

City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer COMPTROLLER



FINANCIAL AUDIT

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Audit Report of the Department of Education's Allocation of Title I Funding to Public Schools

FK15-080A April 27, 2017 http://comptroller.nyc.gov



THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER SCOTT M. STRINGER

April 27, 2017

To the Residents of the City of New York:

My office has audited the New York City Department of Education's (DOE's) allocation of Title I funding to public schools. We audit entities such as DOE to ensure that they adhere to applicable rules and regulations and appropriately distribute funds among public schools.

The audit found that DOE did not always properly document and determine students' eligibility for school meals, which is the criterion that DOE uses to measure each school's poverty percentage for the purpose of allocating Title I funds among the schools within each of the City's five boroughs. First, we found that DOE did not maintain up-to-date correspondence or written agreements with the City's Human Resources Administration (HRA), the City agency that helps administer public assistance programs. Since data provided by HRA was used by DOE to determine that 454,013 students were "categorically" eligible to receive free school meals, DOE cannot be assured that it is completely and accurately capturing the information it needs to support these eligibility determinations. Second, based on our review of School Meal Applications submitted for a random sample of 150 students, we found that DOE may have incorrectly determined the eligibility of 39 students who were not eligible for free school meals in its Title I poverty counts and thereby may not have properly allocated Title I funds among the public schools.

In addition, the audit revealed that DOE could improve its efforts to validate the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families program (TANF) case numbers that students' parents or guardians provide on their School Meal Applications and to contact students' households to obtain information needed to process incomplete applications.

The audit makes seven recommendations, including that DOE should: maintain up-to-date correspondence or written agreements with HRA that set out the manner in which SNAP, TANF, and Medicaid data used by DOE to determine whether students are "categorically" eligible for free school meals was compiled; improve its efforts to validate the SNAP and TANF case numbers provided on students' School Meal Applications; and ensure that designated school personnel send notification letters to all households that submitted incomplete School Meal Applications instructing them to contact the SchoolFood helpdesk to provide the required information.

The results of this audit have been discussed with DOE officials and their comments have been considered in preparing this report. Their complete written response is attached to this report. If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report of the Department of Education's Allocation of Title I Funding to Public Schools

FK15-080A

EXECUTIVE SUMMARY

This audit was conducted to determine whether the New York City Department of Education (DOE) allocated approximately \$491.4 million in federal Title I funds to the City's public schools in accordance with applicable laws, rules, and regulations. Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA), as amended, provides federal financial assistance to local educational agencies (LEAs), including DOE, and schools serving high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. According to the United States Department of Education, public schools use Title I funds to provide additional academic support and learning opportunities to their students. The United States Department of Education allocates Title I funds to eligible LEAs based on the number of children ages 5 to 17 from low-income families residing in the LEA's school attendance areas (geographic areas from which the students are eligible to attend a local school).¹</sup>

Within an individual LEA, Title I funds must be allocated to eligible school attendance areas or eligible schools based on the total number of children from low-income families in each area or school. ESEA Title I, Part A, Subpart 1, Section 1113(c)(1). Further, LEAs must rank school attendance areas or schools by poverty percentage. The measurements that an LEA may use to determine the poverty percentage of a school attendance area or school include the number of children ages 5 through 17 in poverty and counted in the most recent census data, the number of children eligible for free and reduced-price lunches under the Richard B. Russell National School Lunch Act, the number of children in families receiving Temporary Assistance for Needy Families program (TANF) assistance, or the number of children eligible to receive medical assistance under the Medicaid program, or a composite of such indicators. ESEA Title I, Part A, Subpart 1, Section 1113(a)(5).

DOE is responsible for allocating Title I funds to City schools. DOE uses the number of students in grades K-12 eligible for free lunch to measure the poverty percentages at individual schools and to rank those schools by poverty level. Students may qualify for free lunch in a number of ways. First, parents or guardians may qualify based on their income and family size which they must report in either a paper-based or online School Meal Application. Students may also qualify

¹ National Center for Education Statistics (NCES), *School Attendance Boundary Survey*, <u>https://nces.ed.gov/programs/sabs/</u>, downloaded March 16, 2017.

"categorically" for free lunch based on their housing status, or their eligibility or the eligibility of someone in their household to receive benefits from certain federally-funded assistance programs with the same or a lower household income limit as that for free lunch.

Audit Findings and Conclusions

DOE did not always properly document and determine students' eligibility for school meals, which is the criterion that DOE uses to measure each school's poverty percentage for the purpose of allocating Title I funds among the schools within each of the City's five boroughs. First, DOE did not maintain up-to-date correspondence or written agreements with the City's Human Resources Administration (HRA), the City agency that helps administer public assistance programs. Since data provided by HRA was used by DOE to determine that 454,013 students were "categorically" eligible to receive free school meals, DOE can not be assured that it is completely and accurately capturing the information it needs to support these eligibility determinations absent current agreements detailing how the data provided by HRA was compiled. Second, based on our review of School Meal Applications submitted for a random sample of 150 students, DOE may have incorrectly determined the eligibility of 39 students (26 percent) to receive school meals. Consequently, DOE may have erroneously included students who were not eligible for free school meals in its Title I poverty counts and thereby may not have properly allocated Title I funds among the public schools.

DOE also could improve its efforts to validate the Supplemental Nutrition Assistance Program (SNAP) and TANF case numbers that students' parents or guardians provide on their School Meal Applications and to contact students' households to obtain information needed to process incomplete applications.

Audit Recommendations

To address these issues, we make seven recommendations, including that DOE should:

- Maintain up-to-date correspondence or written agreements with HRA that set out or confirm the manner in which SNAP, TANF, and Medicaid data that DOE uses to determine whether students are "categorically" eligible for free school meals was compiled.
- Improve its efforts to validate the SNAP and TANF case numbers provided on students' School Meal Applications by reviewing direct certification data or contacting local assistance-program officials, and document SNAP and TANF eligibility in the MCS System (MCS) which DOE uses to scan, store, and read applications.
- Ensure that designated school personnel send notification letters to all households that submitted incomplete School Meal Applications instructing them to contact the SchoolFood helpdesk to provide the required information.

Agency Response

In its response, DOE agreed with or partially agreed with five of the report's seven recommendations. DOE did not agree with the report's remaining two recommendations regarding "categorical" eligibility determinations made based on either the eligibility of a student's sibling to receive benefits from certain federally-funded assistance programs, or SNAP and TANF case numbers.

DOE also noted that it "has been promoting the use of the Online School Meals Application" which "eliminates incomplete applications and reduces the risk of errors." The full text of DOE's response is included as an addendum to this report.

AUDIT REPORT

Background

Title I provides federal financial assistance to LEAs and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. According to the United States Department of Education, public schools have used Title I funds to provide their students with additional academic support and learning opportunities. For example, funds support extra instruction in reading and mathematics, as well as special preschool programs, after-school programs, and summer programs to extend and reinforce the regular school curriculum.

The United States Department of Education allocates Title I funds to eligible LEAs, such as DOE, based on the number of children ages 5 to 17 from low-income families residing in the LEA's school attendance areas. That number includes children who are: from families below the poverty level based on the most recent census data; from families above the poverty level receiving TANF benefits; supported in foster homes with public funds; or residing in local institutions for neglected children. Code of Federal Regulations (CFR) Title 34, Part 200, Subpart A, Section 200.63 [formerly Section 200.70].

