

FOOD SERVICE OPERATIONS



JANUARY 2006

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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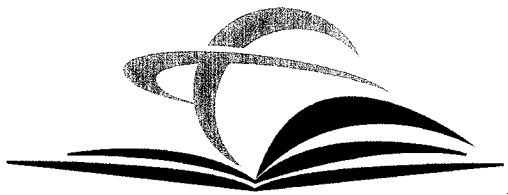
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Miami-Dade County Public Schools

giving our students the world

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January 20, 2006

Miami-Dade County School Board
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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 the FY 2006 Audit Plan, we have performed an audit of food service operations administered by the Department of Food and Nutrition covering the period July 1, 2004 to June 30, 2005. The objectives of the audit were to determine whether there were adequate internal controls over the department's operation, that good business practices and applicable laws and School Board rules are followed.

Overall, the Department of Food and Nutrition obtains the best available prices in its bids for food service purchases when compared to other school districts' bids and has adequate internal controls over food service purchases. However, cafeteria operations at senior high schools could be more efficient and certain procurement and rebate practices need to be improved.

Our findings and recommendations were discussed with management. Their responses along with explanations needed to assure that the findings and recommendations are addressed are included herein. As always, we would like to thank the administration for their cooperation and courtesies extended to our staff during the audit.

Sincerely,

Allen M. Vann, CPA
Chief Auditor

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EXECUTIVE SUMMARY

The Department of Food and Nutrition has adequate internal controls to provide reasonable assurance that its operations are in compliance with the applicable laws, regulations, and School Board rules. Overall, the District appears to have been receiving the best available prices in its bids for food service purchases when compared to other school districts' bids.

Our review of the food and nutrition program disclosed the following opportunities for improvement:

- Cafeteria operations at senior high schools appear to be inefficient when compared to the District's established staffing formula and other districts, despite using performance measures that are lower than the two other school districts surveyed. Overstaffing appears to be caused by lack of centralized control over staffing decisions and unfavorable labor agreements.
- Current manufacturers' price lists for catalog discount bids were not evident as being in use to verify that vendors are correctly invoicing the District for equipment purchases.
- Several food service equipment and process commodity bids have been allowed to lapse. The Department is currently taking individual quotes and using other agencies' contracts, which may not offer as advantageous prices.
- Documented procedures and staff training are needed to ensure that the District is recovering all rebates due from food processors using commodities provided to them under the USDA Food and Nutrition program.
- We found dated open purchase orders and requisitions, which total approximately \$1.2 million with a few dating back to 1999. This may unnecessarily tie up funds that could otherwise be used.

Based on our observations, we made seven recommendations. We have received a response from the Deputy Superintendent of Business Operations with implementation dates. Our detailed findings and recommendations start on page 6.

BACKGROUND

The Department of Food and Nutrition (F&N) is responsible for providing food services to students, staff, and guests at school sites. F&N's Administrative Director reports directly to the Deputy Superintendent of Business Operations. The Department has 517 full-time employees, consisting of 31 administrative and technical staff, 37 clerical staff, 27 drivers, 420 school cafeteria employees, and two (2) custodians. There are 3,114 part-time school cafeteria workers that are also funded through the Department. Both full-time and part-time cafeteria employees report directly to the school principals.

The Department's operations are guided by School Board rules, State Board of Education rules, and USDA's national school lunch program requirements. School Board Rule 6Gx13-3E-1.22 states that the: "Responsibility for the administration and operation of the Food and Nutrition Service program is at the district level." Accounting and fiscal control, purchasing, in-service education and the development of standardized recipes and district-wide menu planning are district level responsibilities. Expenditures from the Food and Nutrition Service Operating Fund and purchase of equipment need to comply with the State Board of Education Rule 6A-1.1012, Purchasing Policies and National School Lunch Act - Regulations 7CFR 210 through 250. The Department of Food and Nutrition Procedures Manual provides guidelines for the administration of the food service program to school principals and food service managers. This manual is available on-line.

