



# **Department of Education**

## **Internal Audit**

### **School Food Services Follow-Up Review - Amended**

**Issue Date: October 2017**

**Report Number: FY2017-03**

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School Food Services Follow-Up Review - Amended

*Executive Summary*

<b>AUDIT OF:</b> School Food Services Follow-up Review	<b>DATE:</b> Fieldwork performed May 2017 – July 2017	<b>AUDIT RATING:</b> Acceptable [ ] Marginal [ X ] Unacceptable [ ]
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**INTRODUCTION:**

In connection with the Department of Education’s (DOE) Updated Risk Assessment and Internal Audit Plan approved on August 16, 2016, Internal Audit (IA) performed a “*School Food Services Follow-Up Review*.” The purpose of this review was to assess the implementation of Management’s Plans as described in the “*School Food Services Review*” issued in January 2013.

**BACKGROUND:**

The DOE’s School Food Services (SFS) Branch assists 256 schools with feeding approximately 100,000 students and school staff daily, ranking in the top ten largest districts in the nation. All schools serve lunch, with 57% of all students participating. Currently, 100% of the schools serve breakfast to 20% of all students. The goal of the SFS program is to provide nutritious and attractive meals to the maximum number of students at a minimum charge. The actual cost of a school lunch is approximately \$5.80, which includes food, labor, and supplies. The following chart shows the student pricing for both lunch and breakfast based on grade levels. It also includes prices for students whose families qualify for reduced-price meals.

	Meal	Student Prices	Reduced-Prices
Pre-K through 8	Lunch	\$2.50	\$0.40
High School	Lunch	\$2.75	\$0.40
Pre-K through 8	Breakfast	\$1.10	\$0.30
High School	Breakfast	\$1.20	\$0.30

The annual budget for the SFS Program is approximately \$108 million. The federal government funds 45%, 5% is in federal commodity foods, 25% is funded by the State, and 25% comes from student and adult cash sales. To receive federal assistance, the DOE agrees to serve meals that meet Federal requirements, offer free and reduced price meals to eligible students, and provide an application process to determine eligibility.

The SFS Branch, under the Office of School Facilities and Support Services (OSFSS), is the office that handles the majority of matters relating to the SFS Program. SFS Branch has a SFS Supervisor assigned to each of the DOE’s seven districts. Each SFS Supervisor is responsible for monitoring operations in their respective schools. The SFS Branch also funds the payroll of approximately 800 cafeteria staff. Staffing level for each school is recommended by the SFS Supervisors based on a staffing formula. The cafeteria staff is considered school staff and is required to report to the principal.

There are 3 types of kitchens at schools: conventional, preparation (prepares meals for feeder school’s serving kitchens), and serving/satellite. Each conventional and preparation kitchen has a SFS Manager. These individuals are in charge of the day-to-day operations at the school. They supervise all the cafeteria employees; purchase and receive food and equipment items; prepare daily and monthly reports; and summarize the meals served, revenues collected, inventory levels, and cost per meal. Each SFS Manager makes purchases directly from vendors. Products are delivered to the cafeteria where they are inventoried and used in daily production. Generally, direct payments are issued for invoices.

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Payments from students/parents/guardians for SFS Programs are collected by the school offices. There are various methods of collections at the school, including over the counter payments, drop boxes, and pay stations in the cafeteria. Payments are entered in the school's point of sale (POS) system and a receipt is issued. At the end of the day, the meals served per the POS system are compared to the plates distributed in the cafeteria, as well as the deposit made to the bank. In early 2017, PrimeroEdge was the main information system used by SFS Branch. It is a web-based POS system. Prior to PrimeroEdge's implementation, SFS Branch was using Meal Tracker POS system and eTriton POS system.

The *School Food Services Handbook, Volume IV, Business Office Handbook Series* (SFS Handbook) is the main guidance for the School Food Program. Policies and procedure updates are issued through Lotus Notes. Through research and discussion with Management, IA identified the Hawaii Administrative Rules (HAR) Title 8 Chapter 37 – *School Lunch Program* as the main regulatory governance.

**SCOPE and OBJECTIVES:**

The scope of our review included an examination of management's corrective action plans. In addition, we reviewed the design and operating effectiveness of the existing control procedures in place over the school level purchases, school level collections, staffing recommendations for school food service processes, and the SFS Branch monitoring process. We also performed detailed testing on a sample of school food service transactions from each of the 15 complex areas.