Within an individual LEA, Title I funds must be allocated to eligible school attendance areas or eligible schools based on the total number of children from low-income families in each area or school. ESEA Title I, Part A, Subpart 1, Section 1113(c)(1). Further, LEAs must rank school attendance areas by poverty percentage. The measurements that an LEA may use to establish each school's or school attendance area's poverty percentage include the number of children ages 5 through 17 in poverty counted in the most recent census data, the number of children eligible for free and reduced-price lunches under the Richard B. Russell National School Lunch Act, the number of children in families receiving TANF assistance, the number of children eligible to receive medical assistance under the Medicaid program, or a composite of such indicators. ESEA Title I, Part A, Subpart 1, Section 1113(a)(5).

DOE is responsible for allocating Title I funds to City schools.² DOE uses students' eligibility for free lunch as recorded in its Automate the Schools system (ATS) to measure the poverty percentages at individual schools and to rank those schools by poverty level.³ Students may qualify for free lunch in a number of ways. First, parents or guardians may qualify based on their income and family size, which they must report in either a paper-based or online School Meal Application. DOE School Principals are responsible for distributing paper-based School Meal Applications at the beginning of the school year, collecting and reviewing them, following up on incomplete or unclear applications, and submitting completed applications to DOE's "SchoolFood" department.

SchoolFood is responsible for scanning paper-based School Meal Applications, following up on incomplete or unclear applications, and processing both paper-based and online School Meal Applications. It uses the MCS to scan, store, and read applications, and to determine whether

² DOE is responsible for allocating Title I funds to both public and private schools within New York City. DOE allocates funds to public and private schools through different processes. This audit reviewed only DOE's allocation of Title I funds to traditional public schools, which do not include charter schools or religious schools.

³ According to DOE, ATS is a school-based administrative system which standardizes and automates the collection and reporting of data such as biographical, attendance, and supplemental services information, for all students in the New York City public schools.

students qualify for free or reduced-price lunch based on the United States Department of Agriculture (USDA) Income Eligibility Guidelines. Meal codes denoting students' eligibility for school meals as determined by MCS are transmitted to ATS each day.

Students may also qualify for free lunch "categorically," based on their eligibility or the eligibility of someone in their household to receive benefits from a federally-funded program with the same or a lower household income limit as that for free lunch. Those programs include SNAP, TANF, and Medicaid. Students living in temporary housing also qualify "categorically" for free meals.⁴ DOE identifies such categorically-eligible students based on information from HRA, or by obtaining SNAP or TANF case numbers or eligibility letters from students.

DOE calculates each school's percentage of students in poverty (the "poverty percentage") by dividing the number of low-income students by the total number of students enrolled in the school during the prior school year.⁵ DOE then uses those poverty percentages to allocate Title I funds for the following school year. Minimum poverty percentage rates, known as Title I "cut-off" rates, are established for each borough. For Fiscal Year 2016, the cut-off rate was 60 percent for four of the five boroughs, while the remaining borough, Staten Island, had a cut-off rate of 48.05 percent.

For schools with poverty percentages that exceed the above-mentioned cut-off rates, DOE allocates a specified amount of funding for each Title I-eligible student attending a Title I-eligible school ("per capita" rate). DOE calculates per capita funding rates for each borough by dividing the borough's adjusted Title I funding award by the number of Title I eligible students enrolled in borough schools.⁶ Table 1 below details the Fiscal Year 2016 Title I per capita funding rates.

Table 1

<u>Title I Per Capita Funding Rates for</u> <u>Fiscal Year 2016</u>

	Manhattan	Bronx	Brooklyn	Queens	Staten Island
Per Capita Allocation	\$738.80	\$975.22	\$1,013.62	\$644.67	\$814.94

DOE may also allocate Title I funds to schools whose poverty percentages do not exceed cut-off rates in certain circumstances. DOE, for example, is required to allocate Title I funds to schools that have students residing in temporary housing—regardless of those schools' eligibility to receive Title I funding based on DOE's calculated poverty rates. Additionally, DOE may choose to allocate Title I funds to schools that were eligible to receive funds in the previous fiscal year but are not eligible in the current year. DOE may also allocate Title I funds to new schools that are located near Title I eligible schools.

⁴ "Students living in temporary housing" refers to homeless children. The McKinney-Vento Act defines homeless children as those "who lack a fixed, regular, and adequate nighttime residence."

⁵ DOE's Division of Instructional and Information Technology (DIIT) identified low-income students based on their ATS meal codes as of December 23, 2014 and identified students who were enrolled in schools as October 31, 2014.

⁶ The DOE School Allocation Memorandum No. 8, FY 2016, states that "[a]fter deducting the allowable set-asides, Title I instructional costs are then equitably distributed between non-public schools and public schools. The set asides include funds for priority and focus schools and parent engagement, which are allocated separately to schools. The Title I budget, net of these adjustments, is allocated to elementary, middle, and high schools on a per capita basis using the number of eligible children attending Title I designated schools."

In its School Allocation Memorandum for Fiscal Year 2016 (July 1, 2015 – June 30, 2016), DOE reported that it allocated a total of \$491.4 million in Title I funds to 1,552 schools.⁷

Objective

To determine whether DOE allocated Title I funds to public schools in accordance with applicable laws, rules, and regulations.

Scope and Methodology Statement

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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit covers Fiscal Year 2015 (July 1, 2014 – June 30, 2015). Students' meal eligibility in the 2015 School Year (July 1, 2014 – June 30, 2015) determined Title I funding in the 2016 School Year (July 1, 2015 – June 30, 2016). We reviewed students' meal eligibility as of December 23, 2014, and we looked at individual schools' Title I funding for the 2016 School Year. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with DOE officials during and at the conclusion of this audit. A preliminary draft report was sent to DOE on February 10, 2017 and discussed at an exit conference held on March 6, 2017. On March 17, 2017, we submitted a draft report to DOE with a request for written comments. On March 31, 2017, we received written comments from DOE.

In its response, DOE agreed with or partially agreed with five of the report's seven recommendations. DOE did not agree with the report's remaining two recommendations regarding "categorical" eligibility determinations made based on either the eligibility of a student's sibling to receive benefits from certain federally-funded assistance programs, or SNAP and TANF case numbers.

DOE stated that "if a family submits an application listing multiple students at different schools all living in the same household, that application's attestation is sufficient to evidence that all family members listed on the application reside at the same address. It is not necessary to document in MCS that a child's eligibility is based on the sibling's eligibility." However, DOE School Meal Applications do not expressly state that household members reside at the same address. Moreover, DOE's own guidelines only allow for school meal benefits to be extended based on school enrollment records. DOE's guidelines do not allow for school Meal Applications.

⁷ Students' meal eligibility in the 2015 School Year drives Title I funding in the 2016 School Year. We reviewed students' meal eligibility as of December 23, 2014. Therefore, we looked at the FY16 School Allocation Memo.

