

# Community Services Department:

## *Head Start Child Care Food Program Costs*

*(Project No. 01-M-07)*

This document is the result of a collaboration between the Department of  
Community Services and the Office of Financial Management & Budget,  
Financial Management Division

DECEMBER  
2001  
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## Executive Summary

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### Report Highlights . . .

#### *Our review of the Child Care Food Program reveals:*

- ☑ *Program costs have generally been in line with service levels, except in FY 2001*
  - ☑ *Head Start meal programs in several peer counties in Florida operate both as in-house and contract programs, with costs and enrollments similar to Palm Beach County's*
  - ☑ *Financial information management activities of the program need to be improved, as do program forecasting capabilities.*
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Head Start is a federal program for early childhood development directed at low-income children and their families. It was created by Congress in 1965 to increase the school readiness of low-income youngsters up to the age of five years. Palm Beach County government, acting through its Department of Community Services (department), is a grantee agency providing a range of Head Start services relating to early childhood education, wellness, nutrition, and parent involvement to eligible residents of the county. As part of its mission, the department provides nutritionally balanced breakfasts, lunches and mid-day snacks to as many as 700 youngsters each day from eleven Head Start centers located throughout the county.

In response to a request from county administration, the Management and Program Analysis Section conducted a study to assess the service delivery costs of one component part of the Head Start program—the Child Care Food Program (CCFP). This report contains the results of that study, in the form of our findings, conclusions and recommendations. James Godfrey, Senior Management and Operations Consultant, was the lead analyst assigned to this project.

The study found that the meal program structure generally functions well, and is not dissimilar in operation and cost to several peer counties in Florida, but that its record keeping and financial management capabilities need to be improved. It appears likely that the true costs of operating the program are not fully known to program managers because the costs of a large number of employees with casual involvement in the program are not adequately represented in the indirect cost allocation method used by the department.

The report makes the following five recommendations:

- The department should re-evaluate its approach to forecasting the number of meals and related revenues;
- Budgeted revenues and expenditures should be reconciled to actual revenues and expenditures on at least a calendar quarter basis;
- An in-depth analysis should be conducted of the Food & Dietary account to determine the reasons for a large increase in FY 2001;
- A staff allocation analysis should be conducted to accurately incorporate the costs of all indirect staff involvement in the Child Care Food Program;
- Formal written procedures should be developed for record keeping functions.

## Community Services Department: Head Start Cost Per Meal

*A study to evaluate the cost of providing meals to youngsters participating in the County's Head Start program*

**P**alm Beach County is an authorized provider of early childhood services, including basic nutritional meals for children enrolled in the federal Head Start program locally.

The purpose of this report is to provide county administration and managers of the Community Services Department (department) with insights into the cost effectiveness of providing meals to eligible children under the department's administration of the Child Care Food Program (CCFP) of the U.S. Department of Health and Human Services.

This was not an efficiency study; it did not set out to evaluate the efficiency or effectiveness of existing programs or staff. It sought only to quantify the costs associated with the CCFP portion of the county's Head Start program. As a secondary objective, the study examined service delivery mode and costs in selected peer counties around Florida.

**The study focused** on the various factors affecting the cost of meal services provided by the county under the Head Start program, including number of program participants, grantor agency programmatic requirements, internal processes used to qualify applicants and track and report expenditures, and service delivery method and associated costs. Information from comparable counties was solicited in order to compare the county's relative cost experience with that of others.

**The methodology** used in this study included all of the following:

- Documentary research was conducted on internal workload activity and performance indicators of the meals program for the past several years;
- Relevant CCFP and grantor documents were reviewed;

- Florida Department of Health audits of the Child Care Food Program were examined;
- Interviews were conducted with staff and managers of the Community Services Department;
- Reimbursements and expenditures were reviewed and analyzed;
- The food distribution system and food service vendors were examined;
- A survey was conducted of peer counties in Florida to establish benchmarks for comparison with Palm Beach County;
- Information was obtained from Internet sites as necessary to supplement information available locally.

## Introduction

### OVERVIEW: CHILD CARE FOOD PROGRAM

The Child Care Food Program (CCFP), a part of Head Start's health component is a federally funded program administered by the U.S. Department of Agriculture (USDA) which provides financial assistance to states to initiate, maintain and expand nonprofit food service programs for children who are enrolled in institutions which provide day care. Children enrolled in the program are classified into three eligibility categories: 1) free; 2) reduced-price; or 3) non-needy, according to income and age guidelines established by USDA. In Florida, the program is administered by the Bureau of Child Nutrition Programs of the Florida Department of Health (DOH) through participating local agencies, including Palm Beach County.<sup>1</sup>

Local agencies must comply with a myriad of requirements and guidelines to ensure consistent nutritional services. The Departments of Agriculture and Health and Human Services (USDA/HHS) provide recommendations and requirements in regard to meal content and nutritional standards. Guidance for administering the meal content and nutritional requirements falls under the Code of Federal Regulations (CFR). Specifically, 45 CFR 1304.23 (Appendix 1) provides the information necessary for nutritional compliance in the CCFP.

The Recommended Dietary Allowances (RDAs) of the National Research Council of the National Academy of Sciences are used to establish the nutritional needs of children. Analyses of nutrients in food served and Nutrition Facts labels are compared to the RDAs to ensure that children in full-day programs receive from one-half to two-thirds of their daily nutritional needs through CCFP.

