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Missouri State Auditor

Department of Health and Senior Services
Child and Adult Care Food Program and
Summer Food Service Program

Report No. 2025-032

June 2025

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Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Department of Health and Senior Services - Child and Adult Care Food Program and Summer Food Service Program

Monitoring Process and Policies Do Not Adequately Identify and Recoup Ineligible Claims

Current Bureau of Community Food and Nutrition Assistance (BCFNA) monitoring and termination procedures do not adequately monitor, or safeguard against, potentially ineligible reimbursement payments. Currently, a sponsor that participates in both the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP) could be terminated in one of those programs for violations of program regulations, but not have program claims in the other program reviewed for propriety or potentially recouped. A review of claims for 6 sponsors terminated from the CACFP totaling \$1,711,752 (33 percent of total reimbursements the sponsors received) notes the BCFNA determined there were \$1,702,597 in overpayments (99.5 percent payment error rate) for the claims reviewed. These same 6 sponsors were paid reimbursements of \$18,248,441 from the SFSP over the same timeframe. A review of 4 claims for sponsors terminated from the SFSP totaling \$724,212 (34 percent of total reimbursements the sponsors received) notes the BCFNA determined there were \$515,213 in overpayments (71 percent payment error rate) for the claims reviewed. These same 4 terminated facilities were also paid reimbursements of \$678,169 from the CACFP over that timeframe. In all cases, even though the BCFNA terminated the sponsors in both programs, it only reviewed the prior reimbursement claims for one program and not both to determine if similar eligibility issues existed in those claims. The identification of deficiencies in a sponsor's procedures in one program increases the risk of additional deficiencies in other claims and in other programs. In addition, untimely monitoring and termination procedures can lead to sponsors inappropriately receiving additional reimbursements during the termination process that are not reviewed for propriety or potentially recouped. A review of monitoring visits noted one facility that failed multiple monitoring visits with 100 percent overpayments that was allowed to continue to submit potentially ineligible claims without timely follow up.

Reimbursement Controls in Need of Improvement

Controls over CACFP and SFSP reimbursements are in need of improvement. Edit checks of a sponsor's capacity, to detect sponsors making claims that exceed their capacity, are not always based on verified information. During the COVID-19 pandemic, capacity edit checks, including the number of allowable meals, were based on sponsor-provided information during the application process and were not verified by the BCFNA for reasonableness or accuracy. Without reliable edit checks for capacity, based upon verified information, that trigger review by the BCFNA, a sponsor would have the ability to submit overstated program reimbursements.

Inappropriate Use of Other
USDA Programs Not
Reported

A review of facilities that were monitored multiple times by the BCFNA during the 3 fiscal years ended June 30, 2023, noted 3 facilities were inappropriately using Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Special Supplemental Nutrition Assistance for Women, Infants, Children (WIC) funds to pay for groceries while also seeking reimbursement from the CACFP and the SFSP, which is a violation of federal regulations. DHSS officials indicated they had reported the WIC payments to personnel in the Bureau of WIC and Nutrition Services within the Division of Community and Public Health, but had no documentation of their notification of the SNAP and TANF payments.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Mike Kehoe, Governor
and
Members of the General Assembly
and
Sarah Willson, Director
Department of Health and Senior Services
Jefferson City, Missouri

We have audited certain operations of the Department of Health and Senior Services, Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP), in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the 3 years ended June 30, 2023. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions related to the CACFP and SFSP, along with evaluating the internal controls of program providers.
2. Evaluate the economy and efficiency of the department's management practices and operations pertaining to oversight and monitoring of program providers.
3. Evaluate the department's procedures related to program terminations.

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.

For the areas audited, we identified (1) deficiencies in internal controls, (2) the need for improvement in management practices and procedures, and (3) the need for improvement in program termination procedures.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Health and Senior Service's Child and Adult Care Food Program and Summer Food Service Program.

A handwritten signature in black ink that reads "S. Fitzpatrick". The signature is stylized with a large "S" and a cursive "Fitzpatrick".

Scott Fitzpatrick
State Auditor

Department of Health and Senior Services - Child and Adult Care Food Program & Summer Food Service Program

Introduction

Background

The Child and Adult Care Food Program (CACFP) is a federal program administered by the Food and Nutrition Service (FNS) of the United States Department of Agriculture (USDA) to states in order to provide a daily subsidized food service for children in child care facilities and disabled adults in adult daycare. Similarly, the Summer Food Service Program (SFSP) provides funding for meals served by nonprofit organizations, school districts, and public agencies to children during the summer.

The Missouri Department of Health and Senior Services - Bureau of Community Food and Nutrition Assistance (BCFNA) administers the CACFP and SFSP through contracts with child and adult care centers and sponsors of centers that provide meals to eligible children and adults under their care. The facilities/sponsors determine eligibility of each participant for free or reduced price meals, and are reimbursed at fixed rates for the number and type of meals served.

The CACFP and the SFSP are closely related and share the same computer system, many of the same internal control systems, and sponsors participating in both programs. For the federal fiscal year ended September 30, 2023, 15 percent of the CACFP sponsors in Missouri were also enrolled in SFSP and conversely 42 percent of the SFSP sponsors were also involved in CACFP. Program sponsors can be daycares, school districts, non-profit organizations, and public agencies. Program sponsors can have numerous sites under their purview and are responsible for ensuring sites are operated in compliance with program guidelines. For federal fiscal year 2023, the CACFP had a total of 779 sponsors, while the SFSP had a total of 271 sponsors.

