



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

June 2, 2003

Contact: Andy Nielsen
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The Office of Auditor of State today released a reaudit report for the period July 1, 2000 through June 30, 2001 on the Cedar Rapids Community School District. The reaudit also covered certain items to determine practices applicable to the year ended June 30, 2002 and period ended February 27, 2003. The reaudit was performed at the request of citizens of the District.

Recommendations were made to the District pertaining to internal control over the free and reduced price meal program. The District responded favorably to the recommendations contained in the reaudit report.

A copy of the reaudit report is available for review in the office of the Auditor of State and in the office of the Executive Director of Business Services.

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CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2000 THROUGH JUNE 30, 2001

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Cedar Rapids Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2000 Election)**

Ron Olson	President	2001
Susan McDermott	Vice-President	2000
Douglas Henderson	Board Member	2000
Keith J. Westercamp	Board Member	2000
Dennis Kral	Board Member	2001
Ann Rosenthal	Board Member	2002
Al Smith	Board Member	2002

(After September 2000 Election)

Ron Olson	President	2001
Susan McDermott	Vice President	2003
Dennis Kral	Board Member	2001
Ann Rosenthal	Board Member	2002
Al Smith	Board Member	2002
Douglas Henderson	Board Member	2003
Keith J. Westercamp	Board Member	2003

District Officials

Dr. Lewis Finch	Superintendent	Indefinite
Laurel Day	District Secretary	Indefinite
Steve Graham	Executive Director of Business Services and District Treasurer	Indefinite

Cedar Rapids Community School District



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Independent Auditor's Report on Reaudit

To the Board of Education of the
Cedar Rapids Community School District:

We received a request to perform a reaudit of the Cedar Rapids Community School District under Chapter 11.6(4) of the Code of Iowa. As a result, we reviewed the audit report and workpapers of the District's independent auditing firm for the fiscal year ended June 30, 2001. Based on that review and other information provided to and obtained by us, we determined that a partial reaudit was necessary in order to further investigate specific issues identified in the request for reaudit or through our preliminary review. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Cedar Rapids Community School District for the period July 1, 2000 through June 30, 2001. We also inquired and performed procedures for certain items to determine practices applicable to the year ended June 30, 2002 and period ended February 27, 2003. The procedures we performed are summarized as follows:

1. We reviewed and tested the District's policies and procedures for awarding free or reduced price meals for compliance with Federal requirements, including proper review and authorizations to participate in the program.
2. We performed procedures to determine whether meals served and actual collections were reasonable based on calculated collections and to determine whether actual free/reduced price lunches taken did not exceed the maximum approved meals.
3. We reviewed the District's procedures pertaining to the special education program student count.
4. We reviewed various records and District documents pertaining to the District's special education program funding and compared amounts reported to the Iowa Department of Education for consistency with District records.

Based on the performance of the procedures described above, we have various recommendations for the District. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, no other items of non-compliance were noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the Cedar Rapids Community School District, additional matters might have come to our attention that would have been reported to you. A copy of this reaudit report has been filed with the Iowa Department of Education.

We would like to acknowledge the assistance extended to us by personnel of the Cedar Rapids Community School District. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

February 27, 2003

Warren G. Jenkins, CPA
Chief Deputy Auditor of State

Detailed Findings

Cedar Rapids Community School District

Detailed Findings

July 1, 2000 through June 30, 2001

- (A) Free and Reduced Price Meal Program - Applications and Income Verification Procedures – The District’s procedures for the free and reduced price meal program have changed significantly from the year ended June 30, 2001 to the current year. During the year ended June 30, 2002, the Iowa Department of Education performed a review of the District’s fiscal 2001 free and reduced price meal program, including review of applications and income verification procedures. As a result of that review, the Iowa Department of Education provided the District with specific findings and recommendations and the District responded with a corrective action plan.