The objectives of our review included the following:

1. To ensure that Management adequately addressed and resolved the audit findings that resulted from the "*School Food Services Review*" issued in January 2013.
2. To perform detailed test work to determine the operating effectiveness of the procedures put into place to remediate the findings from the prior year report.

**OBSERVATIONS:**

Based upon our review, we found that significant improvements were made to the SFS process. However, we noted that four (4) out of the seven (7) prior audit findings from the previous review are still occurring. Therefore, we found the DOE's controls related to the school food service operations are functioning at a "marginal" level. A marginal rating indicates that there may be a potential for loss to the auditable area and ultimately to the DOE. Some improvements are necessary to bring the area to an acceptable status, but if weaknesses continue without attention, it could lead to further deterioration of the rating to an unacceptable status.

The following is a status summary of the prior audit findings from the "*School Food Services Review*" along with the corrective action plans by Management and the related current observations.

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	<b>Prior Audit Finding</b>	<b>Prior Audit Rating</b>	<b>Prior Audit Management's Corrective Action Plan Status</b>	<b>Current Observation Testing Results</b>
1	Ownership of the food purchasing and meal payment collection processes is unclear	High	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• SFS Branch has declared ownership of the food purchasing and meal payment collection processes with Office of Fiscal Services' (OFS) input and review of updated procedures.</li> <li>• Updated the Policies and Procedures for:               <ol style="list-style-type: none"> <li>a) Purchasing Guidelines;</li> <li>b) Collection of Cafeteria Revenue.</li> </ol> </li> <li>• Updated Standard Practices (SP) regarding Lock Box Collections.</li> <li>• SFS Branch continues to administer mandatory annual training to SFS Managers. SFS Managers are trained at the mandatory meetings effective July 2013.</li> <li>• Training for meal payment collection was held from March 2014 - April 2014 for implementation during SY14-15. SFS Branch continues to administer mandatory annual trainings.</li> <li>• SFS Branch assigned a SFS Supervisor to conduct annual fiscal reviews of approximately 22 schools a year as part of the compliance and monitoring component to this corrective action.</li> </ul>	No finding noted
2	Lack of oversight, monitoring, and accountability of purchases	High	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• Segregation of duties are in place within the purchasing process where school cooks, bakers, or helpers may be responsible to receive deliveries depending on cafeteria staffing.</li> <li>• SFS Managers are notified by Procurement and Contracts Branch (PCB) with Price List changes. Price List updates are no longer 'in effect immediately'; rather they are effective within 5 days of the date on the price list.</li> <li>• SFS Managers are trained at the mandatory meetings every year.</li> </ul>	No finding noted

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	<b>Prior Audit Finding</b>	<b>Prior Audit Rating</b>	<b>Prior Audit Management's Corrective Action Plan Status</b>	<b>Current Observation Testing Results</b>
2	Lack of oversight, monitoring, and accountability of purchases (continued)	High	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>SFS Supervisors review and monitor that SFS Managers follow SFS Branch purchasing guidance during their annual on-site review.</li> </ul>	No finding noted
3	Insufficient controls in the collection process	High	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>Management updated policies and procedures for the Collection of Cafeteria Revenue.</li> <li>Training for meal payment collection was held from March 2014 - April 2014 for implementation during SY14-15. SFS Branch continues to administer mandatory annual trainings.</li> <li>Accounting Services Branch (ASB) monitors school's submittal of the School Lunch Monthly Revenue Collection Activity Reconciliation Report (DAFMR453A) to ensure that it is submitted in a timely manner.</li> <li>SFS Supervisors review and monitor that employees follow SFS Branch revenue collection guidance during their annual on-site review.</li> <li>SFS Branch has contracted a prime vendor to streamline purchases by SFS Managers. Through this vendor, SFS Branch can access data to oversee each school's purchases. Future upgrades to the new POS system will also allow data to be consolidated for review.</li> </ul>	Parts of the finding still exist, see Observation 2

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	<b>Prior Audit Finding</b>	<b>Prior Audit Rating</b>	<b>Prior Audit Management's Corrective Action Plan Status</b>	<b>Current Observation Testing Results</b>
4	Lack of current and comprehensive School Food Services purchasing policies and procedures	Moderate	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• Management updated policies and procedures for:               <ol style="list-style-type: none"> <li>1) Form SL-4 Perpetual Inventory Card;</li> <li>2) Purchasing Guidelines.</li> </ol> </li> <li>• SFS Managers are trained at the mandatory meetings every year.</li> <li>• SFS Branch determined that efile inventory is not practical for audit/review purposes and will retain the SL-4 Perpetual Inventory Cards until upgrades to a new POS system incorporates the menu planning and inventory automated features. SFS Supervisors review and monitor that SFS Managers follow SFS Branch inventory guidance during their annual on-site review.</li> </ul>	Parts of the finding still exist, see Observation 2
5	Lack of technology in menu planning, ordering, and inventory	Moderate	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• SFS Branch has contracted a prime vendor to streamline purchases by SFS Managers. Through this vendor, SFS Branch can access data to oversee each school's purchases.</li> </ul> <p>Future upgrades to the new POS system will allow data to be consolidated for review. With the upgrade, SFS Branch will also have the ability to purchase a module to automate the menu planning and inventory processes.</p>	Finding still exist, see Observation 3

