LEGALISITVE REPORT

SUBJECT: Relating to Department of Education School Food Services Branch (SFSB)

REFERENCE: SCR 97 (2013)

ACTION REQUESTED: Report to the 2014 Legislature

DOE REPORT:
Introduction: SCR 97 (2013) requires the Department of Education to report on system-wide review of the oversight, monitoring, and accountability of the operational fiscal practices of the department's School Food Services Branch. Refer to the attachment entitled "School Food Services Branch".

Findings: See attached

RECOMMENDATIONS: None

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12/16/13
Date

AN AFFIRMATIVE ACTION AND EQUAL OPPORTUNITY EMPLOYER
School Food Services Branch
Legislative Report for S.C.R. 97

The Department of Education (DOE) School Food Services Branch (SFSB) assists 256 public schools with feeding approximately 100,000 students and staff daily. The SFSB provides technical training and assistance to all DOE schools to ensure Federal compliance and regulations are met for the National School Breakfast, Lunch, Summer, and After School Snack Programs. This branch also processes household applications for free and reduced meal price benefits. In turn, student eligibility data is used by the Title I office to list Title I schools. Required annual United States Department of Agriculture (USDA) "On-Site Reviews" are conducted at each school. The SFSB also responds to audits, reviews, and inspections from the Department of Health, the State Agency Hawaii Child Nutrition Programs, and USDA.

In 2012, the DOE conducted an internal audit of its SFSB to assess and evaluate the design and operational effectiveness over the SFSB internal processes. This internal audit represented a system-wide review of the oversight, monitoring, and accountability of the operational and fiscal practices of SFSB. The Office of School Facilities and Support Services (OSFSS) and SFSB support the findings in the audit and are committed to improving processes.

This legislative report responds to SCR 97 (2013), by addressing the concerns raised by the internal audit and SFSB's actions toward implementing the recommendations from the audit.

1) Audit Finding: Ownership of the food purchasing and meal payment collection processes is unclear.

SFSB Actions:
   a. To improve controls and procedures, the SFSB declared ownership of the food purchasing and meal payment collections in January 2013. SFSB continues to collaborate with the Office of Fiscal Services, bargaining units and Internal Audit office in updating Guidelines (Standard Practices) for Purchasing Guidelines, Collection of Cafeteria Revenue, School Lunch Collection Accounts, Meal Point Staffing Guide, and Perpetual Inventory.

   b. SFSB continues to conduct annual mandatory trainings for School Food Service Managers (SFSM) regarding compliance with food purchasing processes.

   c. SFSB, assisted by a contractor, will develop a school level fiscal monitoring review template, conduct fiscal reviews, and work with leadership to establish a line of authority for corrective action of non-compliance with food purchasing processes at the school-level. Trainings on collections should be completed by April 2014.
2) **Audit Finding:** There is a lack of oversight, monitoring, and accountability of purchases.

**SFSB Actions:**

a. SFSB continues to update Purchasing Guidelines, which should be completed by December 31, 2013. SFSMs must consistently complete the SL-2 Purchase Requisition Form, a support document for the Financial Management System (FMS) Standard Practice 1631 internal financial control processes. Revisions to the SFSB Guidelines address segregation of duties, as well as immediate price list changes when SFSB is notified by Procurement and Contracts Branch (PCB) of price updates.

b. SFSB plans to conduct mandatory trainings in January 2014 for SFSMs, once revisions of SFSB Guidelines are approved by Internal Audit. In addition to these mandatory trainings, periodic spot checks will be conducted by SFSB Supervisors throughout the school year.

c. SFSB is adding a fiscal accountability section to oversee, monitor, and account for purchases. This section would be responsible for the continual system-wide review regarding the oversight, monitoring, and accountability of the operational and fiscal practices at the school level. A system-wide review of all schools is a projected two-year process, thus a consolidated report of this fiscal accountability section’s review should go to the DOE leadership for potential action by December 2016.

d. It is mandatory that SFSB supervisors review and monitor SFSMs, who are expected to follow policies procedures as described in the recordkeeping section of the updated SFSB Guidelines.

3) **Audit Findings:** There are insufficient controls in the monetary collection processes.