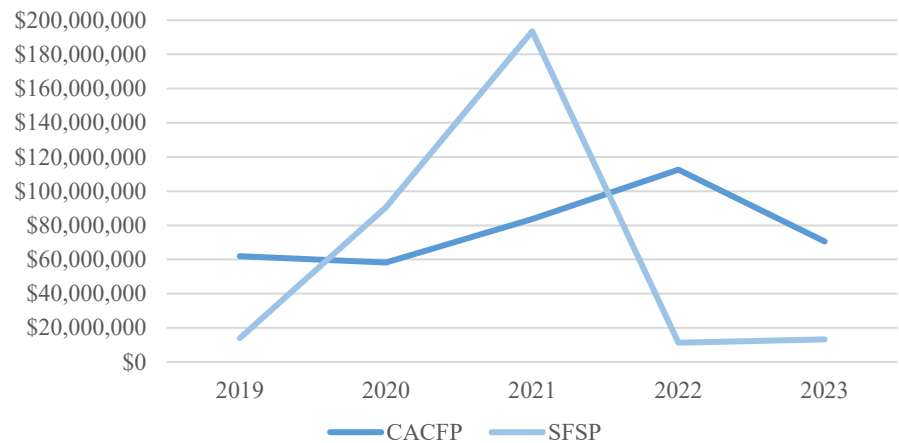
During the COVID-19 pandemic, the federal government expanded the CACFP and the SFSP to levels not previously seen. Reimbursements for the SFSP program spiked due to the program's reimbursement window being expanded to cover meals not just in the summer, but also throughout the year with children being out of school due to the pandemic. Also, the National School Lunch program was not used during the pandemic, with those recipients using the SFSP program instead. In addition, COVID waivers by the federal government relaxed program requirements, including allowing states to reduce monitoring, and relaxed meal service and meal pattern requirements. Enrolled sponsors must indicate on their applications the meals they will be serving (breakfast, snack, lunch, dinner) and the individuals to be served. Prior to COVID-19 waivers, this information would then be verified by BCNFA staff with a periodic monitoring visit to the facility. However, during the COVID-19 pandemic, facilities were allowed by federal waivers to serve multiple meals at once in a drive-thru style system, making the monitoring of the number of meals allowed more difficult. In addition, due to the pandemic, the BCNFA relied on remote monitoring rather than on-site monitoring, which further increased the difficulty in monitoring sponsor activity. Ultimately, the above changes to the program increased the number



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of individuals served, and increased the number of meals served and reimbursed, while decreasing onsite monitoring. See Figure 1 for total claims data for both programs for the 5 federal fiscal years ended September 30, 2023.

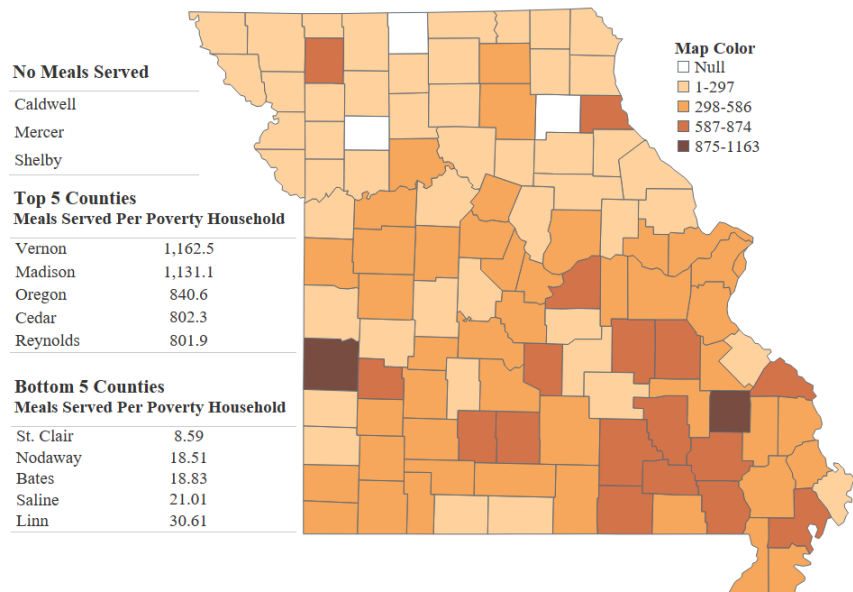
Figure 1: CACFP and SFSP claims by federal fiscal year, 2019 through 2023



Source: DHSS data

Figures 2 and 3 depict meals served per household below poverty level, by county, for both the CACFP and the SFSP. These maps are presented for information and background purposes.

Figure 2: CACFP meals served per household below poverty level, by county, federal fiscal year 2021 - 2023

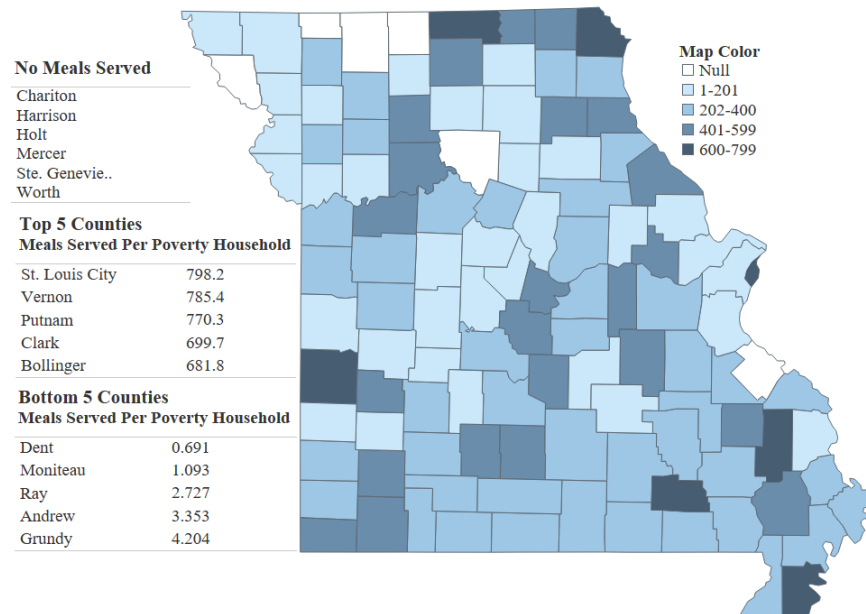


Source: Prepared by the State Auditor's Office using meals served data provided by DHSS, and household poverty data from the United States Census Bureau American Community Survey 5-Year Estimates.



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Figure 3: SFSP meals served per household below poverty level, by county, federal fiscal year 2021 - 2023



Source: Prepared by the State Auditor's Office using meals served data provided by DHSS, and household poverty data from the United States Census Bureau American Community Survey 5-Year Estimates.

