

**AN OVERVIEW BY THE LEGISLATIVE AUDITOR
OF THE FINANCIAL AUDIT
OF THE STATE SCHOOL LUNCH SERVICES PROGRAM**

FOREWORD

The audit report of the examination of the State school lunch services program makes numerous recommendations to improve the internal control and financial operations of the program. For the most part, the Department of Education, the agency principally concerned with the program, concurs with the audit findings and indicates that action has been taken or will be taken to implement the recommendations.

It is our practice to request agencies affected by our examination to submit in writing their comments on the findings and recommendations of the audit. The Department of Education's response is included as Attachment 3 to Part III of the report, and an additional response is included at Appendix A. The auditors' comments on the department's response is included as Attachment 1 to Part III of the report. The auditors take issue with the department's response only to the extent that the department believes that additional personnel will be required to implement some of the recommendations. The auditors state that most, if not all, of the recommendations can be implemented without additional manpower.

Two principal issues emerged from the audit which are still outstanding. The purpose of this overview is to identify and summarize those issues and to comment on courses of action which may be pursued.

**INEFFECTIVE IMPLEMENTATION OF THE PROGRAM FOR
FREE AND REDUCED PRICE LUNCHESES**

The National School Lunch Act requires meals to be served without cost or at a reduced cost to children unable to pay the full cost of lunches. The act provides further that a school shall "make no discrimination against any child because of his inability to pay the full price of the lunch." The intent of the act is clearly to (1) ensure that every child, regardless of his family's economic condition, will not go hungry in school; and (2) require schools to protect the anonymity of children receiving free lunches and to recognize the sensitivity of children to practices which set them apart from other children. The State's implementation of the free lunch program is deficient on both counts.

The Lack of Program Outreach. The department has failed to implement systematic and timely procedures to ensure that the parents of all children who are eligible to receive free and reduced price lunches are given the opportunity to participate in the program. It has also failed to establish evaluation criteria and procedures by which the effectiveness of this aspect of the school lunch program may be assessed.

The Situation at Dole Intermediate. The audit found that during the entire 1969–70 school year, only 465 free and reduced price lunches were served at Dole Intermediate, representing an average of only 2 to 3 free and reduced price lunches per day. However, during the same period, the feeder elementary schools to Dole Intermediate served a far greater number of free and reduced price lunches. At Kaewai, 112,000 free lunches were served; at Kalihi Elementary, 133,000 free lunches; at Kalihi-uka, over 4,000.

It is reasonable to have expected that these circumstances would have prompted the department to inquire into the effectiveness of the free lunch program, not only at Dole, but at all other schools where levels of participation did not square with known facts of participation in the feeder schools or the economic circumstances of the neighborhood.

Subsequent to the audit, letters were sent in late January of this year to the parents of students at Dole, notifying them of the program, and the result was that 50 applications for participation were received. The department reports that in January notifications of the existence of the program were also sent to parents in other schools. While it is true that “better late than never” may apply in this particular case, we regret that four months in the school year had elapsed before any action was taken, and that in the years since the free lunch program has been in existence, there had been no systematic efforts to reach those children, or the parents of those children, who are eligible to receive free lunches or lunches at reduced prices.

Dole Intermediate was identified by the auditors, not because it represented the sole problem, but because the condition there appeared to be a symptom of a much larger systemwide problem in the schools. In investigating the problem at Dole, we hope that the department is not merely treating the symptom while ignoring the root causes of the problem. The department acknowledges that the “potential number of eligible students are not yet being reached,” but it has not yet disclosed how and when maximum participation will be accomplished on a continuous, systemwide basis. We urge that the department tackle this problem at once.

Discriminatory Practices. In Congress and in the U. S. Department of Agriculture, the agency responsible for allocating federal funds for the school lunch program, a recurring concern is that local authorities shall not discriminate in any way against those children who receive free lunches or lunches at reduced prices. The National School Lunch Act itself requires that there be no discrimination against any child because of his inability to pay “*nor shall there be any overt identification of any child by means such as special tokens or tickets or by announced or published lists of names.*” These strictures are recognized by department officials in words but not in deeds. The Department of Education’s own procedures state that children shall not be required to use tickets or tokens which will identify them as free lunch recipients. Having stated that much, the department nonetheless continues to discriminate against those children receiving free and reduced price lunches.

Current Practice Illegal and Insensitive. The audit found various methods being used in the schools to process students to receive their free or reduced price lunches, all illegal in our opinion and all demonstrating a complete lack of sensitivity to the self-esteem and pride of children. In some schools, children were given slips of paper to receive their lunches, in others, tickets and tokens, and at Dole Intermediate, the recent “improvement” there was from a procedure of slips of paper to a daily check sheet of eligible students.

The department’s position is that “with the exception of a universal free lunch for all students, no alternative has been discovered that will totally protect the anonymity of the needy child.” We are reluctant to believe that in the 22,000 school districts of America, there is not one school that has managed to find a better “solution” to the problem than this State has.