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<sup>1</sup> Head Start services consist of four components: education, parent involvement, social services, and health. [Source: U.S. Department of Health and Human Services Fact Sheet]

Nutritional needs and requirements are met by serving a variety of healthy foods, including breads and other grain products, vegetables, fruits, meat and meat alternatives (such as eggs, nuts, seeds, dry beans, peas and cheese ), and milk and milk products (yogurt and cheese). The USDA/HHS Food Guide Pyramid provides a basis for determining the kinds and amounts of the food groups to be eaten each day. Cultural, religious, ethnic and personal food preferences are determined through communication with parents, and are accommodated wherever possible, as are special medical or dietary needs.

Appendix 2 provides an example of the meal content and quantities used in the Child Care Food Program. Cycles of three weeks or longer are used in formulating balanced and varied menus, and in planning purchase orders and work schedules (Appendix 3). Menus are posted in the food preparation and dining areas and are sent home to keep staff, parents and children informed of changes and substitutions.

Beyond the nutritional aspects of the Child Care Food Program, federal program guidelines also suggest that meal times provide opportunities that support the development and socialization of children. Recommendations for making the most of such opportunities include:

- Serving meals in a pleasant, well-lighted, and ventilated area that encourages socialization;
- Considering how food-related activities can support and enhance each child's social, emotional, cognitive, and physical skills and abilities; and
- Involving families in food preparation and mealtime activities in the program, and discussing ways to use such activities as learning opportunities in the home.

In addition to the aforementioned agencies, other resources for equipment, food or professional guidance regarding a high quality nutrition program include the following organizations:

- USDA child nutrition programs, such as the Child and Adult Care Food Program and the Supplemental Nutrition Program for Women, Infants and Children;
- State Nutrition and Education and Training Program;
- Professional and trade organizations such as the American Dietetic Association, American Home Economics Association, American Academy of Pediatrics, American Dental Association and the Society for Nutrition Education.

## OVERVIEW: PALM BEACH COUNTY’S HEAD START CHILD CARE FOOD PROGRAM

The Child Care Food Program in Palm Beach County is operated by the Community Services Department through its Head Start program. The program serves breakfasts, lunches and snacks to more than 800 children between the ages of three and five, at Head Start centers in eleven locations throughout the county (Appendix 4). In fiscal year 2001, a total of 452,247 meals were served through the local program (Appendix 5).

### Head Start Centers

Palm Beach County operates Head Start centers from Delray Beach in the south to Jupiter in the north, and from West Palm Beach to the communities of the Glades. Among other activities, the centers provide nutrition services to participants in the form of breakfasts, lunches and snacks; no dinners are served. Three of the centers have kitchens that prepare the food for their own use and for nearby centers. The prepared food is transported to the outlying centers and catered by Head Start Food Service staff. The display below lists the kitchen locations and the centers they serve.

Kitchen		Centers Served
Boynton Beach	—	Boynton Beach, Delray Beach, Lake Worth
West Palm Beach	—	West Palm Beach, Jupiter, Riviera Beach, Roosevelt, West Gate
South Bay	—	South Bay, Pahokee, Palm Glades

Note: See also *Appendix 14*

The number of centers operating in the program is determined in the following manner:

- Every three years a detailed Community Assessment Survey is conducted by Head Start personnel (Appendix 6). The survey is given to parents of participants in the program as well as other households in the community. The survey canvasses for such information as education, income and housing. A less detailed survey is conducted on an annual basis.
- Other childcare programs in the county are reviewed by Head Start personnel for pertinent demographics related to potential candidates of the food program.
- Other funding agencies such as Child Care Resource and Referral and the Children’s Services Counsel are reviewed by Head Start personnel for related information.
- The data from these sources are analyzed for the highest concentration of those meeting eligibility requirements.

- The waiting list of participants is examined.
- A committee of Family Services staff and parents reviews all the available data and makes recommendations prioritized by the highest need.
- Head Start management reviews the recommendations and, if warranted, a new center site is determined and an expansion grant prepared.

### **Program Staffing**

The Child Care Food Program operates with twelve permanent county employees (Appendix 7). Their titles and a brief description of duties are as follows:

- Nutrition Coordinator (1) – Responsible for developing, implementing and supervising the Head Start nutrition component. Directs and monitors the preparation, service and distribution of meals to all Head Start centers.
- Messenger (1) – Duties include manual and clerical work in receiving, sorting and delivering mail, interoffice communications and miscellaneous items.
- Cook III (3) – Responsible for directing subordinate personnel in food preparation and service of food. Schedules, assigns and directs the preparation and service of foodstuffs.
- Cook II (7) – Duties include the preparation and service of food. Prepares and cooks a variety of menus for breakfast and lunch.

In addition to these twelve positions whose salaries are directly charged to the Child Care Food Program, numerous other staff positions in the department also have functions related to the program. These include Head Start Center Managers, Family Service Specialists, and Nutrition Service Specialists.<sup>2</sup>

### **Program Eligibility and Applicant Processing**

Applicants for participation in the Child Care Food Program must meet certain requirements to become eligible for free or reduced-price meals. At each of the eleven Head Start centers, applications received from parents of prospective participants are reviewed for accuracy and completeness (Appendix 9). Eligibility is determined on established income guidelines (Appendix 10). Income is verified by Family Service Specialists on the Head Start staff by reviewing recent pay stubs, federal tax returns or, in the case of families on

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<sup>2</sup> Costs for these positions are accounted for in a separate cost center. See Appendix 8 for a complete list of these positions.

public assistance, from client documentation showing caseworker name for verification and follow up.

