.
6. Developing and implementing a charge policy that communicates the district's expectations regarding parental accountability and unpaid meal charges.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

We accept the recommendation. Nutrition Services agrees, and as stated above under Recommendation 1, Nutrition Services will draft a proposed Tiered Parental Accountability Plan which will be presented as a possible addition to the current Meal Charge Policy laid out in Board Policy 7546, School Nutrition Services. The plan will communicate expectations regarding parental accountability with regards to unpaid meal charges. Furthermore the plan will be compassionate and at no time during the plan execution will the District shame a child.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval the draft will be finalized by June 30, 2018.

FINDING 3

Excess Meal Funds
Unclaimed and Unused

The district held approximately \$32,000 in unclaimed meal account funds approaching the end of the 2016-17 school year.

Nutrition Services currently has no standard procedure detailing the handling of unused funds attributed to students who have departed the district; as such, parents/guardians have not been notified about refunds or donations and unclaimed meal funds are unused. As a result, \$32,000 of unclaimed meal funds remained tied-up as unearned revenue, while they could either have been redistributed to parents/guardians or potentially allocated towards unpaid meal charges.

USDA guidance says:

When any child leaves the district or graduates, SFAs must attempt to contact the child's household to return any funds remaining in the student's account. Households approved for reduced price meal benefits must receive a refund.

However, SFAs may allow families who are not approved for free or reduced price meals to donate the funds remaining in their account rather than receiving a refund when their child leaves the school. These funds then could be used to cover unpaid meal charges that were uncollectible. (Auditor emphasis)

If any refunds sent by the district to parents remain unclaimed, NRS 387.310 would exclude payments made by the district from being presumed legally abandoned – these stale checks would be void and written-off. Research regarding the surrender of unused funds was inconclusive and the matter is still under review.

Using unclaimed funds to reduce unpaid meal charges further reduces the burden placed on the general fund.

WE RECOMMEND

7. **Contacting households about returning or donating any unused meal funds when any child leaves the district or graduates.**
8. **Developing and implementing a procedure detailing the handling of unused meal funds upon a student's departure from the district.**

During the February 27, 2018 Board Meeting, the Chief Operating Officer stated that the Office of Business and Finance is working to initiate a process to reach out to account owners of the inactive accounts where the student is no longer enrolled in the WCSD and has a material balance still on their account [...] to see if they would be willing to donate their unused balance to partially offset the meal account delinquent debt.

MANAGEMENT RESPONSE:

We accept the recommendation. Business and Finance is developing a process for notifications to account owners of inactive/dormant accounts.

TIMELINE FOR IMPLEMENTATION:

We are still researching, tentatively a process will be finalized by December 31, 2018

FINDING 4

Community Eligibility
Provision Not Adopted

The Washoe County School District (WCSD) potentially missed opportunities of over \$450,000 in federal benefits related to school meals from the 2016-17 school year through October 31 of the 2017-18 school year. These benefits originate from participation in the Community Eligibility Provision (CEP) and show similarities to Provision 2 reimbursement. Aramark, the school district's food service management company, and Nutrition Services both concluded that participation in CEP was non-beneficial.

Twenty-four WCSD schools participated in Provision 2 during the 2016-17 school year. Provision 2 allows schools to serve meals to students at no charge for up to four years and reduces administrative burden by simplifying meal benefit application requirements and counting/claiming procedures.

Provision 2 schools may benefit from transitioning to the Community Eligibility Provision. The Community Eligibility Provision is a non-pricing meal service option for schools and school districts in low-income areas which allows schools and districts to serve breakfast and lunch at no cost to all enrolled students without collecting household applications. Instead, schools that adopt the Community Eligibility Provision are reimbursed using a formula based on their Identified Student Percentage (ISP), the percentage of students categorically eligible for free meals based on their participation in other specific programs, such as the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families.

Programs operating under Title I often use National School Lunch Program (NSLP) data to carry out certain Title I requirements. Because the district often uses school lunch data to help implement aspects of Title I, changes to the school lunch program, such as CEP, can affect Title I. Although implementation of CEP may affect Title I, Aramark and Nutrition Services have not provided an impact analysis. In a USDA webinar pertaining to CEP and Title I, the Deputy Assistant Secretary, Office of Elementary and Secondary Education, stated, “the benefits of this program definitely outweigh any of the growing pains that one might experience.”