Food Service Revenues and Expenditures

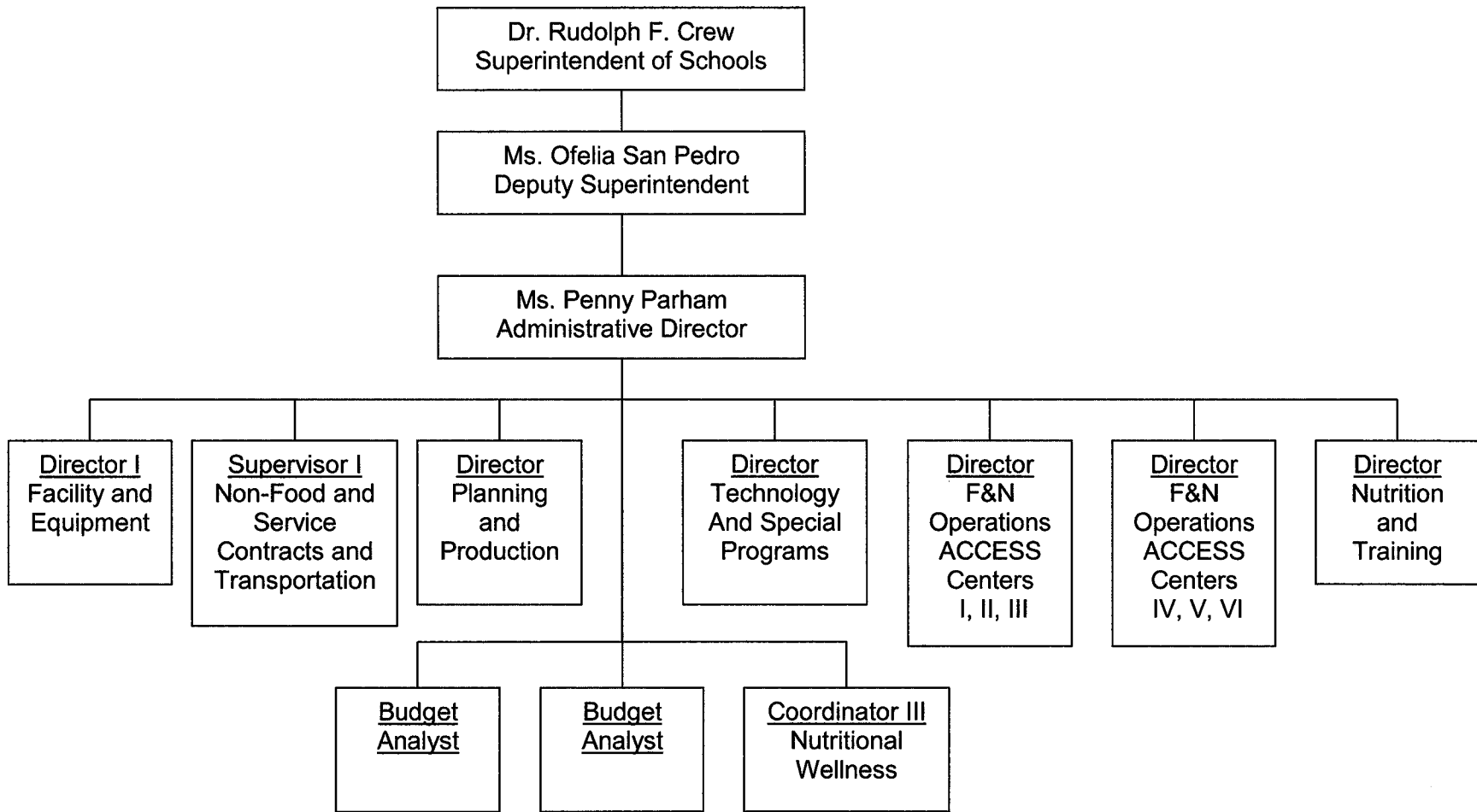
Food service operations are funded through federal, state, and local sources. Federal revenues include, but are not limited to revenue allocations and donated commodities. Revenues are also derived from direct meal sales to students and adults. Meal prices are as follow: elementary and secondary student breakfast is free; elementary student lunch is \$1.25; secondary student lunch is \$1.50; elementary and secondary student reduced price lunch is \$0.40; and adult breakfast and lunch are \$1.00 and \$2.00, respectively.