With regard to "categorical" eligibility determinations made based on SNAP or TANF numbers, DOE stated "the USDA Eligibility Manual states, 'LEAs **should** validate case number(s)' [emphasis added], it is a recommendation rather than a requirement. For a requirement the manual would indicate 'must' validate." We agree that the validation of SNAP and TANF numbers is not a requirement. However, DOE should validate SNAP and TANF numbers to ensure that it correctly determines students' eligibility for school meals and equitably allocates Title I funds.

DOE also noted that "[i]n continuing efforts to reduce the number of incomplete applications and to allow families to qualify for free or reduced priced meals more quickly, the DOE has been promoting the use of the Online School Meals Application. This outreach has resulted in a substantial increase in the use of online applications. The number of online applications has increased from 61,503 in 2013 to over 201,000 this school year through mid-March 2017. The use of online applications by families eliminates incomplete applications and reduces the risk of errors in reading handwriting."

The full text of DOE's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

DOE did not always properly document and determine students' eligibility for school meals, the criterion that DOE uses to measure an individual school's poverty percentage and rank the schools for the purpose of allocating Title I funds among the schools within each of the City's five boroughs. Since data provided by HRA was used by DOE to determine that 454.013 students were "categorically" eligible to receive free school meals, DOE can not be assured that it is completely and accurately capturing the information it needs to support these eligibility determinations absent current agreements detailing how the data provided by HRA was compiled. Second, based on our review of School Meal Applications submitted for a random sample of 150 students, DOE may have incorrectly determined the eligibility of 39 students (26 percent) to receive school meals: 22 students' paper-based School Meal Applications were incomplete, unclear, or contained inconsistent data; 14 students were determined by DOE to be categorically eligible for free school meals without its properly documenting their housing status; and 3 students were improperly determined to be eligible based on data for a sibling who lived in another household. Consequently, DOE may have erroneously included students who were not eligible for free school meals in Title I poverty counts and thereby may not have properly allocated Title I funds among the public schools.

DOE also could improve its efforts to validate the SNAP and TANF case numbers that students' parents or guardians provided on their School Meal Applications and to contact students' households to obtain information needed to process incomplete applications.

These findings are discussed in the following sections of this report.

DOE Did Not Always Properly Document and Determine Students' Meal Eligibility, Which Affects the Allocation of Title I Funds

DOE did not always properly document and determine students' eligibility for school meals, which is the criterion DOE uses to measure an individual school's poverty percentages and rank the schools for the purpose of allocating Title I funds.

Under USDA guidelines, students may qualify for free lunch based on their eligibility or the eligibility of someone in their household to receive SNAP, TANF, or Medicaid benefits. Students living in temporary housing (e.g., homeless shelters) also qualify for free lunch. DOE identifies these categorically-eligible students by obtaining eligibility information from HRA, or by obtaining SNAP or TANF case numbers or eligibility letters from students. Additionally, students may qualify for free or reduced-price lunch based on their household income and size as reported on School Meal Applications.

However, DOE did not maintain up-to-date correspondence or written agreements with HRA that set out or confirm how data that was used to determine 454,013 students' categorical eligibility to receive free school meals was compiled.

In addition, based on our review of School Meal Applications submitted for a random sample of 150 students, DOE may have incorrectly determined the eligibility of 39 students (26 percent) to receive school meals: 22 students' paper-based School Meal Applications were incomplete, unclear, or contained inconsistent data; 14 students were determined by DOE to be categorically eligible for free school meals without its properly documenting the students' housing status; and 3 students were erroneously determined to be eligible based on data for a sibling who lived in another household, as described in more detail below. Consequently, DOE may have improperly included students who were not eligible for free school meals in Title I poverty counts and, therefore, may not have properly allocated Title I funds to public schools.

DOE also could improve its efforts to validate students' categorical eligibility for free school meals by reviewing HRA eligibility data or contacting program officials.

DOE Did Not Maintain Up-to-Date Correspondence or Written Agreements for Data Used to Determine Students' Categorical Eligibility for Free School Meals

DOE did not maintain up-to-date correspondence or written agreements with HRA that set out or confirmed how the data that was used to determine 454,013 students' categorical eligibility to receive free school meals was compiled. Under USDA guidelines, students may qualify for free lunch based on their eligibility or the eligibility of someone in their household to receive benefits from a program with the same or a lower income limit as that for free lunch.

The USDA Food and Nutrition Service Eligibility Manual for School Meals issued in August 2014 (the USDA Eligibility Manual) requires:

[d]ocumentation to establish children's eligibility for free meals under direct certification for Assistance Programs, and to substantiate claims for reimbursement, must include:

- Names of children or any household member currently certified to receive benefits from Assistance Programs;
- A statement certifying that each child is a member of a household where someone receives Assistance Program benefits;
- At least one piece of identifying information matching each child with a child attending a particular school. . .;
- Date; and
- Signature of an official of the Assistance Program.

For computer matches which may not include the official's original signature, sufficient documentation must include correspondence or a written agreement between the Assistance Programs office and the LEA that sets out or confirms the manner in which LEA officials would be provided the children's SNAP, TANF or FDPIR status.⁸

As previously mentioned, DOE identifies categorically-eligible students by obtaining SNAP, TANF, and Medicaid eligibility information from HRA. However, DOE did not maintain up-to-date correspondence or written agreements with HRA that memorialized the data used for that purpose and the manner in which it was compiled. DOE provided us with a Memorandum of Understanding (MOU) between HRA and DOE dated December 4, 2012, which covered the data used for direct certification with the Medicaid program. However, that agreement was for "a demonstration project to test the effectiveness of direct certification with the Medicaid program" and only covered children enrolled in one of the three relevant programs—Medicaid—and only for the School Years 2011 through 2014.

Subsequently, after our March 6, 2017 exit conference, DOE provided us with an HRA memorandum dated January 9, 2004, which states, "[c]urrently there is a periodic match between a BOE [DOE] file and the PA [public assistance] file. The match results in an MIS created return file to the BOE [DOE] which contains PA data on successfully matched individuals. The BOE [DOE] has requested that a few new items of PA data be added to the file being returned to them."⁹ While the 2004 memorandum confirms that the two agencies 13 years ago updated their mechanism to match their data, it does not identify the data fields to be provided by HRA or the rules used by DOE for matching students, such as what data fields must match (e.g., last name, first name, date of birth, gender, address, etc...), whether they have to match exactly, and methods for resolving possible matches. In sum, the 2004 memorandum does not establish how DOE determined that students were categorically eligible for free lunch as required by the USDA Guidelines.

⁸ The relevant Assistance Programs Office for DOE is HRA.

⁹ DOE began operating New York City's public schools in 2002. Before that year, the City's public schools were administered in part by the Board of Education (BOE) of the City of New York. Although the BOE continues to exist as a legal entity under New York State law, it no longer functions as administrator of the City's public schools and was not functioning as such in 2004, notwithstanding the reference to the BOE in the 2004 HRA memorandum.

DOE Improperly Processed Incomplete Applications

In addition, DOE improperly processed students' paper-based School Meal Applications, which were incomplete, unclear, or contained inconsistent data. The USDA Eligibility Manual provides that

[a]ny application that is missing required information, that contains inconsistent information, or is unclear is considered an incomplete application and cannot be processed. . . .

A complete application must provide:

- Names of all household members;
- Amount and source of current income for each member and the frequency of the income;
- Signature of an adult household member; and
- Last four digits of the social security number of the adult household member who signs the application or an indication that the household member does not have one. . . .