According to the USDA, participation in CEP is available to qualifying individual schools, as well as groups of schools or entire districts. Although Nutrition Services analyzed schools individually, there is no standard procedure detailing the annual analysis of CEP participation—they utilized incomplete/incorrect student enrollment data and also combined calculations to include schools that would not benefit from the transition, which resulted in a net loss. Using student enrollment data provided by the Nevada Department of Agriculture and including only schools that would benefit from CEP participation yielded different results.

Analyzing the Past⁴

If individual schools elected to enroll in CEP during the 2016-17 school year, they would have received:

- Over \$347,000 in additional federal reimbursement when compared to federal reimbursement from Provision 2 during the 2016-17 school year.⁵
- Over \$106,000 in additional federal reimbursement when compared to federal reimbursement from Provision 2 during the 2017-18 school year as of October 31, 2017, considering base-year ISPs carry through for a four-year cycle.⁶

Analyzing the Present⁴

If individual schools elected to enroll in CEP during the 2017-18 school year, they would have received:

- Over \$45,000 in additional federal reimbursement when compared to federal reimbursement from Provision 2 during the 2017-18 school year as of October 31, 2017.⁷

⁴ Analysis of implementing CEP at individual schools did not include the impact on Title I funding or ranking.

⁵ All schools with positive results operated under Provision 2, with the exception of Turning Point (benefit of \$46.49 during the 2016-17 school year).

⁶ Once enrolled in CEP, the base-year ISP carries through for a four-year cycle at individual sites – sites may re-apply if their ISP increases during the cycle but the base-year ISP is ‘locked-in’ for the cycle otherwise.

⁷ The calculated benefits are attributed to the same schools Nutrition Services identified in their March 2017 analysis.

WE RECOMMEND

9. Annually analyzing the potential benefit from Community Eligibility Provision participation, by individual school site, with considerations for Title I impact.
10. Providing the annual analysis of Community Eligibility Provision participation to management each year and request a determination.
 - Document and maintain records of management determinations.
11. Developing and implementing a procedure detailing the annual analysis of participation in Community Eligibility Provision, with considerations for Nevada Department of Agriculture student enrollment data.

MANAGEMENT RESPONSE:

We accept the recommendation. Nutrition Services is committed to analyzing potential benefits of Community Eligibility Provision, by individual school site, on an annual basis. Nutrition Services will draft a detailed procedure to include timelines and data sources so CEP analysis is performed following the same procedure year over year. Analysis data and recommendations will be shared with management each year no later than May 15. All recommendations and subsequent determinations will be maintained on file by Nutrition Services.

Impact to Title 1 may be more difficult to assess. Traditionally Nutrition Services has provided income data via Free and Reduced Priced Meal applications for Title 1 reporting. Implementing a new provision which will remove this traditional data source could carry undue risk to Title 1 funding and may add additional administrative costs to the general fund. If Nutrition Services is no longer collecting this information, Title 1 schools may need to develop a process by which to collect, analyze, and report household financial data. There are currently multiple options for gathering this data, yet no clear recommendation from NDA and/or NDE on preference and/or potential impact. If schools decided to collect income data on their own this could increase administrative costs. Additionally, many households may not complete an application or income survey seeing as free meals are provided without one. This could result in lower numbers of economically disadvantaged households reported, and overall Title 1 funding may be negatively impacted as a result

TIMELINE FOR IMPLEMENTATION:

In collaboration with Nutrition Services and Internal Audit a process has been identified and Nutrition Services will utilize NDA direct certification and enrollment data to analyze potential benefits of provisions to include Provision 2 and CEP annually. Recommendations will be provided to management by May 15 of each school year. A more detailed process will be documented by December 31, 2018.

SCOPE

The audit scope included July 1, 2016 - October 31, 2017.

METHODOLOGY

To accomplish the audit objectives, we:

- Interviewed management and staff.
- Reviewed the Meal Charge Policy and unpaid balances.
- Analyzed CEP reimbursement compared to current procedures.
- Surveyed similarly-populated school districts to establish industry standards.
- Reviewed year-end student activity fund balances for available discretionary funds.

AUDIT STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX A

Administrator Responses

We contacted district administrators at all schools asking for input regarding the growing problem of unpaid meal balances. Below are the responses, organized by main focus for readability. We thank those administrators who were able to respond and appreciate their feedback. (Any details that might identify a school or person have been redacted.)