Program sponsors indicted for fraudulent claims

In October 2023, the Executive Director of New Heights Community Resource Center, a CACFP and SFSP sponsor, was indicted by a federal grand jury on charges related to submitting false program claims and making false representations to the DHSS. According to the indictment, New Heights requested reimbursement for approximately 6 million meals for children between January 2019 and January 2022, when records showed New Heights had only purchased enough food and milk to serve less than half of those meals over that same timeframe. Based on these alleged fraudulent claims, New Heights and its Executive Director received approximately \$11 million from the program that they were not entitled to receive. From October 2019 through February 2022 New Heights Community Resource Center received approximately \$16.5 million in SFSP reimbursements, and approximately \$3 million in CACFP reimbursements. New Heights was terminated from both programs in June 2022.

In October 2024, the owner of Sisters of Lavender Rose, a CACFP and SFSP sponsor, was indicted by a federal grand jury on charges related to submitting false program claims and making false representations to the DHSS. According to the indictment, Sisters of Lavender Rose requested reimbursement for approximately 860,000 meals; however, only a portion of the food necessary to serve that number of meals was actually purchased. The owner also indicated to the DHSS she was preparing food for children at an address that did not service children, but was actually a nightclub. From October 2019 through April 2022, Sisters of Lavender Rose received



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approximately \$1.2 million in SFSP reimbursements, and approximately \$1.5 million in CACFP reimbursements. Sisters of Lavender Rose was terminated from both programs in June 2022.

Scope and Methodology

The scope of our audit included, but was not necessarily limited to, the 3 fiscal years ended June 30, 2023.

To evaluate the BCNFA's internal controls over significant management and financial functions related to the CACFP and SFSP, we reviewed written policies and procedures and interviewed various BCNFA personnel. We obtained an understanding of internal controls that are significant to the audit objectives and planned and performed audit procedures to assess the internal controls to the extent necessary to address the audit objectives. In addition, to evaluate the internal controls of program providers, we made site visits to 15 providers to observe procedures and confirm those observations were consistent with reimbursement claims.

To evaluate the economy and efficiency of management practices and operations pertaining to oversight and monitoring of CACFP providers, we performed a test of monitoring reviews for 70 sponsors that had more than 2 monitoring visits during our audit period. The sample results cannot be projected to the population. We tested the BCFNA's monitoring documentation and compared procedures to written policies and procedures. There were a total of 779 sponsors in the CACFP and 271 sponsors in the SFSP for fiscal year 2023.

To evaluate the procedures related to program terminations, we reviewed relevant written policies and procedures related to terminations and obtained files from the BCFNA for testing. We reviewed a sample of 10 terminations, 6 in the CACFP and 4 in the SFSP, to determine if they were performed in compliance with the written policies and procedures. This sample was selected judgmentally to ensure inclusion of certain terminations, and cannot be projected to the population. There were a total of 20 terminations for cause across both programs during our audit period (see Appendix A). We also tested the BCFNA's monitoring procedures to determine whether termination decisions were appropriate and in accordance with policy. In addition, we reviewed the total amount of claim reimbursements each terminated facility received from each program.

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Management Advisory Report - State Auditor's Findings

1. Monitoring Process and Policies Do Not Adequately Identify and Recoup Ineligible Claims

Current Bureau of Community Food and Nutrition Assistance (BCFNA) monitoring and termination procedures do not adequately monitor, or safeguard against, potentially ineligible reimbursement payments. Currently, a sponsor that participates in both the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP) could be terminated in one of those programs for violations of program regulations, but not have program claims in the other program reviewed for propriety or potentially recouped. In addition, untimely monitoring and termination procedures can lead to sponsors inappropriately receiving additional reimbursements during the termination process that are not reviewed for propriety or potentially recouped.

1.1 Termination and recoupment procedures

Current termination processes and procedures do not ensure program activity from a sponsor terminated in one of the food programs is reviewed for allowability or eligibility in the other program. As a result, the BCFNA is not identifying and pursuing potential recoupment of ineligible reimbursements when issues are identified. Based on DHSS data, approximately 15 percent of sponsors participating in the CACFP are also participating in the SFSP. DHSS officials indicated the USDA does not require them to review a terminated sponsor's claims from another program.

For the 3 state fiscal years ended June 30, 2023,¹ there were 15 terminations for cause from the CACFP and 5 terminations for cause from the SFSP. We reviewed documentation of 6 CACFP terminations and 4 SFSP terminations. 7 of the 10 terminated sponsors reviewed participated in both programs, but reimbursements to those same sponsors from the other program were not reviewed by DHSS despite the terminations in the program tested. Terminations in both programs were completed timely.

The 6 sponsors terminated from the CACFP reviewed were reimbursed a total of \$5,139,291 for the 3 state fiscal years ended June 30, 2023. We reviewed claims for these sponsors totaling \$1,711,752 (33 percent). The BCFNA determined there were \$1,702,597 in overpayments (99.5 percent payment error rate) for the claims reviewed. These same 6 sponsors were paid reimbursements of \$18,248,441 from the SFSP over the same timeframe. Subsequent to the CACFP termination proceedings, the BCFNA also terminated the sponsors in SFSP, but did not review any of the prior SFSP reimbursement claims for these terminated sponsors to determine if similar eligibility issues existed in those claims.

The 4 sponsors terminated from the SFSP reviewed were reimbursed a total of \$2,120,692 for the 3 state fiscal years ended June 30, 2023. We reviewed

¹ Test period includes activity outside of our 3 years ended June 30, 2023, audit scope due to timing differences in federal and state fiscal years.



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claims for these sponsors totaling \$724,212 (34 percent). The BCFNA determined there were \$515,213 in overpayments (71 percent payment error rate) for the claims reviewed. These same 4 terminated facilities were also paid reimbursements of \$678,169 from the CACFP over that timeframe. Subsequent to the SFSP termination, the BCFNA also terminated the sponsors in CACFP, but did not review any of the prior CACFP reimbursement claims for these terminated sponsors to determine if similar eligibility issues existed in those claims.