Each household member who does not have income must also be identified and must have an indication of zero income on the application. Zero income may be indicated by checking a 'no income' box, by writing in 'zero' or 'no income' or by inserting \$0.

Applications where no income information is provided are considered incomplete. The LEA must follow up with the household to determine their status as 'zero' income or their current income.

Accordingly, DOE's 2014-2015 Eligibility Guidelines for Free and Reduced-Price Student Meals— Distribution, Review and Certification of the School Meals Application (DOE Eligibility Guidelines) states that it "is very important that the applications are reviewed carefully upon receipt from households" to ensure that they are complete. Further, SchoolFood's guide, *Principal's Best Practices to Maximize the Collection of School Meal Applications* (SchoolFood's *Principal's Best Practices*) states that school personnel "should review applications before submitting them to SchoolFood."

Nevertheless, based on our review of School Meal Applications submitted for 150 sampled students, SchoolFood improperly processed 22 students' applications that either lacked required income information and/or household members' names (13 applications) or contained unclear information, such as an illegible income amount, or inconsistent information, such as stating both an income amount and "no income" for the same household member (9 applications).

In response to this finding, after our March 6, 2017 exit conference, DOE informed us of a rule change that took effect for the 2015-2016 School Year that in effect instructs DOE to deem the absence of information in response to income questions in a School Meal Application to be an affirmative declaration of no income by the applicant. That no-income interpretation could render certain applications complete, i.e., if the absence of information was the only omission in the application. While we have considered the information that DOE provided, the rule change in

question was not in effect during our scope period and in any event would not have affected the applications that were incomplete for reasons other than the absence of income information or the applications that contained inconsistent information; accordingly, we have not modified this finding.

DOE Did Not Document Students' Categorical Eligibility Based on Their Housing Status

DOE improperly determined that students were categorically eligible for free school meals without adequately documenting that they lived in temporary housing. Under USDA regulations, students who live in temporary housing automatically qualify for free lunch. The USDA Eligibility Manual considers a student homeless "if s/he is identified as lacking a fixed, regular and adequate nighttime residence by the LEA homeless liaison, or by the director of a homeless shelter." Students' housing status must be documented. The USDA Eligibility Manual provides that,

[a]cceptable documentation that the children are homeless is obtained from the LEA homeless liaison or directors of homeless shelters where the children reside. Documentation to substantiate free meal eligibility must consist of the:

- Child's name or a list of names;
- Effective date(s); and
- Signature of the LEA liaison or the director of the homeless shelter."

Accordingly, the DOE Eligibility Guidelines states that,

[a]II public school districts are required to have a homeless liaison. Children identified as homeless by the liaison are eligible for free meals. Documentation of eligibility must be kept in the form of a list from the liaison consisting of the list of names, the effective date, and the signature of the liaison.

Of 50 sampled students that were deemed eligible for free school meals, SchoolFood based 14 determinations on students' temporary housing status. But DOE did not maintain the signed lists documenting those students' housing status as required. DOE instead provided us with Residency Questionnaires signed by students' parents or guardians specifying the housing status for five of the 14 students and no documentation for the remaining nine students. The questionnaires were not signed by either the LEA liaison or the director of the homeless shelter. Consequently, we cannot be assured that those 14 students were categorically eligible to receive free school meals.

DOE Improperly Extended Categorical Eligibility to Students

DOE improperly extended free-meal eligibility to students. The USDA Eligibility Manual states that "[a]ny one child's or household member's receipt of benefits from an Assistance Program extends free school meal eligibility to all children who are members of the household." The manual defines a household as "a group of related or nonrelated individuals who are living as one economic unit." Further, the manual states that an "economic unit is a group of related or unrelated individuals . . . who are living as one economic unit, and who share housing and/or significant income and expenses of its members. Generally, individuals residing in the same house are an economic unit." Accordingly, DOE's Eligibility Guidelines states that LEAs

may extend free meal benefits to all children living in the same household as a child receiving SNAP, TANF or FDPR benefits. School enrollment records of children living at the same address must be shown as documentation for eligibility.

However, based on our review of 50 sampled students' School Meal Applications, DOE improperly extended eligibility to students based on the eligibility of other family members who did not live at the same address. Of 50 sampled students that were deemed eligible for free school meals, SchoolFood based seven determinations on a "sibling match." SchoolFood determined that those seven students had siblings who were eligible for free lunch benefits, and thus extended benefits to them as well. However, SchoolFood improperly extended free school meals to three of the seven students who did not live at the same addresses as their eligible siblings.

In response to this finding, after our March 6, 2017 exit conference, DOE provided us with email correspondence between DOE and the New York State Education Department (NYSED) that in effect states that NYSED's view was that DOE could extend categorical eligibility to a student's sibling based on data in its Student Enrollment Management System (SEMS). Further, NYSED stated "it is important that on the back end you [DOE] keep a record of how you extended eligibility (so a reference to the SEMs database and the ability to provide evidence of the extension from that database should the need arise)." However, DOE did not maintain records that showed that siblings resided in the same household. Accordingly, in the absence of information showing that DOE made the required address matches we have not modified this finding.

DOE Could Improve Its Efforts to Validate Students' Categorical Eligibility for Free School Meals

DOE could improve its efforts to validate students' categorical eligibility for free school meals. The USDA Eligibility Manual provides that the

[r]eceipt of benefits by any household member from certain Assistance Programs conveys categorical (automatic) eligibility for free school meals to all children in the household. The determination is made through an application with appropriate case numbers or through direct certification for assistance programs.

These Assistance Programs include SNAP and TANF. For determinations made based on case numbers provided on students' School Meal Applications, the USDA Eligibility Manual requires that

[t]he determining official must assure that the Assistance Programs case number or other identifier consistent with the identifiers used in that program in that State are valid. LEA officials need to be familiar with the format of valid case numbers/other identifiers. LEAs should validate case number(s)/other identifier(s) listed on the application by reviewing direct certification data or contacting local assistance program officials.

Validation means a confirmation of an active case number.

The DOE Eligibility Guidelines state that "SchoolFood reviewing officials must familiarize themselves with valid SNAP and TANF case numbers before beginning the application approval process." However, the DOE Eligibility Guidelines do not instruct SchoolFood staff to validate case numbers by reviewing HRA eligibility data or contacting program officials as the USDA Eligibility Manual recommends. Of 50 sampled students that were deemed eligible for free school

meals, SchoolFood based three determinations on a SNAP or TANF case number. But based on our review of MCS data, DOE did not validate the case numbers for those three students.

In response to this finding, after our March 6, 2017 exit conference, DOE provided us with a NYSED "Free and Reduced Price Income Eligibility and Policy Information" memo that states that although "applications with invalid case numbers should not be approved, [nevertheless] . . . if you receive an application with a SNAP or TANF number, you must approve the application for free meals and include the application in the verification process."

However, the same NYSED memo states that "[s]chool officials must familiarize themselves with valid SNAP/TANF case numbers before beginning the application approval process. . . . *It is imperative that SNAP or TANF applications are correctly approved with proper numbers to prevent potential fiscal sanctions being assessed....*" [Emphasis added.] Therefore, as part of its verification process, DOE should, as instructed in the USDA Guidelines, validate case number(s)/other identifier(s) listed on the application by reviewing direct certification data or contacting local assistance program officials. In the absence of evidence demonstrating that DOE validated the case numbers it relied on, we have not modified this finding.