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	<b>Prior Audit Finding</b>	<b>Prior Audit Rating</b>	<b>Prior Audit Management's Corrective Action Plan Status</b>	<b>Current Observation Testing Results</b>
6	Required forms and supporting documentation are not completed and/or retained and procedures are often not followed	Moderate	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• SFS Managers are trained at the mandatory meetings every year.</li> <li>• SFS Supervisors review and monitor that SFS Managers follow SFS Branch purchasing guidance during their annual on-site review. Fiscal reviews are also performed annually to monitor compliance with collection procedures. Also, ASB monitors school's submittal of DAFMR453A to ensure that it is submitted in a timely manner.</li> </ul>	Finding still exist, see Observation 1
7	The method of staffing school kitchens is not clearly defined and is prone to manipulation	Moderate	<p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• Updated the Staffing Guidelines:               <ol style="list-style-type: none"> <li>a) Staffing Criteria;</li> <li>b) Meal Points Staffing Guide.</li> </ol> </li> <li>• Guidance updated to state:               <ol style="list-style-type: none"> <li>1. Realizing that this guidance does not address unusual situations that create hardship to the food service operation, the SFS Supervisor may submit a written request for staffing considerations/deviations to the SFS Director and must have written approval prior to making staffing changes.</li> <li>2. Labor hours resulting from unapproved staffing changes will be charged back to the school or district office.</li> </ol> </li> <li>• SFS Supervisors review and monitor that SFS Managers follow SFS Branch purchasing guidance during their annual on-site review.</li> <li>• SFS Director or designee review each district's staffing prior to submission to the district Personnel Regional Officer.</li> <li>• SFS Supervisors were trained on new staffing guidance prior to implementation in October 2013.</li> </ul>	No finding noted

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Please refer to the Risk Ratings section of this report (page 8) for a complete definition of the ratings used by IA and the Observations and Recommendations section for a detailed description of our findings.

Although there were improvements in the field on following school food service policies and procedures, IA still noted some repeat findings. We discussed our preliminary findings and recommendations with management and they were receptive to our findings and agreed to consider our recommendations for implementation.

Each observation presented in this report is followed by specific recommendations that will help to ensure that control gaps are addressed and, if enforced and monitored, will mitigate the control weaknesses. In summary, our observations are as follows:

1. Required forms and supporting documentation are not completed and/or retained
2. Procedures are not always followed at the school level
3. Lack of technology in menu planning, ordering, and inventory leads to inefficiencies

**PLANNED FOLLOW UP BY MANAGEMENT AND INTERNAL AUDIT:**

IA will follow up with management on their progress of completion for their action plans, and report accordingly through the audit committee quarterly updates.



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*Rating Scale Definitions*

<b>OVERALL RATING SCALE</b>	
<b><i>Acceptable</i></b>	No significant deficiencies exist and improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall unit/department.
<b><i>Marginal</i></b>	Potential for loss to the auditable unit/department and ultimately to the DOE. Indicates a number of observations, more serious in nature related to the control environment. Some improvement is needed to bring the unit to an acceptable status, but if weaknesses continue without attention, it could lead to further deterioration of the rating to an unacceptable status.
<b><i>Unacceptable</i></b>	Significant deficiencies exist which could lead to material financial loss to the auditable unit/department and potentially to the DOE. Corrective action should be a high priority of management and may require significant amounts of time and resources to implement.