Once preliminary screening is completed at the point of intake, original applications are sent to the Head Start Nutrition Office where each application is once again reviewed for accuracy and completeness by a Nutrition Service Specialist. The originals are maintained in the Nutrition Office and copies of the applications are maintained at the center.

### **Record Keeping**

In order for Palm Beach County to participate in the Child Food Care Program, a series of forms and applications must be completed and submitted to the Department of Health (DOH) Area Consultant for approval. The completion of these documents results in a contract between the DOH and the county. Completion and maintenance of these records are required for reimbursement.

Enrollment rosters showing attendance and meal service counts are completed by the Family Service Specialist, under the supervision of the Center Manager (Appendix 11). Enrollment rosters are kept current and additions are made as each child is enrolled. Attendance sheets (Appendix 12) and monthly meal count worksheets (Appendix 13) are recorded in every classroom in addition to a master worksheet with center totals. At the beginning of each month, all enrollment rosters, attendance sheets and meal count worksheets, including the master worksheet, from the previous month are sent to the Nutrition Office. The Nutrition Office reviews the enrollment rosters for accuracy and compares the roster to the actual attendance records. All worksheets from the centers are recalculated and totals listed on the meal count worksheets are compared with the totals on the attendance sheets to ensure they match. This information, together with state reimbursable operating expenditures obtained from the county's LGFS financial system, is used by a Fiscal Specialist to prepare reimbursement requests for submittal to the state.<sup>3</sup>

Each month a Child Care Center Claim Voucher (Appendix 14) is prepared by the county and submitted via computer to the Florida Department of Health. A reimbursement check is issued from the State of Florida based on the total number of breakfasts, lunches and snacks served. Reimbursement rates for each meal are set by the federal government on a yearly basis.<sup>4</sup>

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<sup>3</sup> Not all program expenditures are reimbursed by the state under CCFP. See Table 2 on page 10 for a breakdown of reimbursable and non-reimbursable program expenses.

<sup>4</sup> Reimbursement rates in effect from July 2000 through June 2001 are included in Appendix 15.

All costs claimed for the kitchens are forwarded to the Nutrition Office each Friday. Non-kitchen centers forward their invoices directly to the county fiscal department. Copies of invoices are kept at each center and are reviewed by Nutrition staff on monitoring visits.

**Program Monitoring**

For compliance and quality control, monitoring visits are conducted by staff Nutrition Services Specialists at each center three times per year.<sup>5</sup> Centers are monitored for (1) license and enrollment information; (2) health, safety and sanitation; (3) civil rights; (4) training and monitoring; and (5) meal observation.

**Food Service Vendors**

All food commodities used in the program are acquired under contract from five county-approved vendors. According to the Purchasing Department, there are no contract lengths or fixed price contracts involved, due to changes in food prices over time. Coordination between CCFP, food vendors and the Purchasing Department is handled by a Nutrition Services Specialist. The display below gives a current listing of approved program vendors. Appendix 17 lists all procured foods used by the Head Start program.

Vendor		Commodities Supplied
MacArthur	—	Milk and other dairy products
Holsum	—	Bread and other bakery products
Cheney Brothers, Inc.	—	General food products
Sysco	—	General food products
Erneston & Sons	—	Fruit and produce

Source: PBC Purchasing Department

**CCFP FINANCIAL OPERATIONS**

**Program Budget**

Among the forms and applications required for participation in the Child Care Food Program, two documents—the Projected Earnings Worksheet (Appendix 18) and the Budget Worksheet for Sponsoring Organizations (Appendix 19)—form the basis for revenue projections (Appendix 20) and expenditure estimates (Appendix 21) contained in the county’s annual budget for CCFP. Table 1 shows the factors involved in calculating the \$810,916 in grant

<sup>5</sup> A copy of the Child Care Food Program Sponsor Site Review form used for monitoring is included as Appendix 16. The form is forwarded to the Nutrition Coordinator for review and resolution of discrepancies, if required.

revenues for this program for FY 2001.<sup>6</sup> Table 2 on page 10 is a line item breakdown of the \$815,728 in expenditure appropriations for the program for that fiscal year. Because estimated expenditures exceeded anticipated grant revenues, a General Fund contribution of \$4,812 was budgeted in FY 2001.

**TABLE 1**

**CCFP Grant Revenue Projections  
(Fiscal Year 2001)**

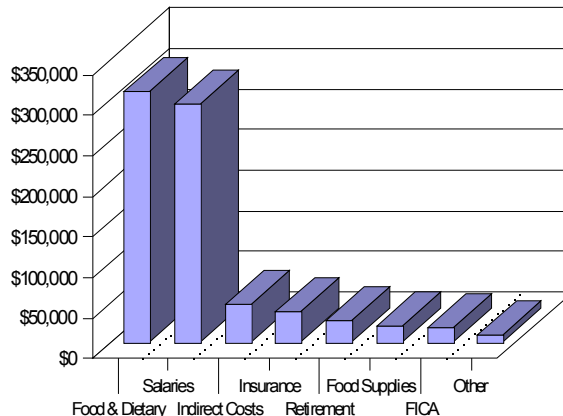
Meal Type	Days/ Month	No. of Children	Total Meals (Days x Children)	Reimbursement Rate	Reimbursement Income <sup>§</sup>
Breakfast	21	838	17,598	\$1.12	\$ 19,710
Lunch	21	838	17,598	2.02	35,548
Snack	21	838	17,598	0.55	9,679
Cash in-lieu of commodities <sup>†</sup>			17,598	0.15	2,640
Projected Earnings (Reimbursement)—per Month					\$ 67,577
Projected Earnings (Reimbursement)—per Year					⇒ \$810,916