Recommendations:

DOE should:

1. Maintain up-to-date correspondence or written agreements with HRA that set out or confirm the manner in which SNAP, TANF, and Medicaid data that DOE uses to determine whether students are "categorically" eligible for free school meals was compiled.

DOE Response: "The DOE agrees with this recommendation. We agree that there is value in reviewing and updating the communication between the two agencies although we note that the draft report contains no finding that the information that the DOE received from HRA is inaccurate.... The DOE will reach out to HRA to update communications about what information from SNAP, TANF, and Medicaid is to be shared with the DOE for the purpose of determining student eligibility for free and reduced price meals."

2. Ensure that school and SchoolFood personnel carefully review School Meal Applications upon receipt to determine whether they contain all required information and process only those applications that are complete.

DOE Response: "The DOE partially agrees with this recommendation, but takes exception to the Comptroller's proposing that the DOE process <u>only</u> complete applications. Part of processing applications includes identifying those applications that are incomplete and taking follow up steps. . . . School and OSF personnel already carefully review the School Meal Applications to determine whether they contain all required information. Of the 22 student applications referenced by the Comptroller as incomplete, the majority of the issues were related to household members who left the income field blank rather than indicating zero income on the form. The USDA Eligibility Manual in effect during the audit scope period indicated that where no income information was provided, the application was to be considered incomplete. In July 2015, the USDA guidance was updated to state that, 'any income field left blank is a positive indication of no income and certifies that there is no income

to report. Applications with blank income fields will be processed as complete' (July 2015 Eligibility Manual for School Meals Determining and Verifying Eligibility, page 27). This is DOE's current practice."

Auditor Comment: As DOE acknowledges in its response, the USDA Eligibility Manual in effect during our audit scope period required that "[e]ach household member who does not have income must also be identified and must have an indication of zero income on the application. Zero income may be indicated by checking a 'no income' box, by writing in 'zero' or 'no income' or by inserting \$0. Applications where no income information is provided are considered incomplete. The LEA must follow up with the household to determine their status as 'zero' income or their current income."

Although the USDA subsequently changed its income reporting requirements for the 2015-2016 School Year, this does not excuse DOE's failure to comply with the federal requirements in effect during the 2014-2015 School Year.

DOE Response: "For the remaining applications, the Comptroller indicated the forms were either unclear or inconsistent. The DOE disagrees with the Comptroller's determinations. We reviewed the applications and the main issues were either a blank in the total household number field or an incorrectly tallied household number (i.e., that is the number of names on the forms did not equal the number in the box). The box provided for the tally of household members was not a requirement during the audit scope. An application is considered complete even if that field is left blank and therefore the DOE does not believe that the omission or incorrect information in that field is sufficient to disqualify students for free meals.

In continuing efforts to reduce the number of incomplete applications and to allow families to qualify for free or reduced priced meals more quickly, the DOE has been promoting the use of the Online School Meals Application. This outreach has resulted in a substantial increase in the use of online applications. The number of online applications has increased from 61,503 in 2013 to over 201,000 this school year through mid-March 2017. The use of online applications by families eliminates incomplete applications and reduces the risk of errors in reading handwriting."

Auditor Comment: Of the nine cited applications, DOE disagreed with our determinations for six applications which either did not contain household size information or contained inconsistent household size information.

As previously stated, parents or guardians may qualify for school meals based on their household size and income which they must report in either a paperbased or online School Meal Application. The USDA Eligibility Manual states:

"[t]o be considered, an application must include the required information which depends on the basis for applying--receipt of certain benefits (categorical eligibility) or household size and income. Any application that is missing required information, that contains inconsistent information, or is unclear is considered an incomplete application and cannot be processed. The LEA should make reasonable efforts to contact the household in order to obtain or clarify required information." Accordingly, the New York City Department of Education 2014-2015 Application for Free and Reduced-Price Meals instructs parents and guardians to "write first and last names of everyone living in household" and to write the "total number of persons in household".

School Meal Applications that do not contain all requested household information or contain inconsistent household information (i.e., the number of household member names listed is not the same as the "total number of persons in household" indicated on the application) are unclear and inconsistent, respectively. These applications should be considered incomplete and should not be processed.

Therefore, we reiterate that DOE should ensure that school and SchoolFood personnel carefully review School Meal Applications upon receipt to determine whether they contain all required information and process only those applications that are complete.

3. Maintain signed lists that document students' temporary housing status as required.

DOE Response: "The DOE partially agrees with this recommendation to the extent that it should maintain underlying documentation of temporary housing status where such information is not obtained from a computer match.

The DOE agrees that documentation should be available to support situations where students are determined to be categorically eligible for free school meals due to their living in temporary housing. DOE made changes to the process in the 2015-2016 school year and currently uses an electronic file transfer process between the Department of Homeless Services and DOE to identify students in NYC shelters. The DOE now uses this match to indicate that these students are free meal eligible.

For students who are not matched by this automatic process, their housing status is captured at the school level. Residency Questionnaires are given to all new students and students who report a change of address as per Chancellors Regulation A-780. The Residency Questionnaire allows families to identify whether they are in temporary housing (STH). This information is then entered into ATS by the school. While the schools were unable to provide nine of the 14 forms, the designation of the student as STH in the ATS system would not likely have been possible without a form being provided. Retention of the Residency Questionnaire will be emphasized at the training that is provided annually to all designated STH liaisons."

Auditor Comment: DOE's process for documenting students' eligibility for free school meals based on their housing status, as described above, does not comply with the USDA Eligibility Manual or its own guidelines.

As previously stated, the USDA Eligibility Manual states:

"[a]cceptable documentation that the children are homeless is obtained from the LEA homeless liaison or directors of homeless shelters where the children reside. Documentation to substantiate free meal eligibility must consist of the:

- Child's name or a list of names;
- Effective date(s); and

• Signature of the LEA liaison or the director of the homeless shelter."

Accordingly, the DOE Eligibility Guidelines state:

"[a]II public school districts are required to have a homeless liaison. Children identified as homeless by the liaison are eligible for free meals. Documentation of eligibility must be kept in the form of a list from the liaison consisting of the list of names, the effective date, and the signature of the liaison."

Therefore, we reiterate, that DOE should maintain signed lists that document students' temporary housing status as required.

4. Ensure that when a student's eligibility for free school meals is based only on a sibling's receipt of SNAP, TANF, or Medicaid program benefits, SchoolFood personnel extend such categorical eligibility only to those students living in the same households as their siblings who receive such benefits.

DOE Response: "The DOE agrees with this recommendation, which is a reflection of current practices.

The Comptroller identified three students for whom it concluded, based on information in MCS that the siblings did not live at the same address as their eligible siblings. We disagree with this conclusion for two of these students – it is the DOE's position that two of the three students were eligible for free meals due to their sibling's categorical eligibility and that they indeed shared the same household. For each of the two students, there was a family application on file with OSF that contained the names of the student and the sibling living at the same address. However, the Comptroller pointed to a different address in MCS as a means of contradicting the information on the form.