<b>OBSERVATION RATING SCALE</b>	
<b><i>High (1)</i></b>	<p>1 - The impact of the finding is <i>material</i><sup>1</sup> and the likelihood of loss is probable in one of the following ways:</p> <ul style="list-style-type: none"> <li>• A material misstatement of the DOE’s financial statements could occur;</li> <li>• The DOE’s business objectives, processes, financial results or image could be materially impaired;</li> <li>• The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are material to the DOE’s financial performance, operations or image.</li> </ul> <p><i>Immediate action is recommended to mitigate the DOE’s exposure.</i></p>
<b><i>Moderate (2)</i></b>	<p>2 - The impact of the finding is <i>significant</i><sup>1</sup> and the likelihood of loss is possible in one of the following ways:</p> <ul style="list-style-type: none"> <li>• A significant misstatement of the DOE’s financial statements could occur;</li> <li>• The DOE’s business objectives, processes, financial performance or image could be notably impaired;</li> <li>• The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are significant to the DOE’s financial performance, operations or image.</li> </ul> <p><i>Corrective action by management should be prioritized and completed in a timely manner to mitigate any risk exposure.</i></p>
<b><i>Low (3)</i></b>	<p>3 - The impact of the finding is moderate and the probability of an event resulting in a loss is possible.</p> <p><i>Action is recommended to limit further deterioration of controls.</i></p>

<sup>1</sup> The application of these terms are consistent with the guidelines provided by the Institute of Internal Auditors

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*Observations*

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The detailed observations noted herein were based on work performed by IA through the last date of fieldwork and are generally focused on internal controls and enhancing the effectiveness of processes for future organizational benefit. Many of these findings are repeat findings from the January 2013 Internal Audit “*School Food Services Review.*”

<b>Obs. No</b>	<b>Description</b>	<b>Page #</b>
1	Required forms and supporting documentation are not completed and/or retained	10
2	Procedures are not always followed at the school level	15
3	Lack of technology in menu planning, ordering, and inventory leads to inefficiencies	19

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*Observations*

<b>Observation Number: 1</b>
<b>Observation: Required forms and supporting documentation are not completed and/or retained</b> <span style="float: right;"><b>Rating: Moderate</b></span>
<p>This current observation is a repeat finding from the January 2013 Internal Audit “<i>School Food Services Review.</i>” Based on IA’s review, we found that required forms and supporting documentation are not completed and/or retained. The following references the exceptions noted during our review. Reference information was obtained from the <i>School Food Services Handbook IV</i> and the <i>FMS User Policy and Process Flow Guide</i>.</p> <p><b>Purchasing Forms required by SFS:</b></p> <p><u>SL-2 Purchase Requisition or DOE Form 10-B Record of Small Purchase</u></p> <ul style="list-style-type: none"><li>➤ Finding: Two (2) of the 30 samples where the SL-2 Purchase Requisition or DOE Form 10-B Record of Small Purchase were not submitted. In addition, one (1) of the 30 samples where the DOE Form 10-B Record of Small Purchase was not signed by the Administrator. (There was a 45% decrease in findings compared to the prior audit.)</li><li>➤ Detail of Finding: For one (1) of the samples, the SL-2 Purchase Requisition was completed instead of the DOE Form 10-B Record of Small Purchase. No form was submitted for the other sample.</li><li>➤ Reference: All purchases must have a completed SL-2 Purchase Requisition with all pertinent information included before placing orders with vendors. For all non-bid small purchases, schools are to complete the DOE Form 10-B Record of Small Purchase prior to the purchase.</li><li>➤ Mitigating Control: Invoices and Approval to Pay (ATP) Reports are sent to Vendor Payment. Vendor Payment spot checks prior to payment.</li></ul> <p><u>Non-submittals</u></p> <ul style="list-style-type: none"><li>➤ Finding: One (1) of the 30 samples where the school did not submit school cafeteria purchasing/inventory documents to IA as of fieldwork date.</li><li>➤ Reference: Schools should follow the DOE procedural guidance in the <i>School Food Services Handbook IV</i>.</li><li>➤ Isolated Incident: The box, and its contents, containing the school year 2015-16 documents got wet and damaged. The staff workers had discarded the whole box. The school did not recreate the documents. Therefore, IA was unable to determine if proper procedures were followed.</li><li>➤ Mitigating Control: Invoices and Approval to Pay (ATP) Reports are sent to Vendor Payment. Vendor Payment spot checks prior to payment.</li></ul>

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**Collection Forms Required by SFS:**

Receipts

- Finding: One (1) of the 30 samples where receipts, payment slips, or envelopes were not submitted. IA noted that all the money collected were entered into the school lunch system and deposited. (There was a 93% decrease in findings compared to the prior audit.)
- Reference: Receipts must be issued for all SFS revenues. A file copy of all receipts shall be retained for reconciliation of daily deposits and fiscal reviews, and must be retained for seven (7) years.
- Mitigating Control: A new school lunch system, PrimeroEdge, has been put in place that allows parents to see their children's lunch balances and any payments to the account.