Parental Communication and District Support

1. I think the district needs to draft a policy letter to parents that explains the action steps for unpaid balances. As a school we have no leverage. Some suggestions for action steps might include: free/reduced application required for all hot lunch families (to prevent families with low incomes from having negative balances front the start), informing parents of the possibility of missing out on school-wide activities for unpaid balances, etc... It also might be a good idea to have every parent set up a myschoolbucks account from the start or have them pay or get issued an IOU on the day they don't have \$ and for every IOU that is not paid it changes the food items offered to them. But, it has to come from the district to build consistency and equitable practices.

Thanks for the opportunity to respond to this question. It is extremely frustrating because although I call and send emails, for most families I don't see any response and the unpaid balances keep accruing.

2. I think there are a lot of opinions, but the reality, I believe, is that there are many nuances to this debate. Our current structure does not provide any real incentives to people to quickly submit FRL applications, nor does it provide incentives for people to pay down or clear outstanding balances. Likewise, there no real leverage to bring when a family continues to build up larger and larger balances, or cannot pay down a balance, even after qualifying for FRL. I do not believe in meal shaming or denying a hungry child a meal... I could go on and on.
3. I think we could use more assistance in educating families with the importance of the completing the FRL application. Including when they are transferring from one school, to another and bringing a carryover balance.
4. Hi – Our cafeteria staff work closely with our office staff to let them know whenever a student requests a lunch, but has no money. Our office staff then calls the parent and tells the parent that we covered their child out of our own personal money for the day, as there is no school money to cover this, and we ask if they could pay us back. We send a follow up note and call every single day. Using this process, we have a relatively low balance of unpaid meals. If you'd like more details, <<redacted>> would be a great contact. An important piece is the positive relationships she has built with families throughout the years.
5. I think that our lunch balance is around \$1,000 right now. I believe that we should make sure students eats, we do contact parents about lunch debts, but most parents are not sending in money. As a stand alone administrator, I honestly do not have time to follow up with families. We do have parents that either haven't filled out the lunch form or have filled it out correctly. Maybe if there was a group that could do home visits and bring the paperwork to sign that would help?

6. At <<redacted>>, our office staff and admin team are constantly working with parents/guardians to clear unpaid meals. We feel it is the parents' responsibility to keep up with the account balances, and the NS site-team provides regular balance information to parents. We don't want students to be shamed because of an account balance that is beyond their control. Students are fed in our lunchroom even when they owe money, as we won't let a student go hungry.

We could use helpful suggestions for working with parents, as we want account balances to remain low, as well.

7. We have had good success with asking our kitchen manager to send kids who don't have money to the office with a blank sticky note. We have them call parents to let them know they are borrowing from the office and then send them in with money. Parents are mostly good about paying us back and then the balances don't grow. It is handled easily and discretely. For the few kids whose parents won't pay, we just feed them.
8. We currently have an \$1800 lunch balance. With current policies this debt will rise. We take A LOT of time to call parents and remind them of balance, and they also know we will feed their students for free no matter what.

It seems to be a losing battle. We would never shame the kids, and I also feel we are teaching them and allowing parents to work this broken system we have.

9. We have seen an increase in students who do not have an account or do not have money for meals. Primarily, it is students who were on free or reduced lunch and the application expired. It would be nice to have a better way to communicate with families (I know there are letters that go out). Many of the kids have no idea their parent did not renew their application.

Our Kitchen staff does an excellent job to ensure kids are fed and truly care about the well-being of our students.

I appreciate them very much for all they do!!!

I know this isn't much information, but hope it helps a little.

10. Most of my parents can pay their balances, however, when they read in the paper that the district covers whatever is owed at the end of the year, and we can't keep the report cards until balances are paid, etc., the parents have no reason to follow through and pay. My AP and I have both called for the past 6 years when the balance is over \$50, emails over \$10 weekly. I have had parents say oh yes I'll sign up online and never do, etc. A couple of the families always have the best clothes, etc and don't pay their bill... we are at a loss. A few of our worst offenders are actually parents that are employees of our district, they know that they can get away without paying.

That might have been a tad to blunt and honest... I'm going to cc <<redacted>> to see if she wants to add anything.