The student address in MCS is populated based on data from ATS, which may or may not be the most current address. If a family submits an application listing multiple students at different schools all living in the same household, OSF accepts that application at face value and the form is designed to allow the DOE to do just that. The form includes a signed attestation from the parent/guardian that certifies, among other things, that the family members listed on the application reside at the same address. Information in ATS is dependent on the parent/guardian actually requesting that the information be updated. The DOE does not believe that a student should be excluded from eligibility where the school meals application identifies the siblings as living in the same household even if ATS has not been fully updated.

The OSF will provide additional training to the staff member who made the incorrect determination on the third student."

Auditor Comment: DOE's process for extending free meal benefits to students, as described above, does not comply with the USDA Eligibility Manual or its own guidelines.

In its response, DOE asserts that school enrollment records are not required to document eligibility because School Meal Applications include a signed attestation certifying that "the family members listed on the application reside at the same address." Therefore, DOE can accept applications at "face value" and use them as a basis for extending free meal benefits to students. However, DOE School Meal Applications do not expressly state that household members reside at the same address. Rather, the application asks parents or guardians to provide each household member's name and respective income and a single household address, and to certify "that all of the information is true and that all income is reported."

Moreover, as previously stated, DOE's own guidelines only allow for school meal benefits to be extended based on school enrollment records. DOE's guidelines do not allow for school meal benefits to be extended based on information provided by parents or guardians on School Meal Applications.

The USDA Eligibility Manual states, "[a]ny one child's or household member's receipt of benefits from an Assistance Program extends free school meal eligibility to all children who are members of the household." The manual defines a household as "a group of related or nonrelated individuals who are living as one economic unit." Further, the manual states that an "economic unit is a group of related or unrelated individuals ... who are living as one economic unit, and who share housing and/or significant income and expenses of its members. Generally, individuals residing in the same house are an economic unit."

Accordingly, DOE's Eligibility Guidelines state that LEAs may extend free meal benefits to all children living in the same household as a child receiving SNAP, TANF or FDPR benefits. School enrollment records of children living at the same address must be shown as documentation for eligibility.

5. Document in MCS the specific school enrollment records that show that siblings live at the same address, when a child's eligibility for free school meals is based only on a sibling's eligibility.

DOE Response: "The DOE disagrees with this recommendation. The DOE believes that the Comptroller misunderstands the purpose of a household application. As stated in response to recommendation four, if a family submits an application listing multiple students at different schools all living in the same household, that application's attestation is sufficient to evidence that all family members listed on the application reside at the same address. It is not necessary to document in MCS that a child's eligibility is based on the sibling's eligibility. The application, which MCS has an electronic footprint of, is the necessary proof."

Auditor Comment: Please see Auditor Comment for Recommendation # 4.

 Improve its efforts to validate SNAP and TANF case numbers provided on students' School Meal Applications by reviewing direct certification data or contacting local assistance program officials, and document SNAP and TANF eligibility in MCS.

DOE Response: "The DOE disagrees with this recommendation.

The majority of categorically eligible students are matched through a direct certification matching process with HRA. There are cases where families receiving SNAP or TANF benefits submit meal applications and include their benefit number. Guidance provided by SED states that officials need to be familiar with the format of a valid case numbers or other identifiers, such as a certification letter. The MCS software can identify the proper format and make

the appropriate eligibility determination. If the format is incorrect and the student has not otherwise been determined categorically eligible through other matching processes, the application will be processed as incomplete and notification will be distributed to the school to be sent to the family, for them to contact School Food Help Desk for provide the correct number.

While the USDA Eligibility Manual states, 'LEAs **should** validate case number(s)' [emphasis added], it is a recommendation rather than a requirement. For a requirement the manual would indicate 'must' validate. The USDA also instructs SFAs that if an application is received with a SNAP or TANF number, the application for free meals must be approved and included in the verification process. The DOE includes these applications as part of the verification pool each year, and therefore is in compliance with the USDA's guidelines."

Auditor Comment: While DOE is not required to validate SNAP and TANF case numbers provided on students' School Meal Applications, DOE should confirm that case numbers are active to ensure that it correctly determines students' eligibility for school meals and equitably allocates Title I funds.

DOE Could Improve Its Follow Up on Incomplete School Meal Applications

DOE could improve its efforts to follow up to obtain missing information for incomplete School Meal Applications, and to ensure they are properly processed. Under USDA regulations, incomplete applications should not be processed. In cases of incomplete applications, the USDA Eligibility Manual states that LEAs should

make reasonable efforts to contact the household in order to obtain or clarify required information [and provides that] . . .

- To get the required information, the school may return the application to the household or contact the child's parent or guardian, either by phone or in writing, including e-mail. The determining official should document the details of the contact, and date and initial the entry. . . .
- Every reasonable effort should be made to obtain the missing information prior to denying the application.

Accordingly, the DOE Eligibility Guidelines states that it "is very important that the applications are reviewed carefully upon receipt from households and that any missing information which is required to complete the processing . . . is obtained as quickly as possible so that the child receives the correct benefit in a timely manner." Further, SchoolFood's *Principal's Best Practices* guide states that the school personnel should "make reasonable efforts to contact the household in order to obtain or clarify required information." If applications are updated based on information obtained from the household, school personnel are required to document the details of the parent contact.

Based on our review of incomplete School Meal Applications for 50 sampled students, SchoolFood made documented efforts to contact 41 out of 50 households by writing them or calling them to obtain or clarify information. Upon receipt of incomplete School Meal Applications, SchoolFood primarily contacted the relevant households by sending notification letters to them.

The notification letters informed the households that their applications were denied because they were incomplete and that they should contact the SchoolFood helpdesk to provide required information. However, DOE did not always send those letters to the affected households. Consequently, some students who may have been eligible for free school meals upon review of a complete application may not have been included in schools' poverty counts used to allocate Title I funds.

Recommendation:

DOE should:

7. Ensure that designated school personnel send notification letters to all households that submitted incomplete School Meal Applications instructing them to contact the SchoolFood helpdesk to provide the required information.

DOE Response: "The DOE agrees with this recommendation, which is a reflection of current practices.

Once MCS denies an application because it is incomplete, written notice is generated in the form of a letter at the school, or an email if the parent/guardian provided an email address on the application. The written notice provides details of what is missing on the application as well as instructions on how to provide this information to OSF for completion."

Auditor Comment: In its response, DOE states that this a reflection of its "current practices." However, during the audit scope period, DOE did not send notification letters to all households that submitted incomplete School Meal Applications instructing them to contact the SchoolFood helpdesk to provide the required information. As previously stated, based on our review of incomplete School Meal Applications for 50 sampled students, SchoolFood made documented efforts to contact 41 out of 50 households by writing them or calling them to obtain or clarify information. DOE did not send letters to 11 out of 50 households.

DETAILED SCOPE AND METHODOLOGY

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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The issues with DOE are fully disclosed in the Findings and Recommendations section of this report. The scope of this audit covers Fiscal Year 2015. Students' meal eligibility in the 2015 School Year (July 1, 2014 – June 30, 2015) drives Title I funding in the 2016 School Year (July 1, 2015 – June 30, 2016). We reviewed students' meal eligibility as of December 23, 2014. Therefore, we looked at individual schools' Title I funding for the 2016 School Year.

