The Virgin Islands Consortium

VI School Lunch Program Rife With Waste, Carelessness, Abuse And Negligence, Finds Latest Inspector General Audit

Education / **Published On July 06, 2017 10:54 AM /**

Ernice Gilbert July 06, 2017

Although the Virgin Islands Department of Education (D.O.E.), between the years 2013 and 2015 expended more than $10 million on the territory's School Lunch Program, an audit report from the territory's Office of the Inspector General (O.I.G.), issued on Wednesday, unearthed widespread waste, potential for fraud, negligence and overall a program that has not come close to being adequately administered, with the O.I.G. finding D.O.E. officials on all levels "have failed in their responsibility to ensure that the School Lunch Program was functioning in an efficient and effective manner."

The audit, seen at the bottom of this story, is the latest by the O.I.G. It follows a 2016 audit of the professional services contract that was awarded to St. Croix-based law firm, the Offices of John K. Dema on May 7, 2004, in pursuit of damages to the South Shore of St. Croix. Before that, the O.I.G. tore into the Government Employees' Retirement System for what amounted to a monumental waste of the people of the Virgin Islands money, including bad investments and poor oversight.

According to the U.S. Dept. of Agriculture, the National School Lunch Program is a federally assisted meal program operating in public and nonprofit private schools and residential child care institutions. It provides nutritionally balanced, low-cost or free lunches to children each school day. The program was established under the National School Lunch Act, signed by President Harry Truman in 1946.

Locally, D.O.E. is designated as the state agency for the administration of the School Lunch Program, according to the O.I.G. V.I Code further designates the commissioner of D.O.E., in consultation with the respective insular superintendents, with the responsibility for establishing within each district, a School Food Authority (Authority) within the meaning of applicable Federal law.

The audit originally targeted the program for fiscal years 2013 and 2014, but it was expanded in scope to include the years beginning in 2009 to 2014. The O.I.G. then expended the audit to include years 2015 and 2016, with the concentration being interviews with D.O.E. officials for the two latter years, to determine whether changes were made since the report had been completed.

"Education officials did not adequately administer and manage the School Lunch Program inventory systems in accordance with established criteria and best practices," the O.I.G. concluded. "In addition, they did not adequately implement proper internal controls and safeguards to protect the inventory from the risk of loss due to fraud, theft, or negligence. Although there were some recent changes in the administration and management of the School Lunch Program, significant deficiencies still exist.

"Specifically, the audit found that Education officials: (i) did not maintain complete, accurate, consistent and current records of the receipt, distribution, and warehousing of inventory; (ii) modified or adjusted inventory records without proper or written justification; (iii) were negligent in securing and accounting for inventory received, delivered, stored, and/or used at district warehouses and schools; (iv) did not always conduct monthly and annual inventory reconciliations as required; (v) did not properly segregate warehouse duties; (vi) did not ensure that schools' inventory management practices in the districts were uniform and consistent with federal and state requirements; (vii) used a system for ordering food items and planning cycle menus that was ineffective and inefficient; (viii) did not implement key recommendations made by a management and consulting firm; (ix) did not ensure the timely and complete installation and implementation of food service management software; (x) did not ensure that warehouse and school personnel had been given sufficient training to use the software; and, (xi) have failed at all levels of the department in their responsibility to ensure that the School Lunch Program was functioning in an efficient and effective manner."

The report found that D.O.E. did not keep proper bookkeeping records for the local and federal food items. "Records were not kept current or updated regularly, contained numerous computational errors, were modified or adjusted without written justification, and were not used to adequately and accurately track the movement of inventory to and from the district warehouses. In addition, the book inventory system did not provide adequate safeguards against the risk of data manipulation," reads the report.

And it identifies deficiencies in both the St. Thomas-St. John and St. Croix districts. "Due to the haphazard and careless manner in which the book inventory was maintained, Education officials did not have continuous, reliable information regarding the total value and quantities of inventory on hand as of specific times. This negatively impacted management's ability to properly forecast and plan the ordering of food items to meet school lunch monthly menu requirements."

Below, find the key findings of the report.

Finding 1: Inventory Management

- Complete, accurate, and current records of receipt, distribution and warehousing of inventory were not kept.
- Inventory records were modified or adjusted without proper written justification.
- Education officials were negligent in securing and accounting for inventory received, delivered, stored, and/or used at district warehouses and schools.
- Monthly and annual inventory reconciliations were not regularly conducted as required.
- Warehouse duties were not properly segregated.
- School inventory management practices in the districts were not uniform and consistent with federal and state requirements.
- Education officials did not accurately know the actual total values and quantities of inventory on hand as of specific times.

School Lunch Program inventory was susceptible to the risk of loss due to negligence or unauthorized use.

Finding 2: Ordering

- An ineffective and inefficient system for ordering food items and planning cycle menus was used.
- There were no written and uniform procedures for placing orders and accounting for inventory.
- Education officials were using a menu planning system that was primarily based on existing warehouse inventory rather than on prearranged menu cycles.
- Education officials could not properly forecast and plan the ordering of food items to meet monthly cycle menu requirements.

Finding 3: Consulting Contract/Food Service Software

- Key recommendations made by a management and consulting firm were not implemented.
- Education officials did not ensure the timely and complete installation and implementation of food service management software.
- Education officials did not ensure that warehouse and school personnel had been given sufficient training to use the software.

- More than $920,000 has been expended for consulting services and food management software and Education officials did not aggressively resolved issues to improve School Lunch Program operations.

Finding 4: Monitoring and Oversight

- Education officials at all levels of the department have failed in their responsibility to ensure that the School Lunch Program was functioning in an efficient and effective manner.
- As a result an inefficient and ineffective School Lunch Program has continued for decades, and unless significant improvements are made, the School Lunch Program will continue to be susceptible to fraud, waste and abuse.

The O.I.G. listed multiple corrective actions that it recommends D.O.E. implement to fix the problems plaguing the program. Some of the recommendations include the following:

1. Direct the State Director and Insular Superintendents to ensure that the district warehouses adequately account for the receipt, distribution, and warehousing of inventory.
2. Direct the State Director and Insular Superintendents to ensure that the Authorities adhere to federal and local requirements for maintaining book inventory records.
3. Direct the State Director and Insular Superintendents to ensure that warehouse book inventory records are reviewed by management, or appropriate personnel, for accuracy and integrity.
4. Direct the State Director and Insular Superintendents to ensure that their respective districts regularly conduct adequate inventory reconciliations and investigate differences between the book inventory records and the physical inventories.
5. Direct the Insular Superintendents to regularly monitor the inventory management practices of district warehouses and schools to ensure compliance with established federal and local requirements.
6. Direct the State Director and Insular Superintendents to ensure that warehouse duties are properly segregated.
7. Direct the Insular Superintendents to work together to implement written and uniform procedures for schools in both districts to follow when placing orders and accounting for inventory.

Read the original document