Revenue and expenditure information for fiscal years ended June 30, 2005 and 2004 are as follows:

**Food Services
Budgeted and Actual
Revenues and Expenditures**

Fiscal Year 2005			Fiscal Year 2004
Description of Funding Source and Expenditures	Amended Budget	Actual	Actual
<u>Beginning Fund Balance</u>	<u>\$ 13,526,000</u>	<u>\$ 13,526,000</u>	<u>\$ 12,765,000</u>
<u>Revenues –</u>			
Local:			
Food Sales	\$ 36,907,000	\$ 35,957,000	\$ 34,988,000
Interest	115,000	101,000	95,000
Local Total	37,022,000	36,058,000	35,083,000
State Total	2,834,000	2,832,000	2,932,000
Federal Total	97,383,000	97,709,000	94,845,000
Total Revenues and Fund Balance	<u>\$150,765,000</u>	<u>\$150,125,000</u>	<u>\$145,625,000</u>
<u>Expenditures –</u>			
Purchased foods	\$ 51,527,000	\$51,076,000	\$ 48,021,000
Federal commodities	5,709,000	7,480,000	5,713,000
Commodities processing cost	451,000	409,000	196,000
Other non-food costs	3,769,000	3,589,000	3,438,000
Salaries and fringes	61,531,000	62,599,000	57,144,000
Energy services	4,856,000	4,081,000	4,909,000
Purchased services	7,816,000	6,541,000	6,710,000
Materials and supplies	1,358,000	1,500,000	1,403,000
Capital outlay	2,200,000	2,834,000	2,227,000
Indirect costs	3,632,000	3,584,000	2,338,000
Total Expenditures	<u>\$142,849,000</u>	<u>\$143,693,000</u>	<u>\$132,099,000</u>
Net Revenue and Fund Balance Over Expenditures	<u>\$ 7,916,000</u>	<u>\$ 6,432,000</u>	<u>\$ 13,526,000</u>

THE DEPARTMENT OF FOOD AND NUTRITION – PARTIAL ORGANIZATIONAL CHART*



* - The above chart presents only the directing level of the Department. Additional administrative, technical and clerical staff are not presented.

OBJECTIVE, SCOPE, AND METHODOLOGY

In accordance with the approved Audit Plan for the 2005-2006 fiscal year, we have performed an audit of food service operations administered by the Department of Food and Nutrition. The objectives of the audit were to determine whether:

- school cafeterias operate efficiently;
- food and food services are properly procured at the best available prices;
- there are adequate internal controls over the Department's operations; and
- School Board rules, United States Department of Agriculture (USDA) regulations and Florida Statutes are complied with.

The scope of our audit covered food service purchases and operations during the period of July 1, 2004 through June 30, 2005. In September 2003, the Auditor General of the State of Florida issued a report¹ on food and nutrition activities at Miami-Dade County Public Schools. That report identified six (6) findings. Concurrent with the performance of our audit, the Auditor General was performing a follow-up audit to report on the current status of their previously reported findings. As a result, we did not perform follow-up audit procedures, or necessarily concentrate in areas covered by the Auditor General. We performed the following procedures to satisfy our audit objectives:

- interviewed District staff;
- reviewed the organizational structure;
- compared equipment purchases and efficiency statistics to other school districts;
- examined, on a sample basis, food service bids, invoices, and other pertinent documents;
- reviewed the Department's operating procedures and practices, and compared them to applicable USDA regulations, Florida Statutes, and School Board rules; and
- performed various other audit procedures deemed necessary.

Our audit was conducted in accordance with generally accepted governmental auditing standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. This audit included an assessment of applicable internal controls.

¹ Auditor General, William O. Monroe, C.P.A., "Food and Nutrition Activities For Miami-Dade County District School Board – Operational Audit," Report No. 2004-036.

FINDINGS AND RECOMMENDATIONS

In May 2005, the Department of Food and Nutrition received the District of Excellence in Child Nutrition Designation by the School Nutrition Association (SNA). This prestigious designation recognizes school districts that score 80 percent or higher on the SNA's Keys to Excellence self-assessment. The Keys criteria include addressing general nutrition and nutrition education, administration, communications, and operations.

Based on our audit, we concluded that the Department of Food and Nutrition has designed and implemented adequate internal controls over food service purchases to provide reasonable assurance that food service purchases comport with the objectives of the School Board and comply with the applicable laws, regulations, and School Board rules.

Overall, the Department of Food and Nutrition appears to have been obtaining the best available prices through its bids for food service purchases when compared to other school districts' bids. Notwithstanding this, we recommended certain measures to ensure continuance and enhancement in this trend. (See findings 2 and 3.)

As of August 30, 2004, the Department began utilizing the Department of Defense bid to purchase fresh produce and has reported improved product and services to schools, increased flexibility in adjusting menus based on market conditions, significant reduction in contract administration and paperwork, and estimated annual cost savings of approximately \$36,000.