To obtain an understanding of the policies, procedures, and regulations governing the allocation of Title I funds, we reviewed: relevant portions of Title I, Part A of the Elementary and Secondary Education Act; the USDA Income Eligibility Guidelines; the United States Department of Education's Local Educational Agency Identification and Selection of School Attendance Areas And Schools and Allocation of Title I Funds to Those Areas And Schools; and NYSED Office of Accountability's general instructions for completing the required Title I Application Supplement. We also reviewed the DOE Eligibility Guidelines; SchoolFood's *Principal's Best Practices Maximize the Collection of School Meal Applications* guide; SchoolFood's Training Manual; and DOE's School Allocation Memorandum for Fiscal Year 2016.

To gain an understanding of DOE's procedures for allocating Title I funds to public schools, processing School Meal Applications, and to assess DOE's internal controls, we interviewed officials from DOE's Budget, SchoolFood, and DIIT Unit.

We obtained a file from ATS of public school students with their Meal Code status as of December 23, 2014 (deadline for Title I eligibility). We sorted the data in this file by Meal Code to determine the number of students that were eligible for free lunch due to direct certification through a computer match (Meal Code A), students eligible for free meals based on an application (Meal Code 1), students eligible for reduced-price meals based on an application (Meal Code 2), students paying full price for meals based on an application (Meal Code 3), students with incomplete applications (Meal Code 4), and students who did not submit an application (Meal Code 5).

To determine whether DOE only included students between the ages of 5 and 17 who were eligible for free lunch when calculating poverty rates, we calculated each student's age at the beginning (7/1/14) and the end (6/30/15) of the school year and reviewed students' meal codes as recorded in ATS. We then identified and quantified the number of students included in Title I poverty counts who were not age 5 to 17 at some time during the school year.

To determine whether the inclusion of age-ineligible students in Title I poverty counts impacted individual schools' School Year 2016 Title I allocations, we recalculated City schools' poverty percentages and the five boroughs' per capita Title I funding rates. There were a total of 1,589 schools that were potentially eligible to receive Title I funding on the FY 2016 School Allocation

Memo. It should be noted that 295 of these schools participated in the Universal School Meal (USM) program and had poverty percentages that were based on poverty counts from prior years. We did not recalculate the poverty percentages for these schools. In addition, ESEA Title I, Part A, Subpart 1, Section 1113(b)(1)(C) allows LEAs to "... designate and serve a school attendance area or school that is not eligible under this section, but that was eligible and that was served in the preceding fiscal year" Accordingly, for schools whose auditor-calculated poverty percentages fell below Title I cut-off rates, we determined whether schools were eligible for and received Title I funds in the previous year. We considered 25 schools eligible for Title I funds based on their previous year's Title I eligibility status. In our calculations, we used the same ATS data that DOE used (i.e., students' meal eligibility). However, we included only students who were between the ages of 5 and 17.

We randomly selected a sample of 50 students each from Meal Codes 1, 2, and 3 (150 total).¹⁰ For each of the 150 sampled students, we reviewed their School Meal Applications to determine whether they contained all information required—income amount, income frequency, household members, social security number or an attestation that the head of household did not have a social security number, and head of household signature—and that this information was accurately recorded in MCS.

For those applications that were complete and processed based on reported income, we determined whether students were eligible to receive free, reduced, or full-price school meals based on USDA Income Eligibility Guidelines. We then compared our eligibility determinations to those processed in MCS and recorded in ATS.

For those students who were determined to be eligible for free school meals based on their temporary housing status, we requested DOE Homeless Liaisons' signed lists of homeless students or certifications from homeless shelters.

For those students who were determined to be eligible for free school meals based on their providing a SNAP or TANF case number, we reviewed MCS notes to see whether SchoolFood staff validated case numbers by contacting program officials.

For those students who were determined to be eligible for free school meals based on a member of their households categorical eligibility, we reviewed MCS student records to see whether they lived at the same address.

We also randomly selected a sample of 50 out of 6,747 students with Meal Code 4. For each of the 50 students, we reviewed MCS records to determine whether SchoolFood staff contacted households to obtain missing information that was needed to process forms or to clarify information.

We requested certifications, correspondence, or written agreements between DOE and HRA which memorialized the data provided and the manner in which it was compiled, and certified students' or members' of their households eligibility to receive program benefits.

While the results of our tests of school meal applications for sampled students are not projectable to the entire population, it does provided sufficient and appropriate evidence to support our findings and conclusions.

¹⁰ There were 171,142 students designated as Meal Code 1; 54,969 students designated as Meal Code 2; and 140,359 students designated as Meal Code 3.

ADDENDUM Page 1 of 6



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212 374 7868 Tel 212 374 5588 Fax March 31, 2017

Ms. Marjorie Landa Deputy Comptroller for Audits New York City Office of the Comptroller 1 Centre Street, Room 1100 New York, NY 10007-2341

Re: Audit Report on the Department of Education's Allocation of Title I Funding to Public Schools (FK15-080A)

Dear Ms. Landa:

This letter will serve as the New York City Department of Education's (DOE) formal response to the New York City Office of the Comptroller's (Comptroller) draft report of the *Department of Education's Allocation of Title I Funding to Public Schools* (Report).

The DOE offers the following response to the Comptroller's seven recommendations. The DOE's response lays out the DOE's continued proactive actions concerning its processing of school meal applications, which are the basis of determining Title I allocation funding at the DOE.

Response to Recommendations

Recommendation 1. Maintain up-to-date correspondence or written agreements with HRA that set out or confirm the manner in which SNAP, TANF, and Medicaid data that DOE uses to determine whether students are "categorically" eligible for free school meals was compiled.

Response. The DOE agrees with this recommendation.

We agree that there is value in reviewing and updating the communication between the two agencies although we note that the draft report contains no finding that the information that the DOE received from HRA is inaccurate. The DOE has been receiving data from the Human Resource Administration (HRA) continuously for more than 14 years. The DOE will reach out to HRA to update communications about what information from SNAP, TANF, and Medicaid is to be shared with the DOE for the purpose of determining student eligibility for free and reduced price meals. **Recommendation 2.** *Ensure that school and SchoolFood personnel carefully review School Meal Applications upon receipt to determine whether they contain all required information and process only those applications that are complete.*

Response. The DOE partially agrees with this recommendation, but takes exception to the Comptroller's proposing that the DOE process <u>only</u> complete applications. Part of processing applications includes identifying those applications that are incomplete and taking follow up steps.

During the audit scope, the DOE adhered to New York State Education Department (SED) Guidelines from the SED New Policy Booklet 2014-2015 that contained a sample notification letter to parents/guardians to inform them of the approval or denial of applications (Policy Booklet, page 55). The sample letter included the option to deny an incomplete application and space to indicate the missing information, as well as to provide the School Food Authority (SFA) contact information, which in this case would be the Office of School Food (OSF) Help Desk.

