Columbus City Schools
Office of Internal Audit

Food Services Department

Audit Report

Report Date: August 23, 2018

Table of Contents

Executive Summary

The Columbus City Schools (District) Office of Internal Audit (OIA) has recently completed a general audit of various sub-processes within the District's Food Services Department. Our audit focused on evaluating predetermined objectives selected by OIA. This general audit consisted of the review and testing of these objectives relevant to the Food Services Department. This process involved Food Services personnel at all levels of the organization, some are responsible for establishing and updating procedures (Food Services Supervisors), some are responsible for maintaining product quality (Food Services Managers) and others are responsible for recording usage and waste (Cooks, etc…).

Based on the results of our work during this audit, we found areas where improvements could be made to strengthen the internal control environment and enhancements could be made to current processes to increase the efficiency of the District's food services processes.

During the course of our audit, we made Food Services Department's staff and management aware of our issues, comments and recommendations for improvement. Good discussion took place regarding the recommendations. OIA appreciates the cooperation extended to us and the assistance of all staff we came into contact with as we performed our audit.

The following are OIA issues noted during the review:

> **Risk Ratings, defined:**
>
> **1 – High/unacceptable risk requiring immediate corrective action;**
>
> **2 – Moderate/undesirable risk requiring future corrective action;**
>
> **3 – Low/minor risk that management should assess for potential corrective action.**

Issues	Risk Rating		
	1	**2**	**3**
Objective 1: Written business objectives/goals, metrics and risk analysis exist for the food services function.			
Issue No. 1 – The Food Services Department does not have written business objectives, metrics or risk analysis to guide the food services function, determine successes, avoid pitfalls, and enhance its efficiency and effectiveness.	X		

Issues	Risk Rating		
	1	**2**	**3**
Objective 2: To determine appropriate governance exists.	No comments		
Objective 3: To determine sufficient internal controls are in place and operating as management intends.			
Issue No. 2 – The food services function does not track the purchases, usage, or waste by location for food & beverage or supply products.	X		
Issue No. 3 – Inconsistent use of mechanisms and procedures that are used to ensure food quality.	X		
Objective 4: To determine appropriate monitoring function is in place to enhance accountability and identify successes and problem areas in a timely manner.			
Issue No. 4 – The food services function does not have adequate internal or external benchmarks or standards regarding food cost, supply cost, and labor cost per meal served to compare District food services kitchens.	X		

Audit Objectives

The objectives of the audit were to determine:

- Written business objectives/goals, metrics and risk analysis exist for the food services function;

- To determine appropriate governance exists;

- To determine sufficient internal controls are in place and operating as management intends; and

- To determine appropriate monitoring function is in place to enhance accountability and identify successes and problem areas in a timely manner.

Sub-processes reviewed during this audit were:

- Funding (Federal receipts, grants, revenue);
- Cost control (food cost, labor cost, paper cost/meal served); and
- Product control (quality, ordering, inventory, utilization, waste).

Audit Scope

OIA established the scope of the audit to include a review of basic operational aspects of the food services as they relate to the above sub-processes. Additionally, verification of any compliance requirements, and evaluation of the internal control environments as they relate to the stated objectives. The period of time for the audit included all activity relating to the food services function that occurred from July 2017, through May 2018.

Methodologies

To accomplish our stated objectives, OIA performed the following tasks as they related to those objectives:

- Reviewed various authoritative literature governing work reviewed (i.e. Relevant Ohio Revised Code & Ohio Administrative Code sections, various federal grant guidance, etc…);

- Obtained and reviewed relevant Columbus City Schools' (CCS) Board of Education policies;

- Obtained and reviewed relevant District Administrative Guidance and Food Services procedures;

- Interviewed various Food Services staff throughout the organization;

- Observation and documentation of key processes;

- Review of management reports, support documentation, and other relevant information; and

- Review of best practices used by other entities performing similar functions.

Background

The Columbus City Schools' Food Service Department is responsible for providing breakfast, lunch and snacks for students who reside within the Columbus City School District boundaries. The nutrition provided by the Department is essential for the students of the District to be prepared to learn. Studies show that a well-nourished child performs better in the classroom.

The Food Service Department conducts food service operations at 114 separate sites. 44 of those sites are considered full service kitchens, 70 of those are considered satellite kitchens where they are supported by the Food Service Production Center located at 450 East Fulton Street.

Beginning in the 2014-2015 school year, the District enrolled in the USDA program known as the Community Eligibility Provision. This provision allows the district to

provide free breakfast and lunch to all students. This provision also reduces the administrative burden of participating in the National School Lunch Program and the School Breakfast Program.

Over the past two years, the Food Service Department has been recognized locally, at the state level and nationally for different initiatives designed to improve the access and quality of the food we provide our students at Columbus City Schools.