11. We have about <<redacted>> kids who we have an issue with at this time. We give students who need meals credit on their account. Letters then go home if they are not paid for. Students are sent home with applications when it becomes an issue. Hope this helps!
12. I e-mail and call parents once they reach \$10.00 owed. This takes a ton of time. I do ask parents to send in a cold lunch with their child until the balance is paid. I also send home a lunch application with each student with high balances. What can we do if a family refuses to pay? If a student does not bring a lunch but owes money, we ask the student to call the parent and then we give them the meal. Let me know if other schools are having success with a strategy that we aren't doing.
13. I work at <<redacted>> which is a Title I School. We have accumulated a very large debt for meals. We have tried every avenue we can to get parents to pay. It has gone out in newsletters, amount owed notices to parents from the cafeteria, personal phone calls, and emails. We encourage all parents to fill out free/reduced lunch apps at back to school nights, registration, and evening events. I'm not quite sure how to handle the problem, but it has taken a lot of time away for my staff and myself to continue to track down parents. With our parents that continue racking up debt, I think they have stopped answering the phone. Parents don't tend to follow up with the payments, even when they say they will bring money in that week. My fear is that they know their child will get to eat, so they just aren't paying. I completely understand the initiative of giving every child the same lunch, but it is turning into quite the problem. Any suggestions that you get on handling this would be much appreciated!
14. Here at <<redacted>>, we continue to feed our students (only have <<redacted grade levels>>) and do not let them know if they do not have money on their account or if they are in debt. Students between the age of <<redacted>> that we service really do not need that stress in their life. That said, we do send home the overdue balance notes and send out connect ed calls along with personal calls for overdue accounts. It is a lot of time that is spent by my clerk doing so and our recovery rate for the time spent in making the personal calls is very low. For a school with <<redacted>> students and a clerk that is only 4.2 hours per day, it is not always feasible to call every day.

Thank you for asking for the input.

15. My vote is that all kids should eat, because their basic needs should be met before they can be expected to learn. We, at <<redacted>>, do make phone calls weekly to try and remind parents of their balances and to fill out forms if they wish

Parental Communication, District Support, and Courtesy Meals

16. I believe our biggest problem are parents with high balances who continually assure us they will pay but don't. I have one parent close to \$200. She does not qualify for FRL and tells me she can pay. I don't think the school has enough clout behind us for these big balances.

I also wish it were possible to provide a simple sandwich and milk for those who owe more than \$20.00. It may make the parents pay attention more.

A bigger push in the beginning of the year to get lunch applications completed may also be helpful.

17. I'm not sure what the answer is. It is definitely a problem. The letters home seem to work for a small portion (the ones who have the money and forgot or didn't realize) but for the families who don't have the money it is just another notice in the mail that they owe money. I assume they will be paying the electric bill first and us last. I have been able to work out payment plans for some and parents have changed their lunch plan (go to cold lunch) in other cases. Most, however are another thing on my list of people to call and things to do that don't have anything to do with instructional leadership. It'd be financially responsible to add a few hours each week to the nutrition service manager so they can call. I don't see cheese sandwiches as lunch shaming...as long as we're doing a good job of informing the specific parents of the consequences to lunch debt. I'd hate for it to be a surprise to parents.

18. I'm not sure what the answer to the growing debt is. I talk to my parents (back to school assembly, monthly newsletter, robo-calls) from the beginning of the year forward about hot lunches. I put a link on [our] website for the online hot lunch application. I make personal phone calls when time permits, but many parents just think it's the school's (or district's) responsibility to pay for their child's lunch. I never want to see a child go hungry but I also don't like being taken advantage of and that's how it feels. I don't agree with the lunch-shaming but if there is a less expensive lunch a non-payer can receive then I am all for that, just to keep costs down.

Thanks for asking for input from administrators,

19. We are noticing that we are having a much more difficult time collecting since it was made public that we wouldn't deny meals. The office staff is very diplomatic in following up and communicates that any amount families could send in would be appreciated. In an <<redacted>> school, the goal is to make sure kids have a nutritious lunch- it doesn't need to be the same meal as everyone else's- the kids may be sad about the option-but not because they have been "shamed." Each school is unique in their population. Unfortunately we have many families on the cusp of qualifying for FRL, and some not comfortable filling out the form.

Alternative Funding

20. I don't really have a solution that is realistic. We try really really hard to get parents to see if they qualify for FRL and call weekly about balances. I wonder if a business partner can help pay for the funds??
21. We make it a policy to serve all students with no questions. We have a local church that collects money for our unpaid lunches at the end of the year. If that were not in place, our school would be unable to pay for the unpaid balances.
22. I always feed all of our students if they don't have any money. I work with the NS staff and pay out of my principal's account. It is a small number. I did the same when I was principal at <<redacted>>. I set aside a few hundred dollars a year to cover kids who couldn't pay, and then I worked with the parents to apply for FRL.
23. We just call home when kids forget money and pay off balances when they start adding up (me personally) but we never have much of a problem and never a big balance! Definitely no hungry kids or separating them/not feeding them etc...that's pretty crazy in my mind.