The Department of Food and Nutrition also deserves recognition for an indeterminate amount of savings through its effort of re-evaluating and repairing kitchen equipment, less than 10-years old that may otherwise have been discarded. Repair costs were reportedly minimal (e.g., less than \$200) and in some cases, costs were absorbed entirely by the equipment manufacturer. For example, we observed that F&N paid just \$225 in labor charges to replace the condensing unit on a two-year old milk box with a replacement cost of \$5,151 after the school's zone mechanic had written-off the equipment as "beyond repair". The equipment vendor supplied the condensing unit free of charge. In another case, F&N paid just \$170 to supply and install a new power supply in a two-year old slicer with a replacement cost of \$3,135 after the school's zone mechanic had similarly written-off the equipment as "beyond repair". These examples speak to the dedication and resourcefulness of the Department staff we observed during our audit.

1. IMPROVE CAFETERIA OPERATIONS PRODUCTIVITY AND MEASURES

Based on our audit, we found that elementary and middle schools' average meals per labor hour (MPLH)² were in close alignment (i.e., 90% to 94%) with the average MPLH standards established by the Department of Food and Nutrition (F&N). However, senior high schools' average MPLHs were significantly below the Department's standards.

According to the Food and Nutrition Procedures Manual, the standard MPLH for senior high schools are either 14 (for cafeterias serving 1,000-1,600 meals per day) or 15 (for cafeterias serving over 1,600 meals per day); or an overall average of 14.67 meals. However, the actual average MPLH achieved were only 8.93 meals in FY 2004 and 9.15 meals in FY 2005. The MPLH were 39% and 38% below the productivity standard established by the Department. Further, although the Department revised the MPLH formula during FY 2004, we found it to be lower than the other two peer districts we benchmarked against. The results summarized in the following table suggest overstaffing of high school cafeterias. Staffing senior high cafeterias at the level suggested by the staffing formula established by the Department could likely result in estimated direct costs savings of more than \$4.2 million.

School District	Actual MPLH Achieved				Standard MPLH (Average)		
	Elementary	Middle	Senior		Elementary	Middle	Senior
Miami-Dade Public County Schools	16.28	15.80	9.15		18.00	17.00	14.67
School District of Palm Beach County	18.06	19.38	20.07		17.96	19.38	19.30
Hillsborough County Public Schools	18.67	20.60	20.71		17.71	19.90	20.90

² Meals Per Labor Hour is a productivity index recognized and used by the National Food Service Management Institute and many school districts to monitor the effectiveness and efficiency of food service operations. It is also used to determine an appropriate staffing level. It is referenced as the staffing formula to be used in the Department's Food and Nutrition Procedures Manual.

The Department of Food and Nutrition administers food service operations; however, staffing decisions involving cafeteria employees are made by the school principals. We believe management needs to revisit this arrangement.

Another important factor affecting productivity is the District's labor agreement with the American Federation State County Municipal Employees (AFSCME) covering cafeteria employees. The agreement mandates that permanent part-time Food and Nutrition personnel working at closed campus high schools work no less than four (4) hours a day.³ This may contribute to the low productivity statistics at the high schools. The labor agreement also calls for the establishment of a joint committee to study the cost effectiveness and efficiency of food service personnel and procedures.

The Office of Program Policy Analysis and Government Accountability (OPPAGA) Report of February 2005⁴ attributed overstaffing to school principals who manage cafeteria employees, but are not held accountable for efficient delivery practices. OPPAGA recommended that the District better delineate the roles and responsibilities of school principals and the food service program in order to minimize the amount of labor needed to produce and serve meals and improve efficiency. Our follow-up audit procedures have determined that this OPPAGA recommendation has not been implemented.

RECOMMENDATIONS

1.1 Develop an action plan to address the unfavorable staffing variances, based on the cafeteria productivity measure delineated in the District's Food and Nutrition Procedures Manual.

Responsible Department: **The Department of Food & Nutrition**

Management Response:

The Department of Food and Nutrition has implemented a pilot at nine (9) schools utilizing an on-line Labor Hour Reporting System based on daily sales and staffing. This immediate and daily information will provide each food service manager and administrative staff with accurate and timely

³ AFSCME labor contract, APPENDIX III -- CLASSIFICATION PLAN AND POLICIES, Section Q. FOOD AND NUTRITION PERSONNEL.