Results of the Financial and Compliance Audit of the Food Services Department – Issue and Recommendations:

Issue No. 1 – The Food Services Department does not have written business objectives, metrics or risk analysis to guide the food services function, determine successes, avoid pitfalls, and enhance its efficiency and effectiveness.

The District's food services function does not have business objectives (accuracy, completeness, consistency, cost-effectiveness, compliance and timeliness) guiding the tasks that involve food services activities. Furthermore, there are no metrics compiled by food services location (product cost/meal served, labor cost/meal served, supply cost/meal served within certain guidelines, operational equipment up and running a certain percent of time, wasted food/meal served within a certain percentage, etc…) that are routinely obtained to identify successes or how efficient and effective the food service program is operating. There is no risk analysis to identify areas where problems could occur.

Recommendations

1. Written business objectives should be established for the District's food services function that corresponds to the District's goals[1]. These objectives should address: accuracy, completeness, consistency, cost-effectiveness, compliance and timeliness.

2. While various metrics are compiled on a district-wide basis, there are no metrics at the food services location level (i.e. product cost/meal served, labor cost/meal served, supply cost/meal served within certain guidelines, operational equipment up and running a certain percent of time, wasted food/meal served within a certain percentage, etc…) that to measure the work performed that relates to each business objective. These metrics should be compiled by food services location and

---

[1] Columbus City Schools Goals:

Goal 1: Each student reaches the student's full potential; to continue education, serve in the military, go to college, start a business, and enter the workforce as a life-ling learner.

Goal 2: The District creates safe, student-centered, innovative learning environments and recruits, develops, and retains world-class talent.

Goal 3: The District is accountable to our communities and customers; confidence in the District is maintained through strategic, responsible and transparent leadership.

compared to defined benchmarks on a periodic basis (i.e. monthly, quarterly, etc…). This comparison will enable management to identify those business objectives that are meeting the benchmarks and those that need additional work.

3. Risk analysis should be performed for the food services function to identify areas where problems could occur. Once the risks are identified, steps should be taken to minimize the likelihood that this risk will become problematic.

These procedures will help to ensure management is aware of the successes of the District's food services function, as well as those areas where successes have yet to be achieved.

Management Response: The Food Service Department develops annual targets at a district wide level. These targets are based on historical performance and national benchmarks through the Council of Great City Schools. These targets are not expressed as business objectives.

Management does not easily have the ability to review metrics at the site level. They are periodically reviewed and a number of different measures are reviewed to include breakfast participation, lunch participation, meals per labor hour, pre-packaged meal ordering, and others as they are needed.

In order to provide this information more timely, the Food Service Department will conduct a request for proposal to consider replacing the current point of sale system. The system will require detailed site based data that links inventory, sales and cost. The review of the system will include a cost benefit analysis. Management agrees that accurate timely information will likely aid in the reduction of product cost and waste, that savings will be weighed against cost that will include hardware, software, implementation, maintenance, and any additional labor for data input and system administration.

The Food Service Department will conduct an annual risk assessment of operations to identify and mitigate risk where possible.

Process Owner: Director, Food Services Department

Implementation Date: December 2019

Issue No. 2 – The food services function does not track the purchases, usage, or waste by location for food & beverage or supply products.

The District's food services function does not have a process by which food and supply products are appropriately tracked. Food and supply products received, used and/or wasted are not entered into a perpetual inventory system.

Food product storage areas are not properly secured with restricted access. Most areas (pantries, walk-in coolers, freezers) are accessible by school staff when food services staff is not present.
There is a physical inventory taken monthly at each location. The results of this physical inventory is not compared to a booked perpetual inventory.

Recommendations

4. A perpetual inventory system should be developed for all food and supplies purchased, used and/or wasted by the Food Services Department. This perpetual inventory system could look like the following:

- Start with a beginning inventory cost of the inventory on hand for each location at the beginning of the period. Food cost purchased during the month should be added to this beginning inventory resulting in an "available for use" inventory. Food product used and wasted during the month should be subtracted from this "available for use" inventory. The resulting totals can be compared with the physical inventory to determine accuracy and completeness.

5. All food products should be kept in a locked environment with restricted access when food services staff is not present. The access to these areas should be limited to essential personnel. This will help to ensure that food products are only accessible to those who would have a legitimate need for the items.

6. Complete physical inventories of all food and supply products should be taken at least monthly and compared to the perpetual inventories. Discrepancies should be documented and reviewed. This will help to properly account for all products used by the District.

7. Discrepancies should be researched to identify what caused the issue and steps should be developed to reduce the likelihood that the issue will occur again.

Management Response: In order to provide this information more timely, the Food Service Department will conduct a request for proposal to consider replacing the current point of sale system. The system will require detailed site based data that links inventory, sales and cost. The review of the system will include a cost benefit analysis. Management agrees that accurate timely information will likely aid in the reduction of product cost and waste, that savings will be weighed against cost that will include hardware, software, implementation, maintenance, and any additional labor for data input and system administration. The current monthly inventory that is taken will be entered into the back of the house system to track product usage and waste. As discrepancies and outliers are identified, appropriate action will be taken.

