

Internal Audit Report



Follow-Up Review On The Audit of Food Service Operations



Food Services has taken measures to improve efficiency in most areas, but Meals Per Labor Hour at Senior High Schools still needs to be addressed.

June 2008

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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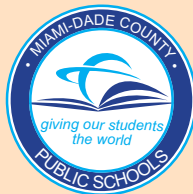


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June 12, 2008

Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit Committee
Dr. Rudolph F. Crew, Superintendent of Schools

Ladies and Gentlemen:

In accordance with School Board Rule 6Gx13-2C-1.14, Section IV.B.3 and the approved Audit Plan for FY 2007-08, we have reviewed the actions taken by management to implement the recommendations included in our prior internal audit report Food Service Operations January 2006. This report was issued January 31, 2006, and examined the effectiveness of internal controls and business practices established by management to conduct the operations of the Food and Nutrition Department.

EXECUTIVE SUMMARY AND CONCLUSIONS

In our prior audit report, we found that for the most part, the Department of Food and Nutrition had adequate internal controls and its operations were in compliance with laws, regulations and School Board Rules. Also, the audit results indicated the District was receiving the best available prices in its bids for food service purchases when compared to other school districts' bids. The audit did, however, disclose several opportunities for improvement.

We made 7 recommendations to improve the process. In its response, management indicated that it was in general agreement with our recommendations and was developing initiatives to address the issues raised in our report.

In our follow-up review, we found that management implemented an on-line labor hour reporting system that allows F&N to monitor the staffing levels at the schools. Information obtained from these reports, and from observations made during periodic school visits by F&N administrators, is shared with the school principal to achieve appropriate staffing levels for the school. Also, a Labor Hour Committee with members from the administration and AFSCME held several meetings to discuss staffing levels and increased productivity at the high schools, among other issues. The committee, however, did not analyze the Meals-Per-Labor-Hours (MPLH) benchmark established for senior high schools. Furthermore, school cafeterias continue not to meet those standards.

Management did take actions to improve the efficiency of the procurement process, by discontinuing catalog bids in favor of bids that call for firm unit prices. Also, a bid for Commodity Foods Processing was awarded in October 2007. The Department currently uses the net-off invoicing method, instead of the after-purchase rebates method for purchasing food products from processed Federal commodities from authorized vendors.

F&N administration continues to review open purchase orders and initiates action to close stale purchase orders as appropriate. However, there is a need for continued monitoring in this area. A large number of food service related stale purchase orders remains open, which will need attention from other departments to close.

The State of Florida's Auditor General recently published an audit report on the District's operations and reported that purchased food cost per meal varied significantly among elementary, middle and senior high schools. Management addressed these issues and is in the process of implementing corrective actions.

Another subsequent event of note is that during the 2007-2008 fiscal year, the District's food program experienced significant budget overruns. Management attributes a large portion of the cost overruns to the increase in the cost of certain staple foods and labor. Management is considering various strategies to reduce cost.

Based on our observations, Food and Nutrition's management has taken appropriate actions to address most of the findings and recommendations in the Food Service Operations January 2006 audit report, but needs to take further actions to improve certain areas of operation. Subsequent to our fieldwork, management has taken further actions toward fully implementing any outstanding recommendations. We thank management for the courtesies extended to our auditors during this follow-up review.

Sincerely,



Allen M. Vann, CPA
Chief Auditor

BACKGROUND

To provide food services at the schools, the Department of Food and Nutrition (F&N) incurred expenditures of \$143.7 million in fiscal year 2005. Of that total, \$62.6 million represent the cost of salaries and fringes for a staff consisting of 517 full-time and 3,114 part-time employees. Accountability for salaries is not centralized because the full-time and part-time cafeteria employees report to the school principals. The department purchases food and equipment utilizing bids issued by the District or other governments. Purchasing activities are the primary responsibility of the Department of Procurement Management Services.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this follow-up review was to determine the progress and extent of the implementation of management's plans of action for addressing the seven recommendations in the original audit report. The review covered actions taken by the administration subsequent to issuing the original audit report and through February 29, 2008.

We performed the following procedures to satisfy our objective:

- Interviewed District staff.
- Examined, on a sample basis, procedures, minutes of meetings, bid and purchase order records, staffing formulas and calculations, and other pertinent documents.
- Performed other procedures deemed necessary.

This performance audit follow-up review is not an audit, but is intended to provide a current status on prior audit findings and recommendations. However, we believe that the evidence obtained and reviewed provides a reasonable basis for our conclusions on the status of prior audit findings and recommendations. This follow-up review did not include an assessment of internal controls.