⁴ Office of Program Policy Analysis and Government Accountability, "Miami-Dade County School District Making Progress But Not Yet Eligible for the State's Seal of Best Financial Management," Report No. 05-04, February 2005, pp. 9-10.

MPLH to address variances based on individual cafeteria's productivity. This on-line reporting utilizes the current point of sale computer program resulting in no new cost or investment to the department.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
- ☒ Important
- ☐ Desirable

**IMPLEMENTATION
SCHEDULE**

- ☐ Immediately (Short Term)
- ☒ By February 2006
- ☐ Contingent upon Funding

- 1.2 Re-evaluate the standard staffing formulae to determine whether established levels are appropriate.

Responsible Department: **The Department of Food & Nutrition**

Management Response:

The Department of Food and Nutrition has a joint administrative/AFSCME committee composed of school site food service managers and department staff that reviews and recommends staffing level criteria. The Department has re-convened the Labor Hour Committee to re-address the current MPLH formula. Staff has made two site visits to Palm Beach County Senior High Schools to benchmark their senior high programs. In addition, the Department of Food and Nutrition is in the process of analyzing the distribution of labor at each district senior high food service operation in relation to sales and productivity to outline a course of action to improve staffing at these locations.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
- ☒ Important
- ☐ Desirable

**IMPLEMENTATION
SCHEDULE**

- ☐ Immediately (Short Term)
- ☒ By February 2006
- ☐ Contingent upon Funding

- 1.3 Consider implementing the OPPAGA recommendation regarding delineating the roles and responsibilities of school principals and the food service program.

Responsible Department: **The Department of Food & Nutrition**

Management Response:

The Department of Food and Nutrition has a joint administrative/AFSCME committee composed of school site food service managers and department staff that reviews and recommends staffing level criteria. The Department has re-convened the Labor Hour Committee to re-address the current MPLH formula. Staff has made two site visits to Palm Beach County Senior High Schools to benchmark their senior high programs. In addition, the Department of Food and Nutrition is in the process of analyzing the distribution of labor at each district senior high food service operation in relation to sales and productivity to outline a course of action to improve staffing at these locations.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
- ☒ Important
- ☐ Desirable

IMPLEMENTATION SCHEDULE

- ☐ Immediately (Short Term)
- ☒ By Spring 2006
- ☐ Contingent upon Funding

2. MAINTAIN CURRENT CATALOG PRICES IN BID FILE FOR REVIEW AND VALIDATION OF PRICES

We examined a sample of purchases made under Food Service Equipment, Accessories and Kitchenware, Catalog Discount Bid (#058-AA03). The aggregate purchasing limit during the 3¾ years this contract was in place was \$8.6 million, with reported actual purchases of \$7.2 million made under this contract. We were unable to verify that the prices the School Board received were correctly discounted off the manufacturer's prices because neither Food and Nutrition, Procurement Management, nor Accounts Payable had copies of the applicable price catalog on file. In the absence of the price catalogs, it is uncertain how staff verified that the correct prices were charged for equipment purchased.

Special Condition Number 9 of the Food Service Equipment Catalog Bid (#058-AA03) requires vendors to forward their price catalogs to Procurement, who in turn should provide the Department of Food and Nutrition, with the approved catalog(s). Additionally, Procedure #4-8 of the Bureau of Procurement and Material Management Procedures Manual requires a buyer to review the manufacturer's current price list and calculate the applicable discounted price and attach a copy to the Accounts Payable copy of the purchase order for all requisitions exceeding \$3,000. Food Service Equipment Catalog Bid (#058-AA03) is presented as percentages by which the catalog prices are discounted.

RECOMMENDATION

2.1 Adhere to established policies and procedures regarding documentation and review of vendor price list.

Responsible Department: Department of Food & Nutrition and Procurement Management

Management Response:

In addition to the catalog price list maintained by the procurement buyer, the Department of Food and Nutrition staff requested price quotes from a minimum of three (3) solicitations for each and every item purchased from catalog bid number 058-AA03. After price quote solicitations from the Department of Food and Nutrition, Procurement staff confirmed the obtained price was either equal or lower than the applied discount, as per the bid.