Source: FY 2001 Projected Earnings Worksheet [See also Appendix 18]

§ Rate x meals

† Some Head Start programs receive lunch commodities

The two major program cost components are employee salaries and food commodity costs, which comprise 36% and 38% of the total operating budget, respectively. Together, they account for 74% of all program costs. When indirect salary costs (fringe benefits such as insurance, retirement, FICA and Medicare) are included, the total cost of county employees rises to \$380,782, or 47% of the expenditure budget. The chart at right depicts program costs in order of magnitude. Non-reimbursable program costs are excluded when monthly vouchers are submitted for reimbursement to the state.<sup>7</sup>



<sup>6</sup> The FY 2001 budget for CCFP showed a grant revenue estimate of \$499,597. The budget was subsequently amended to recognize the \$810,916 in actual grant revenues for the year.

<sup>7</sup> Non-reimbursable program costs are funded by County general fund contributions.

**TABLE 2**

**CCFP Expenditure Estimates  
(Fiscal Year 2001)**

Object	Object Name	Budget Amount	Percent
State Reimbursable			
1201	Salaries & Wages	\$293,400	35.97%
2101	FICA	18,243	2.24%
2105	FICA-Medicare	4,266	0.52%
2201	Retirement	26,923	3.30%
2301	Insurance-Life & Health	37,950	4.65%
4304	Utilities-Water	1,500	0.18%
4308	Utilities-Gas	2,300	0.28%
4310	Utilities-Waste Disposal	650	0.08%
4418	Rental-Pager Service	24	0.00%
4979	Indirect Costs	46,602	5.71%
5242	Food Prep & Supplies	20,000	2.45%
5244	Food & Dietary	310,000	38.00%
Total State Reimbursable		\$761,858	93.40%
State Non-Reimbursable			
1080	Personal Services-Indirect	\$ 11,425	1.40%
1301	Salaries & Wages-non-FRS	1	0.00%
1401	Salaries & Wages-Overtime	58	0.01%
1504	Wages-Union Sick	777	0.10%
2401	Workers' Compensation	31,102	3.81%
3080	Operating Expenses-Indirect	112	0.01%
4007	Travel-Mileage	100	0.01%
4301	Utilities-Electric	3,000	0.37%
4502	Casualty Self-Insurance	100	0.01%
4601	Repair & Maintenance	2,810	0.34%
4901	Other Current Charges	3,031	0.37%
4946	Advertising	1,200	0.15%
5101	Office Supplies	150	0.02%
Total State Non-Reimbursable		\$ 53,870	6.60%
Grand Total		\$815,728	100.00%

While reviewing financial documents associated with the Child Care Food program, the consultant identified several questionable adjustments to the fiscal year 2001 CCFP budget. On the revenue side, budgeted grant reimbursement revenues were increased from \$499,597 to \$810,916 based on the maximum number of possible meals served as opposed to historical actuals, and the General Fund transfer was first reduced from \$316,131 to \$4,812, and then subsequently increased to \$256,812. On the expenditure side, the Salaries & Wages account was increased by \$220,000 without a corresponding staffing increase.

In reviewing end-of-year actuals for CCFP for the five-year period from fiscal year 1996 through 2000, the consultant noted that while revenues and expenditures had been reconciled (revenues equaled expenditures) at the program (LGFS organization) level in FY 1996 and FY 1997, this reconciliation had not occurred for subsequent years.<sup>8</sup> Although discussions with a representative from the Finance Department indicated that reconciliation might occur only at the overall fund level, which includes several LGFS organizations, a subsequent review of fund level data for the same time period revealed differences even at the fund level between revenue and expenditure totals for each year.<sup>9</sup>

**Cost Per Meal History**

Table 3 lists cost-per-meal data for the most recent three years. The data indicate a 17% increase in the average cost of meals from FY 2000 to FY 2001 (\$1.63 compared to \$1.90).

**TABLE 3**

**CCFP Cost Per Meal History  
(Fiscal Year 1999 – Fiscal Year 2001)**

Category	FY 1999	FY 2000	FY 2001 (Est)
Expenditures	\$651,767	\$704,760	\$857,326
Meals served	410,379	432,603	452,247
Average cost per meal	\$1.59	\$1.63	\$1.90

Note: Data on number of meals served before 1999 were not available.

Source: Expenditure data are from PBC Six Year Object Summary Report [See also Appendix 22]; meal service data are from PBC Head Start Meal Count Summary Reports [See also Appendix 24].

**Food and Dietary Costs**

As shown in Table 4, expenditures from the Food and Dietary account totaled \$373,922 for FY 2001, a 49.4% increase over FY 2000. In contrast, 452,247 meals were served in FY 2001, up 4.5% from the previous year. The 49.4% increase in food and dietary expenditures between FY 2000 and FY 2001 far exceeds previous annual increases over the recent past, as shown in Table 5.

<sup>8</sup> Refer to Appendix 22 for revenue and expenditure details at the program (LGFS organization) level.

<sup>9</sup> Refer to Appendix 23 for revenue and expenditure details at the fund level.