Alternatives. The auditors suggest that the issuance of tokens to both paying and nonpaying students may be one alternative. We suggest another alternative. If students, or the parents of the students, were given the privilege of pre-paying lunches, by the week, by the month, by the number of lunches, or by whatever pre-payment period may be convenient, we believe that a sufficient number of paying students or parents will avail themselves of this convenience. With a number of such pre-payments in any school, with the evidence of pre-payment to be in tickets, meal cards or some other convenient method, the same evidence of pre-payment can simply be mailed to those children eligible for free or reduced price lunches.

If these alternatives are unacceptable, and no other alternatives are forthcoming from the officials at the State office down to the school level, we suggest that the department turn to the students themselves for a solution. The department’s own investigation turned up the fact that students resent visible forms of discrimination and have complained about the embarrassment caused by “teachers labeling students receiving free lunches as needy.” In short, students, being the victims, may be more aware of the problem of discriminatory practices than school officials are. In any event, we are confident that someone in this State, be it a student or a socially sensitive teacher

or official, is capable of generating a satisfactory alternative. We have no way of knowing the extent of damage which current practices may have inflicted on children. We only urge that these discriminatory practices not continue.

COST SAVINGS THROUGH CENTRALIZED FOOD PREPARATION

The audit report urges that the school lunch program should be built around increasing centralization of food preparation. We believe centralization can result in substantial savings in both capital investment and operating expenditures.

Until recently, the ongoing program for food preparation was to establish conventional kitchens in almost every school. Such kitchens were fully equipped to prepare and serve food to students, but only to students in the particular school where the kitchen was located.

Beginning in 1961, the department began to explore cost-saving opportunities through the establishment of preparation kitchens which would have the capacity to prepare lunches to be served at the school where the kitchen was located and at other schools as well. The latter schools would merely have service kitchens, without expensive food preparation equipment, but with the capability of serving food prepared by other kitchens.

In January of this year, there were 13 preparation kitchens serving their own schools as well as 16 other schools with service kitchens. The department's own analysis of the school lunch program suggests that savings of nearly \$1.5 million will result from building additional preparation kitchens rather than building only conventional kitchens. We believe that the department's analysis is in the right direction but that it does not go far enough in establishing a system-wide approach to food preparation.

The Department's Six-Year Kitchen Facilities Program. Over the next six years, the department has identified 40 specific schools where new or replacement kitchen facilities will be constructed. Of the kitchen units to be constructed, 14 are destined to be conventional kitchens which will serve the schools in which they are located and no other schools. We urge that the department thoroughly analyze the necessity for each one of the planned conventional facilities and determine whether or not cost savings might result by utilizing service from schools with existing or planned preparation kitchens.

We note also that with few exceptions, existing preparation kitchens serve only one other school, and that each planned preparation kitchen will, for the most part, also serve only one other school. We believe that analysis in this area may also yield cost saving opportunities through the enlargement of the service area of preparation kitchens and the corresponding reduction of the number of preparation kitchens required. We urge the department to conduct such analysis.

Food Manufacturing Facility. Technology has provided the school lunch program, or other food preparation activities for that matter, with cost-saving opportunities and service flexibility which go beyond the preparation kitchen concept. The department recognizes this and has urged consideration of the manufacturing kitchen concept. Under the concept, the department believes that the use of quick-freeze techniques for subsequent quick service of meals, the use of disposable containers of food and disposable utensils for eating, and the use of appliances for freeze-holding and quick reheating of meals, all of which have been successful in airline operations, can also be applied to school lunches.

We agree with the department that the food manufacturing facility concept is a concept which should be fully explored. We do not agree, however, that the approach to exploring the concept should be the establishment, as the department proposes, of a manufacturing food facility in 1973 at Kahuku High School to serve only three other schools.

Rather than make a substantial capital investment for a limited service area, we recommend that the Department of Education or some other appropriate agency of State government attempt to obtain funds from the federal government, or in the absence of such funds, to request funds from the legislature, for the *research and development* of food manufacturing on a State system-wide basis. The results of research and development should be a comparative analysis of the various alternatives by which food manufacturing may be implemented on a system-wide basis, not only for the school system but for other governmental institutions which require food service.

While we believe that the food manufacturing facility concept has merit and holds substantial promise for cost-savings, we do not believe that a capital investment decision should be made until a research and development phase is completed and results in a complete program configuration whereby its benefits and full-cost implications can be thoroughly assessed.

SUMMARY

The auditors express satisfaction, as we do, that the Department of Education has been responsive to the many recommendations made to improve the internal controls and financial system relating to the school lunch program. We believe, however, that the department should be even more responsive to the problem of reaching all children eligible to receive free and reduced price lunches, and that the department must find a method to serve all such children with the dignity and respect which they should receive, by their rights under the law and by all reasonable standards of administrative conduct. As to the substantial opportunities for cost savings in the

school lunch program, we believe such savings will result only if the department carefully scrutinizes its proposed program for additional investment in conventional kitchen facilities and assesses the new technology in food preparation and distribution on a system-wide basis.

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Legislative Auditor
March 15, 1971