The district saved money as demonstrated per the following table. The discount received by the District exceeded the contractual discount, resulting in better pricing for the District:

Purchase Order	Description	Date	Vendor	List Price	Discounted Price	Actual Price Paid	Savings
C02162139	Replacement Serving Line	5-14-04	EMF	48,544	24,277	23,426	851
C02158643	Champion Cookie Depositor Machine	5-10-04	EMF	13,800	11,040	8,560	2,480
C02159273	Champion Cookie Depositor Machine	5-03-04	EMF	13,800	11,040	8,560	2,480
C02158635	Champion Cookie Depositor Machine	5-03-04	EMF	13,800	11,040	8,560	2,480
C02188487	Dean Fryer w/Dump Station & Filter	11-4-04	Fesco	24,036	14,421.60	12,195	2,227
C02188378	Dean Fryer w/Dump Station	11-4-04	Fesco	24,036	14,421.60	12,195	2,227

The Department concurs that photocopies of the relevant pages of the catalog price list used to establish the prices on purchase orders were not readily available to Management Audits. Procurement requested a list of the six purchase orders sampled by Management Audits in order to produce the photocopies, and document that the prices on the purchase orders did indeed correspond to the discounts awarded on the bid. Procurement concurs with the procedure to maintain price lists in the Procurement office and will scan photocopies of the catalog lists price sheets, and the purchase orders into the imaging system.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
☒ Important
☐ Desirable

IMPLEMENTATION SCHEDULE

- ☒ Immediately (Short Term)
☐ By _____
☐ Contingent upon Funding

3. FOOD SERVICE BIDS ALLOWED TO LAPSE

The Food Service Equipment, Accessories and Kitchenware, Catalog Discount Bid (#058-AA03) and the Processed Commodities Bid (#106-AA03) expired January 17, 2005 and December 29, 2003, respectively, and have not been replaced. This may have resulted in the District not receiving the best prices for items covered under the expired bids. Each contract's terms include a 90-day extension period beyond the bid's final contract year. (See table below.)

In responding to our inquiry, management stated that in August 2004, they initiated efforts to replace Bid #058-AA03. The proposed replacement bid (Catalog Bid #010-EE03) was opened in December 2004 and presented to the School Board in June 2005, seeking approval to reject all 10 bids received in favor of issuing a firm fixed-price bid instead of a catalog discount bid. Management further stated that in February 2005, the buyer responsible for monitoring Bid #058-AA03 resigned and was not replaced until June 2005. We were able to confirm management's assertions. Procurement Management staff further stated that the monitoring of this bid was shared between two employees who had other more urgent priorities, and thus were unable to devote full attention to the monitoring of this bid. The Department of Food and Nutrition management stated that Bid #106-AA03 was delayed awaiting additional USDA approved commodity manufacturers.

Bid Number	Original Bid		First Renewal		Second Renewal		Final Renewal	
	Amount	Expired	Amount	Expired	Amount	Expired	Amount	Expired
058-AA03	\$3,517,087	4/18/02	\$3,406,397	10/17/03	\$1,368,742	10/17/04	\$357,341	1/17/05
106-AA03	\$576,307	9/29/02	\$269,007	9/29/03	-	-	\$41,987	12/29/03

In the absence of a valid M-DCPS bid, F&N has either "piggybacked" other government agencies' bids or obtained individual quotations from approved vendors. While this might provide the District some price advantages, the District is not able to determine whether it is receiving the best price available to it. This should be taken in light of the fact that in general, the District has received better prices in its bids than those of other neighboring school districts.

School Board Rule 6Gx13-3c-1.11 states, "Good public administration requires that commodities bought by any school, department, or agency be purchased at the lowest possible cost, consistent with an adequate standard of quality, usually through competitive bidding... Competitive bidding assures the public that the board's purchases will be made without favoritism and as economically as

possible, consistent with an adequate standard of quality... Competition will provide reasonable costs and insure the school system a maximum yield from each tax dollar expended.”

RECOMMENDATION

3.1 Ensure that bids are in place for food services and equipment purchased.

Responsible Department: Department of Food & Nutrition and Procurement Management

Management Response:

District management directed Procurement to obtain firm, fixed bid prices for high volume items to obtain better pricing and increase efficiencies in the procurement function.

Procurement initiated a timely replacement for the expiring catalog bid beginning in August 2004 until a decision was made in April 2005 to reject the catalog bid; and change this bid to a firm, fixed price format. In those cases where the District does not have its own bid in place, required purchases are made according to State Statute and Board Rule. The new food service equipment bid has been issued and is in the process of being awarded.