Combination of Options

24. At <<redacted>>, we send home weekly notices and quarterly balance letters asking for payments. My PIF and I both make phone calls and I have started sending out emails. My PIF has also acquired monetary donations to help pay off FRL balances prior to applications being approved. My counselors and staff bring up meal balances when talking with families. It is a lot and I never thought we would become debt collectors.

I have a couple suggestions:

1. Kitchen Managers or on-site food service workers make phone calls every week and keep a log of who was contacted. When a balance hits over \$25, then the PIF or office staff will make calls. When the balance hits over \$50, then administration can call.
2. Nutrition Services - send home individual letters reminding families to apply for FRL each year and when balances will start to accumulate. This might have to happen a few times.
3. Nutrition Services - send out Connect Ed messages to specific families, if possible.
4. Limit food choices to the main meal and one alternative. This will reduce food waste and ensure students receive the lunch item they really want. I often see the kitchen 'run out' of the favored item (chicken nuggets), but once a class or two go through, the workers put out more nuggets. This creates discontent and students have learned to fall out of line and join another class who haven't come through yet just so they have a chance of getting the food they want.

It would be nice to have share buckets where we can openly share unopened food items AFTER students have gone through the lunch line. This would help address number 4. The bigger problem I see are with the 5th and 6th graders who choose not to eat at all. They don't bring food from home and they don't go through the lunch line. We address it by saying they have to eat something, but I hear too often their parents tell them not to eat because they can't afford the daily cost and to get food from friends. By the afternoon, kids are hangry.

Hope this helps and thank you for asking for feedback,

Reduced Office Follow-up

25. School teachers, admin and secretarial staff cannot be the ones responsible for collecting lunch debt.

Miscellaneous

26. We are 100% free and it is the greatest thing ever. I can't imagine having to chase down lunch debt on top of everything else

27. I understand the issue from previous positions. At <<redacted>> we feed 100% of our students so we do not have this issue

28. <<Redacted>> is a Provision 1 school.

29. I am in the same boat at <<redacted>> as <<redacted>>. We feed 100% of our students.

30. We feed 100% of our students. There are occasions where I feel that parent follow-up or 'lunch shaming' occasionally occur ... this is rare. Let us know if you require anything further from us

31. We are a Prov 2 school

32. We do not have Nutrition Services, so I don't know. Sorry. Good luck.

APPENDIX B
Major Contributors to
this Report and Report
Distribution

Major Contributors to this Report
Matt McMahon, Auditor-in-charge
Paula Ward, CPA, Chief Auditor

Report Distribution
Traci Davis, Superintendent
Pete Etchart, Chief Operations Officer
David Lasic, Chief of Staff
Mark Mathers, Chief Financial Officer
Lianka Soliz, Nutrition Services Director
Michael Supple, Nutrition Services Assistant Director

APPENDIX C

Management Responses and Timelines for Implementation

1. Enforcing parental accountability when meal charges become delinquent.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

We accept the recommendation. Nutrition Services agrees that enforcing parental accountability when meal charges become delinquent is important. Nutrition Services will draft a proposed Tiered Parental Accountability Plan which pending approval by the board of trustees will be presented as a recommendation for amendment to Board Policy 7546, School Nutrition Services. The proposed Tiered Parental Accountability Plan will include multiple opportunities, consisting of multiple communication platforms, for households to replenish funds, submit meal applications, and/or communicate a hardship. The plan will be compassionate and at no time will the District shame a child. The plan will specify tiered communication action based on a negative dollar account balance verses a set number of charged meals. Utilizing this approach will streamline reporting, data analysis, and is more in line with our POS reporting features. The District will work with any parent that claims hardship for any reason to set up a payment plan and to determine if the household qualifies for Free or Reduced Prices Meal Benefits.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval the draft will be finalized by June 30, 2018.

2. Referring bad debt to outside collections once in-house collection efforts are exhausted.

- **Maintain records upon converting unpaid meal charges to bad debt.**
-

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

Business and Finance agrees with this change.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval a process will be finalized by June 30, 2018.

3. Carrying over delinquent debt (unpaid meal charges) attributed to 'paid' students each year so in-house collection efforts may continue.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

Business and Finance agrees with this change as long as the Board of Trustees' School Nutrition Policy allows for collection efforts or a meaningful change in the notification/communication process. Otherwise, based on the results of the current process, simply carrying over delinquent debt without a significant change in policy or approach would only have the effect of overstating assets of the fund in the current fiscal year and deferring the write-off of uncollectible debt.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval the draft will be finalized by June 30, 2018.