**TABLE 4**

**Increases in Food & Dietary Costs Over the Past Year  
Have Been Significantly Higher Than  
The Growth in Meals Served**

Category	FY 2000 (Actual)	FY 2001 (Est)	Difference (col 3–col 2)	% Difference (col 4+col 2)
Expenditures	\$250,346	\$373,922	\$123,576	49.4%
Meals Served	432,603	452,247	19,644	4.5%

Source: Expenditure data are from PBC Six Year Object Summary Report [See also Appendix 22].

**TABLE 5**

**CCFP Expenditure History  
(Fiscal Year 1996 to Fiscal Year 2001)**

Fiscal Year	Total Expenditures			Food & Dietary Expenditures		
	Amount	\$ Change (from prev yr)	% Change (from prev yr)	Amount	\$ Change (from prev yr)	% Change (from prev yr)
1996	\$704,323	n/a	n/a	\$232,709	n/a	n/a
1997	674,514	-\$ 29,809	-4.2%	228,855	-\$ 3,854	-1.7%
1998	671,702	-2,812	-0.4%	228,214	-641	-0.3%
1999	651,767	-19,935	-3.0%	250,765	22,551	9.9%
2000	704,760	52,993	8.1%	250,346	-419	-0.2%
2001	857,326	152,566	21.6%	373,922	123,576	49.4%

Source: Expenditure data are from PBC Six Year Object Summary Report [See also Appendix 22].

Insights into the reasons for the increases were offered by the department in a memorandum written in support of a requested budget transfer.<sup>10</sup> Without further elaboration, the following four points were expressed:

- Increased classroom size and the number of children served (two new classrooms added in Lake Worth and Jupiter);
- Menu enhancements, both in the amount and the quality of food served;
- Repeated mechanical breakdowns of a refrigeration system, resulting in the discarding of food; and
- Increasing food prices.

<sup>10</sup> September 19, 2001 memo from Edward Rich to Jean Creamer.

## OUTSIDE AUDITS AND REVIEWS

### State Audits

An audit of Palm Beach County’s Child Care Food Program was conducted by the Florida Department of Health, Office of Inspector General, Child Nutrition Program Auditing Section for the year ending September 30, 1999 (Appendix 26). Table 6 provides a summary of the areas audited, the findings and the consequences. The financial consequence of these errors or noncompliance was an overpayment (over-reimbursement) of \$2,885. In those areas where findings indicated errors or noncompliance, county Head Start management instituted corrective action plans (Appendix 26).

**TABLE 6**

**Summary of Audit Findings  
State Child Nutrition Program Audit**

Audited Area	Findings	Consequence
Free and reduced-price meal applications	One application missing a social security number and one application was missing entirely.	The numbers of enrolled children by category were incorrectly reported on four monthly reimbursement vouchers.
Enrollment rosters	The withdrawal date for one child was incorrectly listed.  The numbers of enrolled children by category were incorrectly summarized for five centers.	The numbers of enrolled children were incorrectly reported on ten monthly reimbursement vouchers.
Meal count records	Meal counts for three separate months were incorrectly transferred from the meal count records to the monthly reimbursement vouchers.	The numbers of meals served were incorrectly reported on the monthly reimbursement vouchers for the same ten months.
Meals served	No errors or instances of non-compliance.	
Meal components	No errors or instances of non-compliance.	
Meal pattern requirements	No errors or instances of non-compliance.	
Non-profit food service operation	No errors or instances of non-compliance.	
Expenditures	Expenditures for two months were incorrectly transferred from the expenditure worksheets to the monthly reimbursement vouchers.	Operating and/or administrative expenses were incorrectly reported on the monthly reimbursement vouchers for the same ten months.

At least once per year, an Operations Management Consultant from the Department of Health conducts a review of one or more of the Head Start centers for compliance with CCFP requirements. The review form is the same one used in monitoring visits by the Nutrition Services Specialist. Two such reviews were conducted in FY 2001—Boynton Beach on September 12 and Delray Beach on September 17. Subsequently, the county’s Head Start program received official notice citing it for a “serious deficiency” for failure to maintain adequate records (meal counts not taken at point of service) at the Delray center and assessing one point against the county for this infraction.<sup>11</sup> To address this issue, program managers prepared a corrective action plan and monitoring checklist (Appendix 27).

**OFMB Review**

By comparing the meal counts from the Child Care Center Claim Vouchers to the actual meals served, the study consultant identified discrepancies. Follow-up analysis indicated that the applications for free and reduced-price meals for the Riviera Beach center were not submitted in time for reimbursement.<sup>12</sup> Consequently, 14,189 meals served in October, November and December of 2000 were not eligible for reimbursement.<sup>13</sup> In addition, data for the Riviera Beach center were incorrectly entered on the vouchers in November, resulting in a subsequent adjustment to CCFP claims (Appendix 28). Figures for March 2001 also indicate a difference of approximately 5,000 additional meals served, a variance which is currently under investigation by the Nutrition Services Specialist. Table 7 gives a summary of discrepancies.

**TABLE 7**

**CCFP Meal Count Variances Occurred  
in Five of Twelve Months during Fiscal Year 2001**

Category	Reimbursable Meal Count	Actual Meals Served	Variance
October	38,713	43,868	(5,155)
November	35,767	40,684	(4,917)
December	30,662	34,779	(4,117)
January	37,237	37,236	1
March	32,005	36,922	(4,917)
All Other Months	258,758	258,758	0
Total	433,142	452,247	(19,105)

<sup>11</sup> When the total number of points assessed against an organization reaches three within a 24-months period, the organization is terminated from the Child Care Food Program.