Follow-up Review of Food Services Operations			
Audit Committee Meeting Presented – June 24, 2008			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
1. Improve Cafeteria Operations Productivity And Measures	1.1 Develop an action plan to address the unfavorable staffing variances, based on the cafeteria productivity measure delineated in the District's <u>Food and Nutrition Procedures Manual</u> .	An on-line labor hour reporting system for each food service operation, based on daily food sales and staffing, has been fully implemented. Each site's labor standard is monitored daily by the food service manager and reported weekly to food service administration. Schools with unfavorable staffing levels are directed and assisted to seek ways to increase meal participation, improve productivity or transfer employees. Additionally, various controls have been implemented for the hiring process of part-time food service employees to ensure that sites requesting additional staff operate within the district staffing formula.	Fully Implemented.
	1.2 Re-evaluate the standard staffing formulae to determine whether established levels are appropriate.	The Joint Administrative/AFSCME Labor Hour Committee was convened four times to evaluate and address staffing issues. District Management committed to AFSCME that efforts would be focused on assisting schools in adherence to the current staffing	Partially Implemented. While the Joint Administrative/AFSCME Labor Hour Committee convened for several meetings, analyzing and adjusting the Senior High Meals Per

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		<p>formula before establishing a new standard.</p> <p>Management Response to Follow-Up: The Joint Administrative/AFSCME Labor Hour Committee convened for several meetings, and most recently met with School Operations for assistance in lunch scheduling and other operational issues affecting meals per labor hour. The Joint Committee should continue to advance agreement on increasing productivity standards in the Senior Highs and at all grade level food service programs as recommended.</p>	<p>Labor Hours (MPLH) was not placed on any agenda as was recommended. We believe that unfavorable MPLH cost has the greatest impact on Food and Nutrition's operating budget, and as such, should be analyzed and adjusted.</p>
	<p>1.3 Consider implementing the OPPAGA recommendation regarding delineating the roles and responsibilities of school principals and the food service program.</p> <p>1.</p>	<p>The Department of Food & Nutrition worked with the Office of Human Resources to transfer control of the hiring process for school site food service personnel from the school principal to the Department of Food and Nutrition. As of August 1, 2007, Food & Nutrition first approves the request to hire, based on</p>	<p>Fully Implemented</p>

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		adherence to the staffing formula, then initiates hiring actions for school site food service personnel. The daily on-site supervision of school site food service employees is conducted by the site supervisor.	
2. Maintain Current Catalog Prices In Bid File For Review And Validation Of Prices	2.1 Adhere to established policies and procedures regarding documentation and review of vendor price list.	All equipment bids have been issued with firm, fixed prices.	Fully Implemented
3. Food Service Bids Allowed To Lapse	3.1 Ensure that bids are in place for food services and equipment purchased.	The refrigeration bid was awarded at the August Board meeting and all remaining equipment bids will be opened by December 2007. The Commodity Foods Processing bid was awarded at the October 2007 Board meeting.	Fully Implemented.
4. Strengthen Controls Over Commodity Rebates By Improving And	4.1 Develop written procedures and controls over the handling of commodity rebates.	Food and Nutrition Procedure C-17 was written and implemented to address rebates and net-off invoicing. In order to maximize the value of USDA	Fully Implemented.

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Documenting Procedures		donated foods, commodity processing is currently procured by the net- off invoicing method, providing for upfront savings in lieu of after-purchase rebates.	
5. Promptly Review And Close Open Purchase Orders	5.1 Thoroughly analyze the Bid Status Report and Open Order Listing and expedite appropriate resolution and closure of purchase orders that have been opened more than six months beyond expiration of the related bids.	<p>Staff at the Department of Food and Nutrition reviews the open purchase order (PO) listings on a monthly basis. Requests to close stale-dated PO's in the MSAF system are made to the Accounts Payable Department and/or the Procurement Office for action.</p> <p>Management Response to Follow-Up: Food and Nutrition communicates the request to close food service related purchase orders monthly to the Accounts Payable and Procurement Departments. Accounts Payable reviews the purchase orders and closes purchase orders that no longer require payment activity.</p>	<p>Partially Implemented – Ongoing. Food and Nutrition has actively attempted to close old open food service related purchase orders. However, based on open purchase order reports Food and Nutrition provided to us for review, there remains a large number of open purchase orders. Some of these purchase orders require action from other departments in order to close.</p>

The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964, as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

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The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

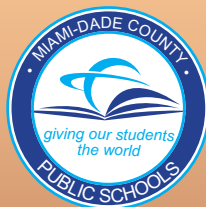
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Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

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