Refund Receipts

- Finding: One (1) of the 30 samples where the Refund Receipt was not submitted. IA noted that refunds were recorded in the school lunch system.
- Reference: Schools must print the Refund Receipt, have parent/guardian sign it, and retain the original for reconciliation and audit purposes.
- Mitigating Control: A new school lunch system, PrimeroEdge, has been put in place that allows parents to see their children's lunch balances and any refunds from the account.

SL-5 Computation of Monthly/Daily School Food Service Transaction Report

- Finding: Two (2) of the 30 samples where the SL-5 Computation of Monthly School Food Service Transaction Report were not submitted. In addition, seven (7) of the 30 samples where the SL-5 Computation of Monthly School Food Service Transaction Report were not signed by the SFS Manager and the Principal and two (2) of the 30 samples where the SL-5 Computation of Daily School Food Service Transaction Report were not signed by the Principal.
- Detail of Finding: The SL-5 Computation of Monthly/Daily School Food Service Transaction Report is a summary report from Meal tracker. IA noted that other SFS system generated reports were attached to the lunch collections and there were no discrepancies between what was recorded as collections in the SFS system and what was deposited.
- Reference: The SL-5 Computation of Monthly/ Daily School Food Service Transaction Report should be signed and filed for record retention.
- Mitigating Control: The SL-5 Computation of Monthly/ Daily School Food Service Transaction Report is a part of the reconciliation process. Other SFS system generated reports were attached to support the SL-5.

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Based on inquiries with SFS Branch and detailed testing, IA noted significant improvements in compliance with DOE SFS policies and procedures since IA's last review. IA noted that SFS Branch performs fiscal reviews for a sample of schools annually. In addition, SFS Branch also performs on-site reviews for all schools in the DOE annually. SFS Branch also began using a document library located within Lotus Notes that started in 2013. The library contains policies, procedures, forms, as well as various training that is held throughout the school year.

**Impact**

Required forms and supporting documentation not completed and/or retained may possibly lead to:

- Unauthorized and improper purchases which may result in a financial loss to the DOE.
- Potential misappropriation of assets, as deposits may not be properly recorded by the bank, which may result in financial loss to the DOE.
- Lack of compliance and consistency with DOE policies and procedures.

**Recommendation and Management Plan**

Recommendations for required forms and supporting documentation not completed and/or retained include:

- **Recommendation:** Management should continue the mandatory training that is required for all staff handling school food collection and purchasing functions. In addition, continuous assistance should be provided to the field.

**Management Plan:** Management will continue to provide annual training to all office staff who handle school food collections. The following is how management plans on conducting training.

Training Goal:

Office Assistants and Cashiers will spend a total of four (4) hours of training. This training will be conducted face-to-face and will be taught by two (2) SFS Supervisors. The training will be held at various locations within each school district. Training will be completed before the start of each school year.

Learning Objectives:

Exhibited the required skills needed to make deposits, refunds, and credit student and teacher accounts.

Learning Methods / Activities:

The use of PowerPoint hand-outs will cover how to make deposit and what is required on the deposit slip, and outline how to complete refunds and interactive activities such as making mock deposits and refunds.

Documentation / Evidence of Learning:

A multiple choice test will be given at the end of the session to measure knowledge obtained during the training.

Evaluation:

SFS Supervisors will conduct their annual evaluations, which is conducted from October to January. During these evaluations, they will observe the staff to determine if they are following the correct procedures learned from the course. If not, then technical assistance such as retraining at the school will be conducted.

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**Anticipated Completion Date:** August 2018

- **Recommendation:** Management should continue with the annual on-site reviews and fiscal reviews to ensure that schools are following DOE policies and procedures.

**Management Plan:** Management will continue to complete annual on-site reviews of all schools.

Assessment Goal:

Beginning October 2017, SFS Supervisors will begin to conduct On-Site Reviews (OSR) within their district. There will be eight (8) supervisors conducting assessments on 256 schools over a four (4) month period.

Documentation:

Supervisors will utilize a 50 point evaluation form that will evaluate the cafeteria operations. The evaluation form will require the signature of the administrator, cafeteria manager, and supervisor.

Evaluation:

The evaluation will cover civil rights, wellness policy, food substitutions, safety & security, operational paperwork, review of sign-in sheets, purchases, invoices, inventory, and food safety.

Challenges:

The SFS Branch is currently recruiting to fill four vacant positions that became empty due to retirement and departures. Filling these positions has been difficult as the positions are Limited-Term assignments making them less desirable for individuals looking for a permanent position.