Food Products are kept in locked spaces within the kitchen. There are personnel within the schools that need to have access to the food service space. These people include principals, custodians, and repair technicians. Members of the general public can also utilize the food service space, if they follow the approved building use process.

Process Owner: Director, Food Services Department

Implementation Date: December 2019

Issue No. 3 – Inconsistent use of mechanisms and procedures that are used to ensure food quality.

During our review, we performed on-site visits at three high school cafeterias and found no instances where food quality had been compromised.

Our on-site visits of the three high school cafeterias found the absence of some necessary internal controls and inconsistent use of mechanisms or procedures documented in procedural manuals that could affect food quality. The following situations were identified during OIA on-site visits (number of schools where problem was noted):

- No district-wide standard on how to take food items from shelves, walk-in and/or freezer (3);

- No consistent use of temperature logs (3);

- No consistent calibration of thermometers (3);

- Staff did not understand how to use what bread first (red or blue ties) (3);

- Prepackaged food is not consistently dated when received as required by Food Services procedure (2);

- Some items that were to be stored in a cool location, were being stored in a 78-degree food pantry (1); and

- Food taken from the freezer and placed in the walk-in is not marked with a date. There is no way to know when the food was removed from the freezer (2).

Recommendations

8. Standards should be developed on how food is to be taken from storage areas (i.e. left side front to back, right side front to back) and ways to determine the oldest food items should be documented and distributed to staff (i.e. bread). This will help to ensure staff throughout the District know how to select the oldest food first.

9. A quality control checklist should be developed by Food Services' management and used by Food Services' Supervisors on unannounced visits to evaluate the compliance of the cafeteria with important Food Services procedures that could affect food product quality.

Management Response: Ohio revised code requires that all food service operations have staffed trained in food safety. Food procedures will be reviewed and modified to assure the highest quality for the students of Columbus City Schools. Staff will receive refresher training on current procedures and new training on any changed procedures.

Food Service Supervisors currently complete unannounced compliance reviews in school kitchens. This will be modified to include additional food quality procedures

Process Owner: Director, Food Services Department

Implementation Date: December 2018

Issue No. 4 – The food services function does not have adequate benchmarks or standards regarding food cost, supply cost, and labor cost per meal served to compare District food services kitchens.

The District's food services function does not have established benchmarks for various types of product/labor costs by location. There is no analysis performed at each food services location regarding the following:

- Meals served as compared to food product that was used, wasted and transferred;

- Meals served as compared to product supplies that was used, wasted and transferred; and

- There is an annual compilation of meals per labor hour, but there is no routine follow-up on labor costs per location throughout the school year.

Recommendations

10. At least monthly, food cost used, wasted and transferred at each food services location should be divided by meals served to arrive at a "food cost yield". This food cost yield should be compared to other internal locations to identify successes and those locations that need additional help. Additionally, these food cost yields should be compared to external like entities to ensure our food cost yields are comparable. This will help to maximize the District's efficiency of the food services function.

11. Paper cost and beverage cost should have an individual "yield" determined in the same manner as the previously noted "food cost yield". This will help to identify successes and those locations that need improvement. As the "yield" measurements are compared with other food services locations, outliers will be identified that demonstrate successful operations and those where improvements can be made.

12. Labor cost or labor hours should be totaled daily using all food services' workers and any school staff assisting with food services operations that are paid with food services funds. These costs should be divided by meals served for breakfast and a separate one for lunch service. This "yield" would be your labor cost yield. As this

measurement is compared with other food service locations, outliers will be identified that demonstrate successful operations and those where improvements can be made.

As time goes by and these "yields" are continually prepared, acceptable variances will be determined. Then explanations can be prepared by Food Services Managers for those "yields" that fall outside of the identified variances.

These procedures will help to enhance the efficiency and help control costs of the food services operation.

Management Response: The Food Service Department develops annual targets at a district wide level. These targets are based on historical performance and national benchmarks through the Council of Great City Schools.

Management does not easily have the ability to review detailed metrics at the site level. Metrics are periodically reviewed to look at a number of different measures to include breakfast participation, lunch participation, meals per labor hour, pre-packaged meal ordering, and others as they are needed.

In order to provide this information more timely, the Food Service Department will conduct a request for proposal to consider replacing the current point of sale system. The system will require detailed site based data that links inventory, sales and cost. The review of the system will include a cost benefit analysis. Management agrees that accurate timely information will likely aid in the reduction of product cost and waste, that savings will be weighed against cost that will include hardware, software, implementation, maintenance, and any additional labor for data input and system administration.

Process Owner: Director, Food Services Department

Implementation Date: December 2019