**SFSB Actions:**

a. To improve SFSB’s Meal Tracker/E-trition Point of Service (POS – place where meal transaction completed) software system’s controls for monetary collections made at the school level and reconciliation of meal counts, SFSB is updating the procedural Guidelines to include controls for cash overage/shortages, cash refunds, non-cash
adjustments, negative accounts, daily/monthly collection/reconciliation and standardizing data submitted to reconcile daily/monthly reports to SFSB. The web-based application for monetary collection processes should be completed by school year (SY) 2015-2016 (15-16). SFSB already complies with federal regulations on updating student eligibility for free, reduced or full priced meals. Software allows schools to print appropriate support data from standard field outputs (by grade, by student, or by category) to accompany each form.

b. SFSB already provides schools with the student eligibility status (free and reduced-price meals), as required by Federal Law. Consolidation features for Meal Tracker/E-trition are in development as part of the transition into a web-based application. SFSB will have electronic access to verify student refund balances requests using the FMS C-1 Revenue Refund Form throughout the year. Completion of the transition is estimated for SY15-16.

c. SFSB will continue to provide State-level mandatory training to school-level staff handling the POS and cash collections on SFSB Guidelines. Periodic spot checks will be conducted by SFSB’s new fiscal accountability section to ensure the proper collection procedures are followed.

4) **Audit Finding:** There is a lack of current and comprehensive food purchasing policies and procedures.

**SFSB Actions:**

a. To establish comprehensive food purchasing policies and procedures, SFSB updated their Guidelines and included an FMS chapter that provides detailed guidance for SFSMs to process payments for provisions under $5,000 as direct payment. SFSB continues to provide mandatory food purchasing training to disseminate the information to the SFSMs, also reflected in the SFSB Guidelines.

b. Updates are being made to the SFSB Guidelines on procedural language for federal commodities and SL-2 Perpetual Inventory cards, mandating use of federal commodities and Department of Defense (DOD) entitlements prior to purchasing the same items in the open market. The updated Guidelines for SY13-14 should be done by December 31, 2013.
c. SFSB is in the process of working on an electronic file that links the federal commodity received, used and balance values with the SL-6 Monthly report and the practicality of linking the purchased food and supply inventory values. By SY15-16, SFSB should have this link operating.

5) **Audit Finding:** There is a lack of technology use in menu planning, ordering, and inventory.

**SF SB Actions:**
- a. The SF SB is in the beginning stages of procuring a Web-based system that would automate and interconnect school food service processes such as menu planning, inventory, meal counting/claiming and on-line meal application processing. The Web-based project implementation and training are targeted to begin for the SY 2014-15, with complete state-wide implementation targeted for SY2015-16.

6) **Audit Finding:** Required forms and supporting documents are not always completed and/or retained, and procedures are not always followed.

**SF SB Actions:**
- a. SF SB has increased the number of SF SB Supervisor positions from seven (7) to twelve (12) in order to provide increased oversight, mandatory trainings and on-going reviews to ensure school food service staff compliance with procedural SF SB’s Guidelines. The periodic fiscal reviews will be conducted by SF SB supervisors, with system-wide assessments to eventually be handled by the fiscal accountability section.

- b. Upon completion of staffing SF SB’s new fiscal accountability section, the team will conduct review/evaluation of school level performance in cash collections, purchasing and meal counting/claiming processes. SF SB monitoring reports, including the performance of collections and purchasing functions, will be submitted to DOE leadership for potential action.

7) **Audit Finding:** The method of staffing school kitchens is not clearly defined and is prone to manipulation.
SFSB Actions:

a. The SFSB updated the Staffing Guidelines Criteria and Meal Points Staffing Guide. SFSB Supervisors implemented the new SFSB Guidelines criteria in SY 2013-14. The Guidelines reflect updates to the staffing formula process by requiring SFSB Director approval for unusual staffing situations.

b. SFSB also created a monitoring template to reduce manipulation to the staffing formula. As of October 2013, the SFSB Director reviews and approves changes to staffing outcomes on the template with each SFSB Supervisor, then discusses staffing results with each district/complex staff prior to submission to the District Personnel Regional Officer.

c. The new fiscal accountability section will monitor the staffing formula outcomes.