In total, for the 3 state fiscal years ended June 30, 2023, there were 15 sponsors terminated from the CACFP for cause. Those sponsors were paid \$7,285,524 in CACFP reimbursements over that timeframe before being terminated. In total, those sponsors were also paid \$19,209,488 from the SFSP that was not monitored or reviewed before they were terminated. Similarly, there were 5 sponsors terminated from the SFSP for cause. Those sponsors were paid \$2,294,449 in SFSP reimbursements over that timeframe before being terminated. In total, those sponsors were also paid \$1,102,345 from CACFP that was not monitored or reviewed before they were terminated.

DHSS officials stated the issues identified in this finding were exacerbated by the significant COVID waivers and pandemic conditions that no longer exist. DHSS officials further stated the additional monitoring suggested in this finding is not required by federal program guidance, and that the monitoring being performed already exceeds federal requirements. In addition, DHSS officials stated the pursuit of recoupment of identified overpayments would result in sponsors leaving the program or potentially keep potential sponsors from participating, and ultimately reduce the number of meals being provided to the program's target population. They further indicated that attempting to recoup ineligible reimbursements would also potentially result in the closure of needed daycare facilities, which would not be a desirable outcome.

Standards for Internal Control in the Federal Government (also known as the Green Book), published by the federal Government Accountability Office (GAO), provides an overall framework for establishing and maintaining an effective internal control system. According to the Green Book, management should identify, analyze and respond to risks,² consider the potential for fraud when responding to risks,³ establish and operate monitoring activities to monitor the internal control system, and evaluate results⁴ and address

² *Standards for Internal Control in the Federal Government*, GAO, paragraph 7.01.

³ *Standards for Internal Control in the Federal Government*, GAO, paragraph 8.01.

⁴ *Standards for Internal Control in the Federal Government*, GAO, paragraph 16.01.



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deficiencies on a timely basis.⁵ In addition, 2 CFR Section 200.332(b) states all pass-through entities, such as the DHSS, must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate subrecipient monitoring.

Identification of deficiencies in a sponsor's procedures in one program increases the risk of additional deficiencies in other claims and in other programs. Fraud risks must be addressed on a timely basis to minimize abuse and misappropriation of program resources. The recoupment of ineligible or inappropriate payments to program participants also serves as a deterrent to other participants. Regulation 7 CFR Section 226.14 provides that state agencies shall disallow and recover any portion of a claim for reimbursement not properly payable, including claims not made in accordance with recordkeeping requirements.

1.2 Timely action not taken on deficient monitoring visits

BCFNA monitoring policies and procedures do not require timely action by the agency and allow sponsors with significant weaknesses identified through monitoring visits to continue submitting claims for extended periods without further follow up. As a result, ineligible claims can be paid up to 12 months before initial subsequent monitoring takes place, and potentially an additional 12 months of additional ineligible claims would be allowed before the sponsor was terminated from the program.

BCFNA policies allow follow up monitoring for sponsors who have failed a monitoring visit to be conducted within 6 to 12 months following the failed monitoring. The below example was conducted in accordance with BCFNA policy; however, allowing up to 12 months to pass before conducting follow up monitoring on a sponsor with known non-compliance is not consistent with federal internal control standards. For example, during our review of monitoring visits, we noted one facility that failed multiple monitoring visits with 100 percent overpayments who was allowed to continue to submit potentially ineligible claims without timely follow up. The 100 percent overpayment was due to the facility not meeting the eligibility requirement that 25 percent of the individuals served be eligible for free or reduced-price lunch meals.⁶ BCFNA personnel indicated that the facility was not terminated because such eligibility issues are not considered significant enough to result in the provider being considered "seriously deficient."

⁵ *Standards for Internal Control in the Federal Government*, GAO, paragraph 17.01.

⁶ 7 Code of Federal Regulations (CFR) Section 226.2, the requirements for a facility to be eligible for CACFP funding include "(1) Twenty-five percent of the children in care (enrolled or licensed capacity, whichever is less) are eligible for free or reduced-price meals; or (2) Twenty-five percent of the children in care (enrolled or licensed capacity, whichever is less) receive benefits from title XX of the Social Security Act and the center receives compensation from amounts granted to the States under title XX."



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During the facility's January 2023 monitoring, the facility received a B minus grade partly due to the determination that the entire claim of \$1,436 reviewed was a 100 percent overpayment. The \$1,436 was withheld from the facility's next reimbursement claim in February 2023. However, the facility was not reviewed again until October 2023, and was assessed a C grade and declared seriously deficient. The facility's entire October claim of \$2,277 was declared an overpayment for the same eligibility reason as noted for the January monitoring.

During these monitorings the BCFNA did not go back and look at other months for possible overclaims, and did not have procedures in place to ensure the facility was compliant with USDA rules.

In total, this facility received \$13,706 in reimbursements between the 100 percent overpayment monitorings (February 2023 through September 2023) that were not reviewed. They also received \$13,256 in reimbursements since their last failed monitoring in October 2023 through when the facility was eventually terminated on June 10, 2024. In this instance a total of 18 months passed between the initial monitoring visit in which BCFNA identified a 100 percent overpayment and the sponsor's termination.

DHSS officials again stated the more timely monitoring suggested in this finding is not required by federal program guidance, and that the monitoring and review being performed already exceeds federal requirements.

Standards for Internal Control in the Federal Government (also known as the Green Book), published by the federal Government Accountability Office (GAO), provides an overall framework for establishing and maintaining an effective internal control system. According to the Green Book, agencies should establish and operate monitoring activities to monitor the internal control system, and evaluate results⁷ and address deficiencies on a timely basis.⁸

Identification and correction of ineligible claims on a timely basis is necessary to minimize abuse and misappropriation of program resources.

Similar findings noted in a recent report

In September 2024, the Office of the State Auditor issued Report No. 2024-063, *State of Missouri Single Audit*, for the year ended June 30, 2023. The report concluded (Finding No. 2023-012) the BCFNA did not have sufficient controls and procedures to ensure CACFP reimbursements to subrecipients (sponsors) are allowable and supported with sufficient documentation. The report further concluded (Finding No. 2023-013) BCFNA subrecipient risk

⁷ *Standards for Internal Control in the Federal Government*, GAO, paragraph 16.01.

⁸ *Standards for Internal Control in the Federal Government*, GAO, paragraph 17.01.