**Anticipated Completion Date:** June 2018

- **Recommendation:** SFS Managers should ensure that the following forms are completed and retained:
- SL-2 Purchase Requisition or DOE Form 10-B Record of Small Purchase are completed properly.
  - Receipts, payment slips, or envelopes are completed and retained.
  - Refund Receipts are completed and retained.
  - The SL-5 Computation of Monthly and Daily School Food Service Transaction Report should be signed and retained.

**Management Plan:** Management shall review and update current policies.

Documentation:

The use of the SL-5 Computation of Monthly and Daily School Food Service Transaction Report has been removed. The removal of the SL-5 is due to SFS Branch leveraging new technology that allows for daily and month calculations to be calculated in real time. The moment a student is served a meal, the information is retained by the use of updated software. The daily transactions are calculated in real time without the use of calculators and other supporting paperwork. Daily transactions are computed on a monthly basis and the information

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is available not just at the school level but it can be monitor from SFS Branch. The use of this technology allows for SFS Branch to actually observe and see both daily and monthly calculations for any of the 256 schools from the branch.

The SL-4 Perpetual Inventory Cards while they are being completed promptly, they are moving from hard copies to digital copies. These cards have begun to transition to Excel formats, which will allow for the information to be upload into a new electronic system that is to be purchased. An electronic inventory system will allow for more accurate inventory, prevent theft, and provide real time financial data of each cafeteria. The transition to a new program will take one (1) to two (2) years to complete.

**Anticipated Completion Date:** August 2017 phase out of SL-5, SL-4 phase out will be June 2019

- **Recommendation:** Management should review and update SFS policies and procedures for applicability and practicality. Changes made to policies and procedures should be communicated to the field and training should be provided.

**Management Plan:** Management has begun to review all policies and procedures. The goal of this policy review is to better align policies and procedures with state and federal regulations and current practices. This task is complicated as management is still acquiring technology, which will influence some of their policies. The goal is to utilize technology as much as possible to help reduce cost and increase efficiencies.

Once policies have been updated, management will provide training to all staff and SFS Managers on the policies and procedures. The training will be conducted face-to-face with managers by their prospect district supervisor. The training will be held during the beginning of year meeting. District supervisors will ensure compliance with policies and procedures when conducting annual on-site reviews. Upon finding that a manager is not in compliance, the district supervisor will inform the school administrator and provide a timeline on when the manager should be in compliance. All incidents and conversations will be written down on the annual on-site form for later reference.

**Anticipated Completion Date:** June 2018

Contact Person: Dann Carlson, Assistant Superintendent, OSFSS  
Albert Scales, School Food Program Administrator

**Responsible Party**

School Food Services Branch, OSFSS

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<b>Observation Number: 2</b>	
<b>Observation: Procedures are not always followed at the school level</b>	<b>Rating: Moderate</b>
<p>This current observation is a repeat finding from the January 2013 Internal Audit “<i>School Food Services Review.</i>” Based on IA’s review, we found that procedures are not always followed at the school level. The following references the exceptions noted during our review. Reference information was obtained from the <i>School Food Services Handbook IV</i> and the <i>FMS User Policy and Process Flow Guide</i>.</p> <p><b>Purchasing Requirements by SFS:</b></p> <p><u>Check Off Items</u></p> <ul style="list-style-type: none"> <li>➤ Finding: Six (6) of the 30 samples where the SL-2 Purchase Requisition showed no indication that the items ordered were compared to those received. (There was a 13% decrease in findings compared to the prior audit.)</li> <li>➤ Reference: SFS Manager should check off items received on the SL-2 Purchase Requisition upon receiving goods and/or services.</li> <li>➤ Mitigating Control: The ATP stamp was completed to show the date goods/services were received and that invoice prices were verified.</li> </ul> <p><b>Collection Requirement by SFS:</b></p> <p><u>Deposits</u></p> <ul style="list-style-type: none"> <li>➤ Finding: Four (4) of the 30 samples where collections were deposited after the required ‘next business day’ or ‘next scheduled courier pick up.’</li> <li>➤ Reference: Monies collected by the school must be deposited in the bank by the next business day or the next scheduled courier pickup.</li> <li>➤ Mitigating Control: Accounting performs monthly bank reconciliations of school lunch funds.</li> </ul> <p>Based on inquiries with SFS Branch and detailed testing, IA noted significant improvements in compliance with DOE SFS policies and procedures since IA’s last review. IA noted that SFS Branch performs fiscal reviews for a sample of schools annually. In addition, SFS Branch also performs on-site reviews for all schools in the DOE annually. SFS Branch also began using a document library located within Lotus Notes that started in 2013. The library contains policies, procedures, forms, as well as various training that is held throughout the school year.</p>	
<b>Impact</b>	
<p>Procedures not always followed at the school level may possibly lead to:</p> <ul style="list-style-type: none"> <li>➤ Unauthorized and improper purchases which may result in a financial loss to the DOE.</li> <li>➤ Potential misappropriation of assets which may result in financial loss to the DOE.</li> <li>➤ Lack of compliance and consistency with DOE policies and procedures.</li> </ul>	