<sup>12</sup> Applications must be on file to be eligible for reimbursement.

<sup>13</sup> According to the Director of the PBC Head Start and Children’s Services Division, this was partially caused by the transition to a new site in Riviera Beach.

At an average reimbursement rate of \$1.23 per meal, the under-reporting of 19,105 meals during that year created a financial impact on the program of approximately \$23,500 in lost program revenues.

**COUNTY COMPARISONS**

The Bureau of Child Nutrition Programs of the Florida Department of Health maintains a database of operational and cost statistics on local agencies participating in the Child Care Food Program. At the request of county administration, the study team sought cost data on four peer counties in the state in order to compare the relative costs of the meal programs among this group of counties with Palm Beach County’s costs. The peer counties selected for comparison were Broward, Hillsborough, Orange and Pinellas. Data for Broward County were not available because that county does not participate in the Child Care Food Program. The Bureau’s response is tabulated below.

**TABLE 8**

**Palm Beach County’s Reported CCFP Costs Were Higher Than Reported Costs of The Peer Counties for Fewer Meal Sites and Meals Served**

County	Number of Sites	Average Reported Enrollment	Average Days per Month	Number of Months	Average Monthly Costs	Cost per Child per Month	Avg. Daily Cost per Child
Hillsborough	16	849	20	12	\$56,476	\$66.53	\$3.33
Orange	28	1,436	20	11	92,478	64.40	3.22
Pinellas	15	1,222	18	12	70,622	57.79	3.21
Palm Beach	11	790	19	12	60,272	76.29	4.02

Source: Florida Department of Health, Bureau of Child Nutrition Programs.

While reviewing the data provided by the Bureau, the study consultant determined that, based on the monthly Child Care Center Claim Vouchers, the average enrollment reported for Palm Beach County was actually the *maximum* possible enrollment. By analyzing the number of meals served for calendar year 2000, the study consultant was able to conclude that average actual attendance was 630 rather than the 790 reported by the Bureau. This difference in enrollment has a direct effect on the cost-per-child calculation. Further discussions with Hillsborough and Orange County Head Start staff subsequently revealed anomalies in numbers of sites and enrollment figures submitted to the state for those counties, too. Therefore, comparative data from the Bureau were judged to be too unreliable for purposes of this report.

In order to gain a better understanding of programs in other counties, the study team surveyed Hillsborough, Orange and Pinellas Counties directly. The

survey addressed issues such as service delivery, eligibility determination, meal content and program revenues and costs. Table 9 summarizes the OFMB survey results and compares them with Palm Beach County data. We found that both in-house and contracted services are used in the delivery of CCFP services in peer counties. Hillsborough County, which relies almost exclusively on contracted services, reports an average cost per meal that is 23¢ (14%) less than Palm Beach County’s average cost, and about the same amount less than the cost in Orange County.<sup>14</sup>

**TABLE 9**

**Summary of Peer Counties Survey Results  
(Data for FY 2000)**

County	Service Delivery Mode	In-House Staff	Number of Sites	Enrollment	Meals Served	Actual Expenditures	Avge. Cost per Meal
Hillsborough	Contract	2	16	837	482,502	\$676,592	\$1.40
Orange	Contract <sup>§</sup>	11	25	1,436	468,306	752,920	1.61
Pinellas	In-house <sup>†</sup>	34	18	1,439	479,408	n/a	n/a
Palm Beach	In-house	12	11	838	432,603	704,760	1.63

§ Although food preparation services have been contracted out, all existing program staff remain with the county in “assisting” capacities.

† The Head Start program in Pinellas County is not operated by the county government. The grantee is the Pinellas Opportunity Council, Inc., a private non-profit Community Action Agency program.

## Findings and Recommendations

This part of the report is divided into three main sections—General Findings, Recommendations, and Implementation. As appropriate, analyses of the issues are included in the first two of these sections. We begin with a summary of the essential conclusions reached by the study team as a result of its work on behalf of the department.

### GENERAL FINDINGS

The preceding sections of this report have described the various factors impacting the cost of meal services provided under the county’s Head Start Child Care Food Program, compared available operational and cost data on

<sup>14</sup> An analysis prepared for the Orange County Head Start program compared the costs of providing food services by Orange County Public Schools with those of a USDA-approved private vendor in the area (Appendix 30). Based on that analysis, the school costs of \$3.97 per child per day were 23% higher than corresponding costs of \$3.22 for the private vendor in that instance.

the program from similar counties, and identified issues raised by outside audits. Through a process of reviewing applicable documents, interviewing affected employees, and survey research, the study team offers its assessment with respect to the cost effectiveness of meal services provided under CCFP.

The essential conclusions we have reached are that: 1) the overall CCFP service delivery structure operates well; 2) management of financial and record-keeping functions needs to be improved; and 3) within the limitations identified in this study, Palm Beach County's program is not dissimilar in operation or cost to programs in several peer counties surveyed for this report.

The following specific findings describe the study team's conclusions in greater detail, and are the bases for recommendations that follow later in the next section of the report.

**The service delivery structure of Palm Beach County's Head Start Child Care Food Program operates effectively**

Examples of effective program operation include compliance with nutritional requirements specified in federal government performance standards, adequate controls in place to ensure eligibility requirements are met, a good internal program monitoring process, and an established procedure for determining when new centers are required. Although a recent state audit disclosed various administrative and reporting inconsistencies, no errors or instances of noncompliance in the areas of meals served, meal components, meal pattern requirements and nonprofit food service operation were observed.

