

Minnesota Department of Education: Oversight of Feeding Our Future

Special Review
June 13, 2024

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The Alleged Fraud Scheme

- 70 individuals charged between September 2022 and February 2024
- Exploited two federally funded nutrition programs during the COVID-19 pandemic
- Allegedly centered on Feeding Our Future

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Overview of Federal Nutrition Programs

Child and Adult Care Food Program (CACFP):

- Child-care centers, afterschool care programs, and adult day care centers, among other locations
- Generally operates year-round

Summer Food Service Program (SFSP):

- Locations, such as summer camps, in low-income areas
- Operates when school is not in session

Administration of CACFP and SFSP



Sites verify eligibility of participants, serve meals and snacks, and count meals and snacks served



Sponsors monitor sites, train site staff, receive sites' reimbursement claims, and distribute reimbursements to sites



State agencies monitor sponsors, provide training, and distribute reimbursements to sponsors



USDA oversees and reimburses state agencies, writes federal rules, and evaluates state agency performance

Conclusion

MDE's inadequate oversight of Feeding Our Future created opportunities for fraud

Issues Covered Today

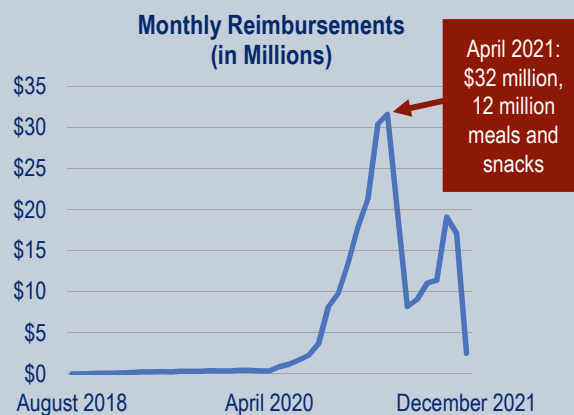
1. MDE failed to act on warning signs known to the department prior to the onset of the COVID-19 pandemic
2. MDE did not effectively exercise its authority to hold Feeding Our Future accountable to program requirements
3. MDE was ill-prepared to respond to the issues it encountered with Feeding Our Future

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Failed to Act on Warning Signs

- Began in CACFP in August 2018
- Began in SFSP in June 2020
- Between 2018 and 2021, Feeding Our Future grew at a significant rate



See Exhibit 2.1 (p. 14)

Failed to Act on Warning Signs (continued)

Feeding Our Future was an outlier before and after the start of the COVID-19 pandemic

6 times

the number of CACFP sites than the average multisite sponsor in October 2019

2,800%

increase in reimbursements between fiscal years 2020 and 2021

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CACFP and SFSP dollars went to Feeding Our Future in Fiscal Year 2021

Failed to Act on Warning Signs (continued)

Concerns about Feeding Our Future's compliance with program regulations

- Findings from a 2018 administrative review related to issues that increase the risk of fraud
- Other findings showed deficiencies in Feeding Our Future's management of its CACFP program
- MDE did not conduct a follow-up review

See Exhibit 3.3 (pp. 38-40)

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MDE's Key Oversight Responsibilities



Application Reviews

- Determine eligibility, reasonability of budget, and compliance with federal regulations

Administrative Reviews

- Monitor compliance through onsite observations and record reviews

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Investigations

- Investigate complaints and irregularities in CACFP and SFSP
- Take appropriate action to correct irregularities

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Serious Deficiency Process



- Initiate after identifying noncompliance with federal law
- Sponsors must correct any serious deficiencies
- MDE must terminate sponsors who do not correct problems

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Ineffective Use of Authority

-  MDE repeatedly approved Feeding Our Future's annual applications despite serious concerns
-  MDE did not appropriately investigate complaints involving Feeding Our Future
-  MDE did not verify information provided by Feeding Our Future

Ineffective Use of Authority (continued)

-  Application reviews
 - MDE must deny applications if they do not meet performance standards
 - 2021 CACFP application (approved in October 2020)
 - Did not adequately document financial internal controls
 - Showed lack of dedicated financial or accounting staff, which undermined internal controls related to fiscal integrity
 - MDE requested information. Feeding Our Future did not provide it. MDE approved the application anyway.