4. Considering alternative sources of funding to restore any operational loss incurred from unpaid meal charges.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

Do not accept. Currently the Nutrition Services a la carte and catering funding sources are not capable of subsidizing the district negative balance totals, especially with unlimited charging at all elementary schools. Further, schools should not be required to use their student activity funds (SAF), which are funds raised and collected by the school to improve the overall educational experience of children. Typically, SAF are generated through specific fundraising activities by the entire school for specific purposes and should not be used to pay for a select sub group.

5. Documenting revisions to collections procedure.
6. Developing and implementing a charge policy that communicates the district's expectations regarding parental accountability and unpaid meal charges.

During the February 27, 2018 Board Meeting, the Board of Trustees provided direction to the Superintendent on possible changes to Board Policy 7546, School Nutrition Services, and included the development of a compassionate process, with clear steps to help families with debt over an appropriate amount that may lead to collections if all other options are exhausted (Agenda Item 3.07).

MANAGEMENT RESPONSE:

We accept the recommendation. Nutrition Services agrees, and as stated above under Recommendation 1, Nutrition Services will draft a proposed Tiered Parental Accountability Plan which will be presented as a possible addition to the current Meal Charge Policy laid out in Board Policy 7546, School Nutrition Services. The plan will communicate expectations regarding parental accountability with regards to unpaid meal charges. Furthermore the plan will be compassionate and at no time during the plan execution will the District shame a child.

TIMELINE FOR IMPLEMENTATION:

A draft of the proposal will be presented to board by May 1, 2018. Pending board approval the draft will be finalized by June 30, 2018.

7. Contacting households about returning or donating any unused meal funds when any child leaves the district or graduates.
8. Developing and implementing a procedure detailing the handling of unused meal funds upon a student's departure from the district.

During the February 27, 2018 Board Meeting, the Chief Operating Officer stated that the Office of Business and Finance is working to initiate a process to reach out to account owners of the inactive accounts where the student is no longer enrolled in the WCSD and has a material balance still on their account [...] to see if they would be willing to donate their unused balance to partially offset the meal account delinquent debt.

MANAGEMENT RESPONSE:

We accept the recommendation. Business and Finance is developing a process for notifications to account owners of inactive/dormant accounts.

TIMELINE FOR IMPLEMENTATION:

We are still researching, tentatively a process will be finalized by December 31, 2018

9. Annually analyzing the potential benefit from Community Eligibility Provision participation, by individual school site, with considerations for Title I impact.
10. Providing the annual analysis of Community Eligibility Provision participation to management each year and request a determination.
 - Document and maintain records of management determinations.
11. Developing and implementing a procedure detailing the annual analysis of participation in Community Eligibility Provision, with considerations for Nevada Department of Agriculture student enrollment data.

MANAGEMENT RESPONSE:

We accept the recommendation. Nutrition Services is committed to analyzing potential benefits of Community Eligibility Provision, by individual school site, on an annual basis. Nutrition Services will draft a detailed procedure to include timelines and data sources so CEP analysis is performed following the same procedure year over year. Analysis data and recommendations will be shared with management each year no later than May 15. All recommendations and subsequent determinations will be maintained on file by Nutrition Services.

Impact to Title 1 may be more difficult to assess. Traditionally Nutrition Services has provided income data via Free and Reduced Priced Meal applications for Title 1 reporting. Implementing a new provision which will remove this traditional data source could carry undue risk to Title 1 funding and may add additional administrative costs to the general fund. If Nutrition Services is no longer collecting this information, Title 1 schools may need to develop a process by which to collect, analyze, and report household financial data. There are currently multiple options for gathering this data, yet no clear recommendation from NDA and/or NDE on preference and/or potential impact. If schools decided to collect income data on their own this could increase administrative costs. Additionally, many households may not complete an application or income survey seeing as free meals are provided without one. This could result in lower numbers of economically disadvantaged households reported, and overall Title 1 funding may be negatively impacted as a result

TIMELINE FOR IMPLEMENTATION:

In collaboration with Nutrition Services and Internal Audit a process has been identified and Nutrition Services will utilize NDA direct certification and enrollment data to analyze potential benefits of provisions to include Provision 2 and CEP annually. Recommendations will be provided to management by May 15 of each school year. A more detailed process will be documented by December 31, 2018.