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assessment and monitoring procedures were not sufficient to ensure CACFP subrecipient compliance with program requirements. The report also concluded (Finding No. 2023-013) that procedures to recoup overpayments were in need of improvement. The issues identified in the *State of Missouri Single Audit*, for the year ended June 30, 2023, occurred during the scope of this audit, so the findings in this audit are not repeat findings.

Recommendations

The DHSS through the BCFNA:

- 1.1 Implement a risk assessment process for SFSP sponsors that considers sponsor activity in the CACFP, and review SFSP and CACFP activity when issues arise in monitoring visits from the other program.
- 1.2 Ensure facilities are being monitored on a timely basis and are following all USDA regulations for the CACFP program.

Auditee's Response

The Department's response is located in Appendix B.

Auditor's Comment

The DHSS response takes exception to there being no preliminary meeting to discuss the audit findings, and with not being provided an exception listing. The issues in the report were discussed multiple times with the agency, including throughout the exit process of the statewide Single Audit, so no separate meeting to discuss these issues was deemed necessary. In addition, the DHSS was provided an exception listing for finding number 1.1. For finding number 1.2, the issues identified in the report are based on an understanding of the agency's processes obtained through interviews with the DHSS and sponsor personnel, therefore there were no exception listings to provide. The lack of an exception listing for finding number 2 was communicated to the agency during the exit process.

The DHSS response to the audit appears to downplay the severity of the alleged fraudulent activity identified in the CACFP and SFSP by stating program overpayments (in Appendix A) represent only 0.39 percent of program expenditures during the audit period. This claim is misleading. The \$2.4 million in "overpayments identified" in Appendix A are merely the amount of overpayments identified by the DHSS and, as described in finding numbers 1.1 and 1.2, ignores months of possible overpayments to deficient sponsors that were not reviewed by the agency. The amount of actual overpayments, while unknown, is substantially more.

The DHSS's response to finding numbers 1.1 and 1.2 does not argue the facts of the findings or the procedures described, but instead generally states current procedures are in compliance with federal requirements. The audit report concluded the DHSS's current risk assessment and monitoring processes do not adequately consider risks across programs and do not ensure



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deficient sponsors are addressed in a timely manner. Current DHSS procedures allow deficient sponsors to continue receiving program reimbursements unnecessarily. The agency's response indicates it does this to reduce administrative burden on the state, and to reduce potential burden on program sponsors. The State Auditor's Office continues to believe this is not an acceptable approach.

The DHSS's response further states the agency is not in agreement with finding number 1.1, but then also states the agency will " . . . work to incorporate improvements as evidenced in updated standard operating procedures for reviews." The agency has provided the State Auditor's Office with no specifics about what procedures have been updated, but it is encouraging the agency is making improvements to the process.

2. Reimbursement Controls In Need of Improvement

Controls over CACFP and SFSP reimbursements are in need of improvement. Edit checks of a sponsor's capacity, to detect sponsors making claims that exceed their capacity, are not always based on verified information.

Program sponsors submit monthly claims for the CACFP and SFSP through the CNPWeb (CNP) claim system without providing any supporting documentation to the BCFNA. To identify potentially inappropriate claims the CNP has edit checks to prevent and detect certain claim errors, such as meal claims that exceed facility/sponsor total enrollment and/or license capacity, or claims for types of meals the facility/sponsor are not approved to serve. However, during the COVID-19 pandemic, these capacity edit checks, including the number of allowable meals, were based on sponsor-provided information during the application process and were not verified by the BCFNA for reasonableness or accuracy.

Claims that do not pass the capacity edit checks are returned to the facility/sponsor for revision rather than triggering a review from the BCFNA to determine appropriateness. While facilities/sponsors are required to maintain and retain detailed records, including meal count, attendance, enrollment and eligibility determination records, receipts, menus, and other documentation to support meals claimed, the capacity edit checks described above are the primary short term control for preventing fraudulent claims since monitoring reviews can take place 1 to 3 years from the claim.

2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing that Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." Reliable and effective edit checks are necessary to reduce the risk of noncompliance.



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Without reliable edit checks for capacity, based upon verified information, that trigger review by the BCFNA, a sponsor would have the ability to submit overstated program reimbursements. This weakness, along with monitoring waivers implemented by the USDA during the pandemic, was a contributing factor in the New Heights and Sisters of Lavender Rose alleged frauds that resulted in federal indictments. For example, the New Heights claims for reimbursement passed the existing edit checks; however, it was later determined approximately \$11 million in claims for reimbursement were unsupported. Had the New Heights estimates of facility capacity during the COVID-19 pandemic been reviewed for reasonableness, the risk of reimbursing fraudulent claims would have been significantly reduced.

Similar findings noted in a recent report

In September 2024, the Office of the State Auditor issued Report No. 2024-063, *State of Missouri Single Audit*, for the year ended June 30, 2023. The report concluded (Finding No. 2023-012) BCFNA does not have sufficient controls and procedures to ensure CACFP reimbursements to sponsors are allowable and supported with sufficient documentation. The report further concluded the BCFNA has not implemented procedures to review supporting documentation, at least on a test basis, except for testing performed during routine monitoring reviews generally conducted once every 1 to 3 years. As a result, significant unallowable and unsupported reimbursements were made without being prevented or detected on a timely basis. In addition, Finding No. 2023-013 in the same report recommended improvements to the BCFNA's risk assessment and subrecipient monitoring procedures. The issues identified in the *State of Missouri Single Audit*, for the year ended June 30, 2023, occurred during the scope of this audit, so the findings in this audit are not repeat findings.

Recommendation

The BCFNA monitor the process of validating initial edit check limits to ensure the edit check control is operating effectively, and adequately investigate any claims that do not pass edit checks.

Auditee's Response

The Department's response is located in Appendix B.

Auditor's Comment

The DHSS response takes issue with the audit conclusion that edit check controls in place are in need of improvement and were a contributing factor to the large alleged fraud cases identified. However, the DHSS response also concedes that the federal waivers implemented by the US Department of Agriculture (USDA) were " . . . the cause of the standard edit checks not being as effective as usual" The DHSS also contends the report demonstrates a lack of understanding of the agency's processes. The State Auditor's Office understands the relevant processes completely, but does not believe they were used effectively to identify improper claims while federal COVID waivers were in place, and are not as effective as they can be to identify potential improper claims currently.