School and OSF personnel already carefully review the School Meal Applications to determine whether they contain all required information. Of the 22 student applications referenced by the Comptroller as incomplete, the majority of the issues were related to household members who left the income field blank rather than indicating zero income on the form. The USDA Eligibility Manual in effect during the audit scope period indicated that where no income information was provided, the application was to be considered incomplete. In July 2015, the USDA guidance was updated to state that, "any income field left blank is a positive indication of no income and certifies that there is no income to report. Applications with blank income fields will be processed as complete" (July 2015 Eligibility Manual for School Meals Determining and Verifying Eligibility, page 27). This is DOE's current practice.

For the remaining applications, the Comptroller indicated the forms were either unclear or inconsistent. The DOE disagrees with the Comptroller's determinations. We reviewed the applications and the main issues were either a blank in the total household number field or an incorrectly tallied household number (*i.e.*, that is the number of names on the forms did not equal the number in the box). The box provided for the tally of household members was not a requirement during the audit scope. An application is considered complete even if that field is left blank and therefore the DOE does not believe that the omission or incorrect information in that field is sufficient to disqualify students for free meals.

In continuing efforts to reduce the number of incomplete applications and to allow families to qualify for free or reduced priced meals more quickly, the DOE has been



promoting the use of the Online School Meals Application. This outreach has resulted in a substantial increase in the use of online applications. The number of online applications has increased from 61,503 in 2013 to over 201,000 this school year through mid-March 2017. The use of online applications by families eliminates incomplete applications and reduces the risk of errors in reading handwriting.

Recommendation 3. *Maintain signed lists that document students' temporary housing status as required.*

Response. The DOE partially agrees with this recommendation to the extent that it should maintain underlying documentation of temporary housing status where such information is not obtained from a computer match.

The DOE agrees that documentation should be available to support situations where students are determined to be categorically eligible for free school meals due to their living in temporary housing. DOE made changes to the process in the 2015-2016 school year and currently uses an electronic file transfer process between the Department of Homeless Services and DOE to identify students in NYC shelters. The DOE now uses this match to indicate that these students are free meal eligible.

For students who are not matched by this automatic process, their housing status is captured at the school level. Residency Questionnaires are given to all new students and students who report a change of address as per Chancellors Regulation A-780. The Residency Questionnaire allows families to identify whether they are in temporary housing (STH). This information is then entered into ATS by the school. While the schools were unable to provide nine of the 14 forms, the designation of the student as STH in the ATS system would not likely have been possible without a form being provided. Retention of the Residency Questionnaire will be emphasized at the training that is provided annually to all designated STH liaisons.

Recommendation 4. Ensure that when a student's eligibility for free school meals is based only on a sibling's receipt of SNAP, TANF, or Medicaid program benefits, SchoolFood personnel extend such categorical eligibility only to those students living in the same households as their siblings who receive such benefits.

Response. The DOE agrees with this recommendation, which is a reflection of current practices.

The Comptroller identified three students for whom it concluded, based on information in MCS that the siblings did not live at the same address as their eligible siblings. We disagree with this conclusion for two of these students – it is the DOE's position that two of the three students were eligible for free meals due to their sibling's categorical eligibility and that they indeed shared the same household. For each of the two students, there was a family application on file with OSF that contained the names of the student and the sibling living at the same address. However, the Comptroller pointed to a different address in MCS as a means of contradicting the information on the form.

The student address in MCS is populated based on data from ATS, which may or may not be the most current address. If a family submits an application listing multiple students at different schools all living in the same household, OSF accepts that application at face value and the form is designed to allow the DOE to do just that. The form includes a signed attestation from the parent/guardian that certifies, among other things, that the family members listed on the application reside at the same address. Information in ATS is dependent on the parent/guardian actually requesting that the information be updated. The DOE does not believe that a student should be excluded from eligibility where the school meals application identifies the siblings as living in the same household even if ATS has not been fully updated.

The OSF will provide additional training to the staff member who made the incorrect determination on the third student.

Recommendation 5. Document in MCS the specific school enrollment records that show that siblings live at the same address, when a child's eligibility for free school meals is based only on a sibling's eligibility.

Response. The DOE disagrees with this recommendation.

The DOE believes that the Comptroller misunderstands the purpose of a household application. As stated in response to recommendation four, if a family submits an application listing multiple students at different schools all living in the same household, that application's attestation is sufficient to evidence that all family members listed on the application reside at the same address. It is not necessary to document in MCS that a child's eligibility is based on the sibling's eligibility. The application, which MCS has an electronic footprint of, is the necessary proof.

Recommendation 6. Improve its efforts to validate SNAP and TANF case numbers provided on students' School Meal Applications by reviewing direct certification data or contacting local assistance program officials, and document SNAP and TANF eligibility in MCS.

Response. The DOE disagrees with this recommendation.



The majority of categorically eligible students are matched through a direct certification matching process with HRA. There are cases where families receiving SNAP or TANF benefits submit meal applications and include their benefit number. Guidance provided by SED states that officials need to be familiar with the format of a valid case numbers or other identifiers, such as a certification letter. The MCS software can identify the proper format and make the appropriate eligibility determination. If the format is incorrect and the student has not otherwise been determined categorically eligible through other matching processes, the application will be processed as incomplete and notification will be distributed to the school to be sent to the family, for them to contact School Food Help Desk for provide the correct number.

While the USDA Eligibility Manual states, "LEAs *should* validate case number(s)" [emphasis added], it is a recommendation rather than a requirement. For a requirement the manual would indicate "must" validate. The USDA also instructs SFAs that if an application is received with a SNAP or TANF number, the application for free meals must be approved and included in the verification process. The DOE includes these applications as part of the verification pool each year, and therefore is in compliance with the USDA's guidelines.

Recommendation 7. Ensure that designated school personnel send notification letters to all households that submitted incomplete School Meal Applications instructing them to contact the SchoolFood helpdesk to provide the required information.

Response. The DOE agrees with this recommendation, which is a reflection of current practices.

Once MCS denies an application because it is incomplete, written notice is generated in the form of a letter at the school, or an email if the parent/guardian provided an email address on the application. The written notice provides details of what is missing on the application as well as instructions on how to provide this information to OSF for completion.

The School Food Help Desk logs incomplete applications and households responding to Notification of Eligibility Letters. The data below supports the fact that significant outreach is made to families to obtain missing information to complete the School Meal Application process.

In school year 2015-2016, as of June 30, 2016 there were 5,818 incomplete applications on file in ATS. As a result of outreach efforts by the DOE, the following responses were tracked:

- 3,130 –Total number of calls to/from households:
 - o 865 Inbound, household to OSF
 - o 837 Inbound, school staff to OSF

- \circ 1,402 Outbound, OSF to household
- 26 Other (Voicemail, fax, dropped/hang up early)

In school year 2016-2017, as of February 28, 2017 there were 3,471 incomplete applications on file in ATS. As a result of outreach efforts by the DOE, the following responses were tracked:

- 2,919 The total amount of calls to/from households:
 - \circ 541 Inbound, household to OSF
 - 262 Inbound, school staff to OSF
 - 1,975– Outbound, OSF to household
 - 141 Other (Voicemail, fax, dropped/hang up early)

As stated in the response to recommendation number two, DOE continues to promote the use of the Online School Meals Application by families in order to reduce the number of incomplete applications. As seen by the metrics provided above, this has also reduced the number of incomplete applications managed by the DOE.

Sincerely yours,

Eliza Elese

Elizabeth A. Rose