**Forecasts for the number of meals to be served have been inaccurately based on the maximum possible number of meals served, resulting in an over-statement of anticipated revenues**

In compiling Projected Earnings Worksheet for FY 2001, Head Start staff assumed that the maximum possible number of meals would be served in the course of a year (Appendix 18). For FY 2001, this assumption yielded a forecast of 633,528 meals, compared to 452,247 meals actually served (Appendix 24), a 40 % overstatement. This occurs because absenteeism is not taken into consideration. For comparison, meals actually served in FY 2000 totaled 432,603. Because the meal calculation is also used to forecast reimbursements from the Department of Health, grant revenues were similarly overstated: \$810,916 budgeted vs. \$563,655 actually received, a 44% over-statement (Appendix 22).

**A reconciliation of CCFP budget-to-actuals occurs only once each year after the close of the fiscal year, permitting incorrect or questionable budget adjustments to go undetected throughout the year**

Several questionable budget adjustments were made to the revenue and expenditure budgets of the program in FY 2001. These included an incorrect increase in budgeted grant reimbursement revenues from \$499,597 to

\$810,916 and an incorrect decrease in General Fund transfers from \$316,131 to \$4,812 (Appendix 31). On the expenditure side, a questionable increase of \$220,000 was made in the Salaries & Wages account (Appendix 32). A periodic reconciliation of budget-to-actuals would have revealed the first two errors and called into question the need for the third adjustment. The table below traces these revenue adjustments.

**TABLE 10**

**CCFP Revenue Forecast Adjustments  
(Fiscal Year 2001)**

Date of Action	Federal Grant	General Fund Transfer	Total
April 2000 (budget req.)	\$499,597	\$316,131	\$ 815,728
August 2000	810,916	316,131	1,127,047
October 2000	810,916	4,812	815,728
July 2001	810,916	256,812	1,067,728
September 2001 (Est.)	563,665	256,812	820,477

**TABLE 11**

**CCFP Actual Expenditure and Reimbursements  
(Fiscal Year 2001)**

Month	Expenditures	Reimbursements	Difference
October 2000	\$ 66,891	\$49,476	(\$ 17,415)
November	50,673	52,003	1,330
December	85,372	39,173	( 46,199)
January 2001	58,353	47,575	( 10,778)
February	55,687	52,365	( 3,322)
March	75,330	40,873	( 34,457)
April	74,852	55,958	( 18,894)
May	74,097	57,658	( 16,439)
June	55,661	42,825	( 12,836)
July	59,075	36,926	( 22,149)
Total	\$655,991	\$474,832	(\$181,159)

Source: PBC Child Care Center Claim Vouchers

Table 11 displays operating expenditures and reimbursements from the CCFP federal grant for the ten months of FY 2001. Under established budgeting procedures, where expenditures exceed reimbursements, transfers from the county's General Fund are supposed to occur on a monthly basis. Several facts emerge from a review of this table. First, actual revenue from reimbursements (\$474, 832 through ten months) will not approach the revised budget of

\$810,916. Second, the \$181,159 cumulative difference between expenditures and reimbursements substantially exceeds the revised budget for General Fund transfers of \$4,812. Similarly, a periodic review of actual year-to-date expenditures for the Salaries & Wages account would have indicated a projected end-of-year estimate closer to the \$264,479 actual figure than the final revised budget of \$443,400 (Appendix 21).

Current and historical month-end reports for expenditures do not seem readily available to Head Start fiscal staff. However, end-of-fiscal-period reports are routinely available from the Finance Department. Also, all manner of user-defined financial reports can be prepared by accessing LGFS data using the Crystal report writer program.

**The average cost per meal increased significantly in fiscal year 2001, driven by increases in food and dietary expenditures, without a corresponding increase in the number of meals served in the program**

Tables 3 and 4 beginning on page 11 reflect an average cost per meal increase from \$1.63 to \$1.90 (a 17% increase), a food and dietary expenditure increase from \$250,346 to \$373,922 (49.4 %), and an increase in the number of meals served from 432,603 to 452,247 (4.5%). Historical data from Table 5 on page 12 show that the 49.4% increase in food and dietary expenditures greatly exceeds previous annual increases, going back as far as FY 1996.

**Not all employees involved with the Child Care Food Program are charged to the program, thus understating the true cost of the program**

Although only twelve County employees are directly charged to the Child Care Food Program (Appendix 7), an additional 188 County employees have some degree of involvement in the program (Appendix 8). As shown in Table 2 on page 10, only \$11,425 of costs associated with these 188 employees was allocated to the program for the entire budget year. Given the number of employees who actually have duties related to the program, this allocation appears to be too low to be an accurate reflection of their true costs.

**Record-keeping errors have been identified by state auditors and state program monitors, as well as by the OFMB study team**

In its audit of the county's Child Care Food Program, the state Department of Health found discrepancies in meal applications, enrollment rosters, meal count records and expenditures. As a result, the county had been overpaid \$2,885. Deficiencies in record keeping at the Delray center were also reported in the yearly review by the local Department of Health operations consultant. As shown in Table 7 on page 14, a total of 19,105 meals were not reimbursed in FY 2001 due to administrative oversights, resulting in an estimated cost to the county of approximately \$23,500 in lost revenue. Based on discussions with Community Service Department staff, the study consultant determined that many record-keeping duties were carried out based on informal written

and verbal communications. Examples are meal count and enrollment application procedures, both of which may have prevented the audit exceptions described above.