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In addition, the DHSS response states the recommendation is not accurate, since "Edit checks continue to be validated as they have always been." However, the SAO disagrees that the recommendation is not accurate, since the agency's procedures for establishing and validating capacity edit checks still rely significantly on sponsor-provided information, and due to this significant control being compromised in the past, a recommendation to ensure the edit check process is properly validated and operating effectively, and that discrepancies are investigated, is valid and accurate. Further, DHSS's statement that no changes have made to the edit check process does not appear to be entirely accurate. Based on communications from the USDA to the DHSS, the DHSS has taken action to improve internal controls in this area. Although no specific control improvements have been communicated to our office, it is encouraging the agency appears to be making an effort to improve this process.

3. Inappropriate Use of Other USDA Programs Not Reported

During our review of facilities that were monitored multiple times by the BCFNA during the 3 fiscal years ended June 30, 2023, BCFNA noted 3 facilities were inappropriately using other USDA programs and a United States Department of Health and Human Services program to pay for products and also seeking reimbursement from the CACFP and the SFSP, which is a violation of federal regulations. These facilities were using Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Special Supplemental Nutrition Assistance for Women, Infants, Children (WIC) funds to pay for groceries.

When asked if the violations were reported to the agencies responsible for the relevant programs, DHSS officials indicated they had reported the WIC payments to personnel in the Bureau of WIC and Nutrition Services within the Division of Community and Public Health and showed documentation of reporting the payments for WIC. The BCFNA personnel stated reporting fraud identified in other programs is their current practice, however, no documentation was maintained of their notification of the SNAP and TANF payments.

The trafficking of SNAP, TANF⁹ and WIC¹⁰ benefits as described constitutes an intentional program violation, and could potentially be considered a fraudulent criminal act. Notifying other agencies of potentially fraudulent activity identified during BCFNA monitoring activities would help prevent fraud in other programs, and help remove participants that are abusing such benefits. In addition, communications with another agency would be

⁹ Section 7 CFR 273.16(c) (1)&(2)

¹⁰ Section 7 CFR 246.7 (j) (10)



Department of Health and Human Services - Child and Adult Care Food
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considered a "record" under the Missouri State and Local Records Law¹¹, and should be retained.

Recommendation

Report all potential fraudulent use of other programs to the appropriate administering agency, and maintain supporting documentation of such reports pursuant to Missouri State and Local Records Law.

Auditee's Response

The Department's response is located in Appendix B.

¹¹ Section 109.210, RSMo



Appendix A
Department of Health and Human Services - Child and Adult Care Food
Program and Summer Food Service Program
CACFP and SFSP Terminations, 3 Years Ended June 30, 2023

Terminated Entity	Termination Date#	Amount Received from CACFP	Amount Received from SFSP	Total Received All Programs	Total Amount Reviewed	Total Overpayments Identified
Foundation 240^!	1/5/2021	\$ 318,673	\$ 131,726	\$ 450,399	\$ 590,412	\$ 426,859
Playful Preschool, LLC*	4/3/2021	18,801	0	18,801	2,650	2,367
Root 1, Inc.*	6/4/2021	29,404	0	29,404	63,663	44,955
A Galaxy of Stars Childcare Center, LLC*	1/20/2021	84,838	0	84,838	4,584	4,584
New Heights Community Resource Center*	5/18/2022	2,928,604	16,040,568	18,969,172	1,171,498	1,167,762
Sisters of Lavender Rose*	6/8/2022	1,497,016	1,098,247	2,595,263	390,304	176,357
Dream It Big Inc.*	6/11/2022	743,414	165,643	909,057	59,566	59,566
Us Helping Us, Inc.*	6/17/2022	71,591	307,682	379,273	6,199	2,749
Sisters of Annitrya Foundation*	7/29/2022	444,448	946,921	1,391,369	132,250	132,250
The Tot's Spot, LLC*	9/7/2022	72,209	0	72,209	12,394	10,632
Karah Academy of Dance and Performing Arts*	10/14/2022	948,519	487,722	1,436,241	230,142	230,142
Black Gurlz Talk*	11/7/2022	123,984	0	123,984	152,102	44,940
African Diaspora Council, Inc.^	12/7/2022	270,866	20,682	291,548	20,683	19,777
Asbury United Methodist Church*	1/16/2023	88,967	0	88,967	6,422	1,002
Mistory Dance Company^	1/27/2023	424,176	173,757	597,933	22,332	16,698
Smart Start Learning Center*	1/31/2023	42,502	0	42,502	2,254	2,254
A Brilliant Mind at Work Project^	2/16/2023	80,198	16,283	96,481	14,361	14,361
Lisa's Kids, LLC*	3/13/2023	52,474	0	52,474	1,864	1,864
Carol Jackson Ministries*	5/15/2023	137,754	162,705	300,459	9,025	9,025
Appetite 4 Humanity^	6/14/2023	8,342	1,952,001	1,960,343	98,757	54,207
Total		\$ 8,386,780	\$ 21,503,937	\$ 29,890,717	\$ 2,991,462	\$ 2,427,351

Terminated from secondary program within a week of listed date

^ Terminated from SFSP due to noncompliance

* Terminated from CACFP due to noncompliance

! Review at termination included months prior to audit scope

Source: DHSS data



Appendix B
Department of Health and Human Services - Child and Adult Care Food
Program and Summer Food Service Program
Agency Responses



Missouri Department of Health and Senior Services

P.O. Box 570, Jefferson City, MO 65102-0570 | Phone: 573-751-6400 | FAX: 573-751-6010
RELAY MISSOURI for Hearing and Speech Impaired and Voice dial: 711

Sarah Willson
Director



Mike Kehoe
Governor

April 18, 2025

Honorable Scott Fitzpatrick
Missouri State Auditor
Jefferson City, Missouri

Mr. Fitzpatrick:

We have reviewed the findings from your office's audit of the Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP). Missouri Department of Health and Senior Services (DHSS) Bureau of Community Food and Nutrition Assistance (BCFNA) appreciates the opportunity to respond.

DHSS expended an exceptional amount of staff time to address an audit which encompassed more than eighteen (18) months, beginning with the State Auditor's Office (SAO's) decision not to conduct a special investigation. After eight (8) months without an audit request, the SAO requested an Exit Conference with no preliminary meeting and without providing an exception listing report.

