

AUDIT PROPOSAL

K-12 Education: Reviewing the Accuracy of Free-Lunch Student Counts

SOURCE

This audit proposal was requested by Representative Brenda Landwehr.

BACKGROUND

The National School Lunch Program provides free lunches to students who meet poverty thresholds or participate in other federal assistance programs. Children from families with incomes below 130% of the poverty level qualify for free lunches (families below 185% of poverty are eligible for reduced-price lunches). In addition, students who receive benefits from other federal assistance programs such as Temporary Assistance for Needy Families (TANF), or who have been identified as migrant, homeless, runaway, or in foster care can also receive free lunches under the program. The Kansas State Department of Education (KSDE) has audit staff who review a sample of student applications for the free-lunch program to verify their eligibility each year. Prior to implementation of the CLASS Act for the 2015-16 and 2016-17 school years (i.e., the block grant), state funding for at-risk services in Kansas was distributed to school districts based on the number of students in each district that qualify for the federal free-lunch program.

Our 2006 audit of free-lunch counts estimated the state paid almost \$19 million in at-risk funds to school districts in 2005-06 for almost 23,000 students who were not eligible for the free lunch program. In that audit, we selected a random sample of 500 students who were enrolled in the free-lunch program for further review. For that sample, we reviewed the family's participation in federal assistance programs, family income tax records from the Kansas Department of Revenue (KDOR), and quarterly wage reports from the Kansas Department of Labor (KDOL). We found that 85 of our sampled 500 students (17%) were not eligible for the program, primarily because their households had under-reported their income. We projected those numbers to all students statewide to estimate the effect of ineligible free-lunch students on the state's at-risk funding.

However, our 2006 audit also estimated that about 6,900 students may have been eligible for free lunches but were not enrolled in the program. We surveyed 300 school district officials to determine how many eligible students might not be participating in the free lunch program. Based on the survey responses of 123 districts (a 41% response rate), we estimated up to 6,900 eligible students might be eligible for free lunches but were not enrolled in the program. District officials told us the primary reason eligible families do not apply is because they are embarrassed to reveal low income levels.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below represent the questions that we would answer through our audit work. The proposed steps for each objective are intended to convey the type of work we would do, but are subject to change as we learn more about the audit issues and are able to refine our methodology.

Objective 1: Does the count of free-lunch students used for at-risk funding accurately reflect the number of students who are eligible for the program? Our tentative methodology would include the following:

- Use detailed student data maintained by the Kansas State Department of Education (KSDE) to select a large and projectable sample of students who currently enrolled in the free-lunch program.
- For the students in our sample, we would use the free-lunch applications filed with their school district to identify all the members of their households.
- We would work with officials from the Department of Revenue, Department of Labor, and Department for Children and Families, as well as review financial and other program records to collect income data on all members of a household, and verify the students were eligible for the free-lunch program based on income tax returns, quarterly wage reports, and enrollment in other qualifying programs.
- For the sample of students not enrolled in the free lunch program, we would work with KDOR and KDOL officials and review financial and other program records to determine whether students were eligible but not enrolled in the free lunch program based on income tax returns, quarterly wage reports, and enrollment in other qualifying programs.

ESTIMATED RESOURCES

We estimate this audit would require a team of **three (3) auditors** for a total of **five (5) months** (from the time the audit starts to our best estimated of when it would be ready for the committee).

Note: We recognize that the type of income and wage information we will need to review to perform this audit is extremely sensitive, and we will take every precaution to make sure that none of these individual's information gets disclosed. However, this also means that if we identify a student who is ineligible for free lunch, we will not be able to reveal their identity to the school district and they will not be able to remove the student from the free lunch program.