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**Recommendation and Management Plan**

Recommendations for procedures not always followed at the school level include:

- **Recommendation:** Management should continue the mandatory training that is required for all staff handling school food collection and purchasing functions. In addition, continuous assistance should be provided to the field.

**Management Plan:** Management will continue to provide annual training to all office staff who handle school food collections. The following is how management plans on conducting training.

Training Goal:

Office Assistants and Cashiers will spend a total of four (4) hours of training. This training will be conducted face-to-face and will be taught by two (2) SFS Supervisors. The training will be held at various locations within each school district. Training to be completed before the start of each school year.

Learning Objectives:

Exhibited the required skills needed to make deposits, refunds, and credit student and teacher accounts.

Learning Methods / Activities:

SFS will use PowerPoint hand-outs, and interactive activities such as making mock deposits and refunds.

Documentation / Evidence of Learning:

A multiple choice test will be given at the end of the session to measure knowledge obtained during the training.

Evaluation:

SFS Supervisors will conduct their annual evaluations. During these evaluations they will observe the staff to determine if they are following the correct procedures learned from the course. If not, than technical assistance such as retraining at the school will be conducted.

**Anticipated Completion Date:** Ongoing

- **Recommendation:** Management should continue with the annual on-site reviews and fiscal reviews to ensure that schools are following DOE policies and procedures.

**Management Plan:** Management will continue to complete annual on-site reviews of all schools.

Assessment Goal:

Beginning October 2017, SFS Supervisors will begin to conduct On-Site Reviews (OSR) within their district. There will be eight (8) supervisors conducting assessments on 256 schools over a four (4) month period.

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Documentation:

Supervisors will utilize a 50 point evaluation form that will evaluate the cafeteria operations. The evaluation form will require the signature of the administrator, cafeteria manager, and supervisor.

Evaluation:

The evaluation will cover civil rights, wellness policy, food substitutions, safety & security, operational paperwork, review of sign-in sheets, purchases, invoices, inventory, and food safety.

Challenges:

The branch is currently recruiting to fill four vacant positions that became empty due to retirement and departures. Filling these positions has been difficult as the positions are Limited-Term assignments making them less desirable for individuals looking for a permanent position.

**Anticipated Completion Date:** June 2018

- **Recommendation:** SFS Managers should ensure that the following procedures are performed:
- All goods and/or services should be checked off against the SL-2 Purchase Requisition upon receiving of goods and/or services.
  - School collections must be deposited in the bank by the next business day or the next scheduled courier pickup.

**Management Plan:** Management will continue to provide training as follow.

Training Goal:

A total of 193 SFS Managers will spend a total of one half-hour of training. This training will be conducted face-to-face and will be taught by the prospect district SFS Supervisors. The training will be held at various locations within each school district. Training will be provided at the annual School Food Service Management (SFSM) meetings.

Learning Objectives:

Exhibited the required skills needed to stamp invoices for payments.

Learning Methods / Activities:

The use of PowerPoint hand-outs will cover where the invoice should be stamped and cover details such as dating and signing, and the issuing of new ATP stamps for schools that need them.

Evaluation:

SFS Supervisors will conduct their annual evaluations and during these evaluations they will observe the staff to determine if they are following the correct procedures learned from the course. If not, than technical assistance such as retraining at the school will be conducted.

**Anticipated Completion Date:** June 2018

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- **Recommendation:** Management should review and update SFS policies and procedures for applicability and practicality. Changes made to policies and procedures should be communicated to the field and training should be provided.

**Management Plan:** Management has begun to review all SFS policies and procedures. The goal of the review is to update all policies and procedures that do not align with current practice and state and federal regulations. Training will be provided at the annual SFSM meetings. Furthermore, technical assistance will be given throughout the year to ensure compliance.

Training Goal:

A total of 193 SFS Managers will spend a total of four (4) hours of training. This training will be conducted face-to-face and will be taught by the prospect district SFS Supervisors. The training will be held at various locations within each school district. Training will be provided at the annual SFSM meetings.