DHSS would like to point out that the scope of this audit covered the COVID-19 public health emergency. The CFNA program had stellar audit results prior to this report and has returned to its pre-COVID program operations.

Despite agency requests, the SAO did not provide supporting information. Therefore, DHSS was unable to determine the SAO's source and methodology used to establish the information found in Appendix A and their recommendation that "The BCFNA monitor the process of validating initial edit check limits to ensure the edit check control is operating effectively, and adequately investigate any claims that do not pass edit checks."

The scope of this audit covered the three (3) years ended June 30, 2023. The vast majority of this period encompassed an unprecedented global COVID-19 pandemic during which the BCFNA's federal funding agency, United States Department of Agriculture (USDSA) enacted more than one hundred (100) program waivers, implementing extreme leniency of monitoring requirements and fundamentally changed how the program operated. Also, during COVID, CFNA experienced a tremendous increase in participating sponsors, as well as a higher claim volume due to the Public Health Emergency. For context, SFSP previously received \$14 million in appropriations from the Missouri legislature, and the initial single claim to the SFSP program during the public health emergency was \$12 million. The final USDA waivers expired with the end of the Public Health Emergency on May 11, 2023.

The SAO noted in the report "during the COVID-19 pandemic, facilities were allowed by federal waivers to serve multiple meals at once in a drive-thru style system, making the monitoring of the number of meals allowed more difficult. In addition, due to the pandemic, the BCFNA relied on remote monitoring rather than onsite monitoring, which further increased the difficulty in monitoring sponsor activity." Although USDA recognized program monitoring constraints and issued COVID waivers that allowed for

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The Missouri Department of Health and Senior Services' vision is optimal health and safety for all Missourians, in all communities, for life.



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monitoring to be completely suspended during the Public Health Emergency, the BCFNA continued to monitor through the use of desk reviews. BCFNA also returned to onsite monitoring months before it was required by the USDA. While USDA issued multiple waivers, states had discretion about which to apply and for how long. Non-congregate meals were one allowance BCFNA decided not to adhere to (ending drive-thru meals) despite death threats received by BCFNA staff resulting from this discontinuation.

It should be noted that the SFSP program normally runs from May through September, while school is not in session. During the COVID-19 pandemic it operated virtually year-round. This program was designed by the USDA to be set up quickly and serve lower income and at-risk children during school closures and emergencies (such as COVID-19).

The SAO stated, "Had the New Heights estimates of facility capacity during the COVID-19 pandemic been reviewed for reasonableness, the risk of reimbursing fraudulent claims would have been significantly reduced." This is the SAO's subjective opinion and not an accurate statement. The SAO is erroneously attempting to apply capacity requirements to drive through distribution sites approved by the USDA. USDA monitoring waivers were the reason New Heights capacity thresholds were not considered. In addition, during this time capacity restrictions for at-risk after school programs/sponsors did not apply. No children were actually eating on site, so the normal processes for establishing capacity were lifted.

A disproportionate amount of CACFP errors/exceptions the SAO noted were from three sponsors/providers the BCFNA had already turned over to federal agencies as a result of BCFNA's diligent monitoring efforts. Without these inflating the report, the total overpayments for CACFP terminations are reduced from \$2,427,351 to \$853,090, a 65% reduction. Furthermore, total expenditures by these programs during the review period were \$623,199,793. Overpayments of \$2.4 million stated in Appendix A represent .39% of total SFSP and CACFP expenditures during the review period.

The SAO noted that CACFP did not go back to review prior reimbursement claims when errors were discovered, or sponsors were terminated. In accordance with USDA requirements, BCFNA standard practice is to review and pursue recoupment of overclaims of only the test month, although when warranted, additional reviews are conducted beyond the test month. BCFNA strives to maintain an appropriate balance between adequate monitoring and not creating barriers to program participation per repeated USDA guidance and the federal Paperwork Reduction Act. Starting the termination process is more cost effective than performing additional testing. As noted in the SAO report, increased claim testing would create a significant barrier to participation for sponsors/facilities (many of which are small childcare centers, in-home day care centers, emergency shelters and adult day care centers), which is not a desirable outcome, and which is prohibited by USDA.

Recoupment is allowable, but USDA guidelines call for overclaims of \$600 or less to be disregarded per 7 CFR 226.8(f) due to the high likelihood of errors in the program. BCFNA has historically been unsuccessful in attempts to recoup higher overclaims as the sponsor/provider has been terminated from the program and is no longer in business. Further, it is not cost effective given the limited claim dollar amounts and staff constraints. Nonetheless, BCFNA officials, often in conjunction with the Missouri Attorney General's Office, pursue recoupment of overclaims for facilities/sponsors with terminated contracts on a case-by-case basis.

Below you will find our responses to the audit findings.



Appendix B
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1.1 Implement a risk assessment process for SFSP sponsors that considers sponsor activity in the CACFP, and review SFSP and CACFP activity when issues arise in monitoring visits from the other program.

BCFNA's risk assessment process which was in place at the time of this audit considers relevant information and conforms with federal regulations. The USDA established an acceptable level of risk with respect to the CACFP and SFSP programs and provided approved risk management processes and requirements. *BCFNA will continue to operate CACFP and SFSP in a manner that ensures program compliance and integrity, as approved by the USDA.*

CACFP and the SFSP programs do conduct cross-checks. However, the programs don't operate at the same time. BCFNA closely monitors CACFP operations of sponsors that will be renewing for SFSP. If concerns are noted, BCFNA will hold the renewal as long as allowable in order to see the outcome of the CACFP review. If a CACFP Sponsor is declared seriously deficient prior to the approval of an SFSP renewal, then that SFSP renewal is denied, and the sponsor does not have the opportunity to operate the SFSP. If the sponsor is not seriously deficient, but there are concerns in CACFP, an SFSP review is requested to ensure those same issues are not occurring in SFSP.