As a result of the reaudit request, we performed an independent review and test of the District’s free and reduced price meal program for the year ended June 30, 2001, the year ended June 30, 2002 and the period ended February 27, 2003. Our findings are as follows:

During the year ended June 30, 2001, applications were received and reviewed, benefits were determined and the income verification process was performed at each individual school. Summary information was provided to the District’s Food and Nutrition Department (Department) for compilation of required reports. However, the Department did not perform independent reviews and/or income verification procedures.

Our testing of the year ended June 30, 2001 application and income verification procedures resulted in the following:

For four of fifteen applications and/or income verifications tested for the year ended June 30, 2001, the District incorrectly determined eligibility.

- One individual was determined to be eligible for free meals. However, based upon the documentation, the individual was only eligible for reduced price meals.
- One individual was determined to be eligible for free meals. However, based upon the documentation, the individual was not eligible for free or reduced price meals. The District represented that this individual received free meals based upon an administrative decision. However, the reason for the administrative decision was not included with the documentation and it is unclear whether the administrative decision would have been allowable in accordance with the Federal compliance requirements pertaining to eligibility and income verification.
- One individual received free meals. However, based upon the income verification, the individual was eligible for reduced price meals. The initial documentation maintained by the District was insufficient to determine eligibility. However, additional information received during the reaudit disclosed that this individual was in fact eligible for free meals.

- The District approved one individual for free meals. However, the supporting documentation for income verification was insufficient to determine eligibility for free or reduced price meals.

In the year ended June 30, 2002, the District's procedures were modified to require applications to be forwarded to the Food and Nutrition Department to be rechecked for accuracy after initial determinations were made by the individual schools. Also, the information obtained during the income verification process continued to be maintained at the individual schools for determination of eligibility. The individual schools were required to forward the detailed information to the Department for compilation of required reports.

Our testing of the year ended June 30, 2002 application and income verification procedures did not result in any adverse findings.

During the period ended February 27, 2003, the District's procedures were modified to require review of the applications for completeness at the individual schools. Information necessary for the income verification process could be submitted to the individual school or the Department. However, the applications and income verification documentation was forwarded to the Department for determination of the level of benefits to be received and compilation of required reports. In addition, during the period ended February 27, 2003, the District computerized part of the benefits determination process.

Our testing of the application and income verification procedures identified one of ten applications tested where the District incorrectly initially determined eligibility for reduced price meals during the period ended February 27, 2003. However, during the income verification process, the District identified the error and determined that the individual was ineligible for free or reduced price meals.

Recommendation – The District's procedures include compliance with the Federal requirement to test the lesser of 3% or 3,000 applications for the free and reduced price meal program. For the period ended February 27, 2003, the District's procedures appear to be sufficient to insure compliance with Federal compliance requirements, including determination of eligibility and income verification. The District should continue efforts to insure that the internal control and other operating procedures prescribed are working as intended.

Response – The Cedar Rapids Community School District will continue to make every effort to validate the eligibility of all free and reduced meal applications received. The District's internal control processes have been significantly enhanced with the implementation of the new point of sale meal accounting system at the beginning of the 2002-2003 school year. We will continue to meet or exceed all Federal requirements related to applications testing to ensure complete compliance.

Conclusion – Response accepted.

(B) School Nutrition Reports – The District does not retain paper or electronic copies of the “Child Nutrition Monthly Claim Entry” (CNP-1) reports filed with the Iowa Department of Education. The District retains a copy of the “Child Nutrition Certification Screen” (Claim Certification), which is generated as a result of filing the CNP-1. However, the CNP-1 reports provide the supporting documentation to determine the accuracy and completeness of the Claim Certification.

Recommendation – The District should retain paper or electronic copies of the CNP-1 reports to document the District’s monthly claim for reimbursement. Although the District can retrieve this information from the Iowa Department of Education’s website, source documentation should be available at the District.

Response – Beginning immediately, the District will retain a paper copy of the CNP-1 reports to document the District’s monthly claim for reimbursement.

Conclusion – Response accepted.

Cedar Rapids Community School District

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Donna F. Kruger, CPA, Senior Auditor II
Kimberly M. Knight, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State