**Although comparative data from the peer counties indicate similarities in program operations to Palm Beach County, comparative data on costs per meal were unreliable based on numerous anomalies disclosed by our analysis of those data**

The study team's survey of comparable counties indicated that procedures for eligibility, meal content, salary ranges and methodology for determining the number of Head Start centers were comparable to Palm Beach County's. Anomalies noted in cost, enrollment, and meal data in the DOH-supplied material as well as the study team's survey made comparative cost-per-meal data too inconclusive to be of much analytic value.

## RECOMMENDATIONS

**Recommendation 1: It is recommended that the department re-evaluate its approach to forecasting the number of meals and related revenues for the year**

When used for budgeting purposes, the current approach of projecting the maximum possible number of meals results in an overstatement of anticipated revenue. Using historical data and forecasts based on attendance trends to project the number of meals would result in more accurate revenue estimates and probably avoid the need for numerous mid-year budget adjustments.

**Recommendation 2: It is recommended that budgeted revenues and expenditures be reconciled to actual revenues and expenditures on at least a calendar quarter basis**

Yearly reconciliation does not allow for in-process adjustments to expenditure and revenue flows. Quarterly reviews are recommended at a minimum to allow steps to be taken to understand and resolve any deviations from established plans and to adjust forecasts accordingly. This "forward looking" control process could also highlight cost drivers for analysis and resolution.

Additionally, utilizing available end-of-fiscal-period reports or customized Crystal reports would improve the overall reporting process by ensuring that all data reflect the same reporting periods. These reports are available through the Finance Department. It is suggested that Head Start fiscal staff meet with the Finance Department to review the application of these reports. These reports would be particularly helpful to complete monthly reconciliations and to clarify operating expenses that are included on the Child Care Claim Vouchers.

**Recommendation 3: It is recommended that an in-depth analysis be conducted of the Food & Dietary account to determine the reason(s) for the large expenditure increase in FY 2001**

While the September 19, 2001 memorandum from the department director (Appendix 25) provides a partial explanation for the 49.4% increase, the small 4.5% increase in the corresponding number of meals and modest historical increases suggest the need for a more detailed examination. An understanding of the reasons for the increase may help the department to contain future costs.

**Recommendation 4: It is recommended that an updated staff allocation analysis be completed in order to determine the appropriate number of full-time equivalent positions involved with the CCFP**

The study team does not believe that the method of allocating indirect staffing costs for numerous positions is either accurate or complete. A thorough staff allocation analysis would help to determine the total cost of the CCFP, as well as the true cost per meal served in the program. At present, four FTEs—one each Fiscal Specialist I and II, a Financial Analyst and one Clerical Specialist—are accounted for, and 6% of their combined costs (\$11,425) are applied to the CCFP. This represents a modest allocation of effort in light of the fact that 188 FTEs apparently commit some degree of their time to the program.

**Recommendation 5: It is recommended that formal written procedures be developed for record-keeping functions of the Child Care Food Program**

This may help eliminate the types of record-keeping errors identified by state auditors and program monitors and the study consultant. For example, procedures to review actual vs. planned expenditures at specific internals would allow for required adjustments, highlight cost drivers and allow for a better understanding of the fiscal position of the program. Furthermore, formal written procedures associated with the processing of applications and related paperwork would enhance administrative duties and help preclude any loss of revenue by adhering to program guidelines.

## **IMPLEMENTATION**

This final section of the report contains a proposed plan for the implementation of study recommendations. Where appropriate, it also contains an estimate of the costs and benefits associated with the individual recommendations. Most of the recommendations contained in this report can be adopted without additional cost. Some of the recommendations have cost implications, others result in cost savings. Still others represent opportunities to improve operational effectiveness or enhance service levels. Each recommendation is re-stated in the table below, along with a summary of the

estimated costs and/or anticipated service impacts. The recommendations are listed in the same order as they were discussed earlier in the report.

**TABLE 12**

**Proposed Plan for the Implementation  
of Study Recommendations**

Recommendation	0-3 Months	3-6 Months	6-12 Months	Implementation Responsibility	Comments
1. Reevaluate approach to forecasting meals and revenue	●	●		DOSS Director	<ul style="list-style-type: none"> <li>• Accurate revenue/expenditure profile</li> <li>• Improved cost analysis</li> <li>• Improved visibility of grant and county disbursements</li> </ul>
2. Reconcile CCFP finances more often than once each year	●	●	●	DOSS Director	<ul style="list-style-type: none"> <li>• Tighten internal control</li> <li>• Eliminate expenditure oscillations</li> <li>• Clarify costs in relation to meals served</li> <li>• Highlight variance to established plans</li> </ul>
3. Conduct analysis of Food & Dietary cost increases	●			DOSS Director	<ul style="list-style-type: none"> <li>• Potential for reduced county expenditure</li> <li>• Accurate forecasts of future revenues and costs</li> </ul>
4. Conduct staff allocation analysis to determine true costs of CCFP staffing	●	●		DOSS Director	<ul style="list-style-type: none"> <li>• More accurate assessment of indirect salaries</li> <li>• Improve program cost precision</li> </ul>
5. Review all formal reporting procedures	●	●	●	DOSS Director	<ul style="list-style-type: none"> <li>• Consistency with CCFP reporting procedures</li> <li>• Minimize opportunity for revenue loss. In FY 2001, more than \$20,000 was lost because of sloppy reporting procedures</li> </ul>