Although BCFNA is not in agreement with this finding, BCFNA continues to work to incorporate process improvements as evidenced in updated standard operating procedures for reviews, thus ensuring assessments cover all required aspects. BCFNA's risk assessment process has always taken into consideration the results of current and previous experience with the same subaward as well as whether the subrecipient has new personnel or new or substantially changed systems. These observations are made when performing onsite monitoring by Nutritionists who are familiar with the program, its requirements and its participants, and are trained in recognizing significant issues. BCFNA also takes into consideration the results of the subrecipient's prior experience with similar subawards in other programs such as SFSP, National School Lunch Program (NSLP) and Child Care Licensing Reviews, audit results, as well as the results of Technical Assistance Reviews offered to new subrecipients which could move up the planned monitoring schedule.

BCFNA monitors using a risk-based approach as required by the USDA in response to known erroneous claims and to proactively address any issues. As noted above, when the BCFNA SFSP receives an application, staff checks the CACFP activity. If the sponsor is having issues in CACFP and is Significantly Deficient (SD) in CACFP, the SFSP application is denied. Similarly, when reviewing CACFP activity during a SFSP new sponsor review, staff checks to ensure similar issues are not occurring in SFSP. Staff will move up a CACFP review if there are concerns. Staff routinely and continually perform these checks, using the Viability Capability and Accountability (VCA) checks in place to help determine risk, if a review needs to be conducted, and if a sponsor renewal will be denied.

BCFNA has and will continue to review, strengthen and enforce policies and procedures in accordance with federal program requirements and management evaluation.



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1.2 Ensure facilities are being monitored on a timely basis and are following all USDA regulations for the CACFP program.

BCFNA is compliant with the USDA subrecipient monitoring regulations. *As required by the USDA, BCFNA monitors using a risk-based approach in response to erroneous claims and to proactively address any issues.*

USDA regulations require more frequent follow up only if review findings rise to the level of Serious Deficiency (SD). While USDA allows states discretion in this area, BCFNA surpasses this threshold and provides a score to reviews to ensure that poorer performing sponsors will be reviewed earlier than the three-year interval as required by USDA regulation. *Further, BCFNA has additionally strengthened subrecipient monitoring procedures by enhancing the training and review of Viability Capability and Accountability. BCFNA has updated the training manual regarding the required performance standards and thereby strengthened subrecipient monitoring procedures as well as revising policies and guidance.*

The SAO stated in its Fiscal Year 2023 State Wide Single Audit (SWSA) finding, "our review found the sample monitoring reviews were performed in accordance with the policies and procedures outlined in the Internal Nutritionist Manual" The SAO did not note any specific noncompliance with federal requirements regarding subrecipient monitoring in the SWSA. Throughout the SAO's previous finding they repeatedly acknowledge that the BCFNA monitoring process is in compliance with the Nutritionist Manual which is based on USDA requirements.

In addition, the DHSS has a strong system of internal controls documented in the Nutritionist Manual which is in compliance with federal regulations and is used as an example of best practice by the USDA for other states.

The most recent USDA Management Evaluation Report for Fiscal Year 2023 issued November 2023 stated, "*The FNS¹ determined that the SA² Monitoring of Sponsors and SA Oversight of Sponsor Monitoring's has adequate management controls in place for administering the CACFP in accordance with Federal regulations. The FNS staff reviewed SA practices that included detailed SA review forms, spreadsheets that provided extra oversight, and written procedures detailing the monitoring process. The SA provides online CACFP trainings along with a handbook to institutions that detail policies and procedures governed by the SA. The SA developed an extensive tracking system in addition to a very thorough review tool that contains meal component and pattern calculation. The SA conducts oversight of the review process and tracks each step to confirm completion of any follow up required of institution. The SA CACFP training resources and online modules were reviewed and evaluated to ensure it contained the correct information and up to date policies and procedures. The FNS staff reviewed the SA policies and procedures and interviewed key SA staff regarding procedures for each respective area of this Section. All files reviewed are compliant with Program requirements. The FY 2023 CACFP ME review did not identify any significant reportable issues.*"

¹ FNS: Food and Nutrition Service of the U.S. Department of Agriculture (USDA)

² SA: State Agency



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2. **The BCFNA monitor the process of validating initial edit check limits to ensure the edit check control is operating effectively, and adequately investigate any claims that do not pass edit checks.**

The SAO demonstrates a lack of understanding of the CACFP and SFSP processes.

The online claim system has several required edit checks in place including, but not limited to, ensuring payments are made only for approved meal types and that the number of meals for which reimbursement is provided does not exceed the product of the total enrollment times operating days times approved meal types. Claims that do not pass edit checks due to meal claims which exceed facility/sponsor total enrollment and/or license capacity or claims for types of meals the facility/sponsor are not approved to serve are not always reviewed onsite. They are sent back to the sponsor for correction. This correction is made in the application system, and that update must be reviewed and approved by BCFNA staff. BCFNA staff will speak with the sponsor or with childcare licensing regarding the requested changes to the capacity or enrollment. Many of the issues regarding meals are due to the sponsor putting the meal counts in the wrong field, but in follow-up calls to the sponsor, they let BCFNA know and provide information verbally regarding the meals served. If there are concerns with any of the answers provided by the sponsor, those concerns are sent to the Nutritionist Supervisors for potential adjustment of the next scheduled review.

In addition, upon agency request, the SAO did not provide testing or review summaries to support this finding. The finding states the weakness in edit checks along with monitoring waivers implemented by the USDA during the pandemic were contributing factors in the New Heights and Sisters of Lavender Rose alleged frauds that resulted in federal indictments. As BCFNA has stated above, the waivers implemented by the USDA during the pandemic were also the cause of the standard edit checks not being as effective as usual due to the drastic changes in program operation implemented by the USDA during the pandemic. Now that the pandemic waivers have ended and the program is operating normally again, this recommendation is not accurate as edit checks continue to be validated as they have always been.

3. **Report all potential fraudulent use of other programs to the appropriate administering agency, and maintain supporting documentation of such reports pursuant to Missouri State and Local Records Law.**

BCFNA takes the inappropriate use of state and federal funds seriously. While extremely rare, BCFNA has, and continues to report all potential fraudulent use of other programs to the appropriate administering agency. BCFNA maintains all such documentation for future reference.

Sincerely,

Sarah Willson, BSN, MBA, FACHE
Director
Department of Health and Senior Services