Learning Objectives:

Exhibited an understanding of updated current policies and procedures.

Learning Methods / Activities:

The use of PowerPoint hand-outs will contain copies of the updated policy and procedures, and the issuing of updated policies and procedures.

Evaluation:

SFS Supervisors will conduct their annual evaluations and during these evaluations they will observe the staff to determine if they are following the updated policy and procedures learned from the course. If not, than technical assistance such as retraining at the school will be conducted.

**Anticipated Completion Date:** December 2018

Contact Person: Dann Carlson, Assistant Superintendent, OSFSS  
Albert Scales, School Food Program Administrator

**Responsible Party**

School Food Services Branch, OSFSS

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<b>Observation Number: 3</b>	
<b>Observation: Lack of technology in menu planning, ordering, and inventory leads to inefficiencies</b>	<b>Rating: Low</b>
<p>This current observation is a repeat finding from the January 2013 Internal Audit “<i>School Food Services Review.</i>” Based on IA’s review, menu planning, ordering, and inventory are still manual processes. Each SFS Manager is responsible for reviewing the upcoming menu, placing orders for ingredients and supplies, receiving goods, and accounting for inventory on hand. Every SFS Manager is required to maintain a manual Form SL-4 Perpetual Inventory Card for every item in their kitchen. The Form SL-4 Perpetual Inventory Card contains the following information: item, vendor, unit price, date, number of items received, number of items used, running balance on hand, and total balance at each respective month end. During our review, we noted that current inventory policies and procedures are not being followed consistently.</p> <p>During 2016, Cybersoft Technologies PrimeroEdge was awarded through the competitive bid process, a contract to provide the new meal application and POS programs, replacing Meal Tracker and eTriton. PrimeroEdge went live at all schools in early 2017 with the POS module. Additional modules to be implemented include: online inventory, menu planning, ordering, and nutrient analysis. SFS Branch is currently using some of the modules at the state level.</p>	
<b>Impact</b>	
<p>The lack of technology in menu planning, ordering, and inventory may possibly lead to:</p> <ul style="list-style-type: none"> <li>➤ Inaccurate inventory records which may lead to over purchasing and waste.</li> <li>➤ Inconsistencies and inefficiencies between practices and procedures. Such inconsistencies could result in wasted resources.</li> <li>➤ Non-compliance with DOE requirements for inventory.</li> </ul>	
<b>Recommendation and Management Plan</b>	
<p>Recommendations for the lack of technology in menu planning, ordering, and inventory include:</p> <ul style="list-style-type: none"> <li>➤ <b>Recommendation:</b> SFS Branch should continue the implementation of PrimeroEdge modules to automate the inventory process and interconnect the menu planning, ordering, and inventory. Training and continuous assistance should be provided to the field once modules are implemented.</li> </ul> <p><b>Management Plan:</b> Management will continue to leverage technology by acquiring the following modules.</p> <p><u>Menu Planning:</u> This will allow for SFS Managers to receive menus that were created right from their computer. The software will allow for the manager to make adjustments such as quantity and ingredients as needed for special accommodations. Also, the software will allow for menus to be updated instantly across the state based on current inventory within the contract warehouse and what is currently stored within the school cafeterias.</p> <p><u>Ordering:</u> This module will allow for SFS Managers to create an order list based on their menu, removing the need for manual calculations. This will reduce overall errors and help to reduce cost. The order list will then be able to be sent to the contract commercial warehouse. This will help to speed up the ordering process while reducing over-ordering and other manual errors.</p>	

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Inventory Modules:

The branch has begun utilizing Excel spreadsheets to help reduce errors in calculations. Excel sheets allow for more accurate calculations and will be an electronic database that will be able to upload more easily into the new inventory system. The goal is to move to an electronic system that takes information from invoices, menus, and usage to accurately reflect the current inventory status.

The above modules will be phased in over the next two (2) years to allow for training of managers. The training will consist of six (6) hours of face-to-face training from the awarded vendor. On-going training will be available via webinars. Training will be conducted at Department of Education ITC centers. This will allow for managers to have hands on experience with the new software.

**Anticipated Completion Date:** December 2019

Contact Person: Dann Carlson, Assistant Superintendent, OSFSS  
Albert Scales, School Food Program Administrator

**Responsible Party**

School Food Services Branch, OSFSS

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*Acknowledgements*

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IA wants to acknowledge the SFS Branch for their continuous improvement on school food lunch processes. We wish to express our appreciation for the cooperation and assistance afforded to the review team by management and staff during the course of this review.