Ineffective Use of Authority (continued)



Complaint investigations

- MDE must investigate complaints or irregularities, and take appropriate action to correct any irregularities
- MDE received 30 complaints involving Feeding Our Future between June 2018 and December 2021
- MDE did not investigate some complaints about Feeding Our Future, despite their frequency or seriousness
- When MDE decided to investigate complaints about Feeding Our Future, the investigations were inadequate

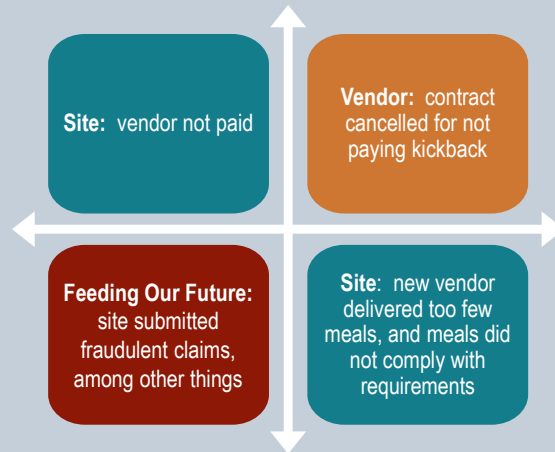
Ineffective Use of Authority (continued)



Complaint investigations

- MDE inappropriately asked Feeding Our Future to investigate complaints about itself
 - In August 2021, MDE received conflicting reports of inappropriate or illegal behavior by Feeding Our Future, a site, and a vendor

Ineffective Use of Authority (continued)



- MDE referred the complaint to Feeding Our Future
- No record review or site visits
- Individuals associated with all parties in the alleged fraud scheme have been charged

Ineffective Use of Authority (continued)

✗ Serious deficiency process

- MDE found Feeding Our Future seriously deficient on two occasions
 - January 2021: revocation of nonprofit status and noncompliance with federal audit requirements
 - March 2021: failure to meet performance standards
- June 2021: serious deficiencies deferred
- MDE did not take reasonable steps to ensure the organization implemented corrective actions

Ineffective Use of Authority (continued)



Serious deficiency process

- MDE accepted an audit of Feeding Our Future's use of federal funds that did not meet basic audit standards
- Documents MDE collected to validate Feeding Our Future's meal claims contained indications of the alleged fraud, but MDE approved all meal claims without investigating irregularities

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III-Prepared to Respond to Issues

MDE

Operational challenges caused by
COVID 19 pandemic related waivers

Lack of clear, written guidance
from USDA

Lack of rulemaking authority
under state law

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MDE's choices made COVID 19
pandemic related waivers a
source of reduced oversight,
not the waivers themselves

MDE had the authority to take steps to
address issues it identified with Feeding
Our Future, regardless of any lack of
detail in law or USDA guidance



MDE (1) had an obligation to seek
legislative action to obtain that authority
and (2) knew it needed to codify certain
procedures in state administrative rules

Recommendations


- ❏ The Legislature should either establish criteria in statute or give MDE the authority to conduct rulemaking to establish application criteria
 - 2023 Legislature established some criteria
 - Criteria relate to 1 of 3 CACFP performance standards

Recommendations (continued)

MDE should:

-  • Take additional steps to verify information sponsors provide
-  • Place a greater emphasis on program integrity and risk-based monitoring if oversight requirements are waived again in the future

Recommendations (continued)

-  MDE should:
 - Revise its complaint investigation procedures
 - Prioritize independent fact-finding
 - Limit information it shares with the subject of a complaint
 - Evaluate recent statutory changes related to its investigative authority

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