The commodity processing bid 106-AA03 was purposely delayed by the Department of Food and Nutrition to await additional USDA approved commodity manufacturers. Through this time period, the procurement process for food bids was restructured to improve the competitive nature of food procurement, maximize economies of scale and improve management logistics of numerous food bids (5 separate food bids have been folded into 1). Currently, data is being collected to compile the Commodity Food Processing Bid that will concur with the department's USDA allocation request for 2006. During this period, the district is using the Palm Beach County processing bid for this purpose. At the end of this process, the district will have its own commodity processing bid in place.

The above mentioned strategic decisions were made to not only better control costs but more effectively administer the operations.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
- ☒ Important
- ☐ Desirable

**IMPLEMENTATION
SCHEDULE**

- ☐ Immediately (Short Term)
- ☒ By Spring 2006
- ☐ Contingent upon Funding

4. STRENGTHEN CONTROLS OVER COMMODITY REBATES BY IMPROVING AND DOCUMENTING PROCEDURES

Throughout the year, F&N receives rebates from vendors for its use of processed commodities under the USDA Food and Nutrition Services program. The rebate represents the value of the donated commodity used in the end product and is discounted off the commercial base price of the processed end product. The District may pay the commercial base price when processed commodity is ordered, then subsequently apply for and receive a commodity rebate from its vendors or purchase the commodity net of discount. Personnel from the Florida Bureau of Food Distribution indicated to us that the school districts are responsible for handling rebates from food processors. The District is responsible for enforcing how rebates are applied. According to M-DCPS Food Service Accounting, the Department has been receiving rebates for donated commodities from processors for several years. Commodity rebates reported amounted to \$531,741 and \$947,200 in fiscal years ended June 30, 2005 and 2004, respectively.

The Department of Food and Nutrition maintains a comprehensive procedures manual. However, F&N does not have adequate written procedures regarding the handling of commodity rebates, nor is staff adequately trained to properly identify all products eligible for rebates from the food processor. According to the staff member responsible for completing the rebate applications, she was trained to submit rebate applications for only certain specific products (approximately four). The list of eligible products is comparatively extensive and is maintained as part of the agreement between the Florida Bureau of Food Distribution and the food processor, and is updated from contract year to contract year. Therefore, if staff is not aware of the changes and makes the necessary adjustments, eligible rebates could be forfeited. We reviewed a sample of four rebate applications to one food processor and found that the District properly received the rebates applied for. However, we also noted that the list of eligible products is far more extensive than the limited list of products staff was trained to look for or was purchased by the Department. The reconciliation of rebates pending and received can be improved, as staff stated that such reconciliation is not done. Enhancements made through implementing written procedures, adequate training, and reconciliation would reduce the potential risks that rebates and credits due are not collected.

RECOMMENDATION

4.1 Develop written procedures and controls over the handling of commodity rebates.

Responsible Department: Department of Food & Nutrition

Management Response:

In order to maximize the value of donated USDA Commodities, the Department of Food and Nutrition made a concerted effort to take advantage of a new system in using commodities for manufacturer rebates and/or net-off invoicing (lower up front cost in-lieu-of a rebate). Commodity allocation requests from the Department of Food and Nutrition were maximized beginning in 2003, and efforts were made to divert raw donated commodity foods to retail, brand name manufacturers to achieve rebates and lower food costs.

The amount of rebates received by the Department increased significantly since 2001.

Fiscal Year	Rebates	Value of USDA Commodities received
2000/2001	\$ - 0 -	\$3,646,736
2001/2002	\$47,263.45	\$3,968,695
2002/2003	\$143,168.69	\$6,774,492
2003/2004	\$996,736.01	\$8,558,399
2004/2005	\$531,741.28*	\$7,825,931

*start of net-off invoicing system

The Department of Food and Nutrition concurs that written procedures for handling commodity rebates are needed and has placed in the Department of Food and Nutrition Policies and Procedures Manual a system for tracking and processing commodity rebates for staff reference.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
- ☒ Important
- ☐ Desirable

IMPLEMENTATION SCHEDULE

- ☐ Immediately (Short Term)
- ☒ By Already implemented
- ☐ Contingent upon Funding

5. PROMPTLY REVIEW AND CLOSE OPEN PURCHASE ORDERS

Our review of the Bid Status Report, Open Order Listing, and Open Purchases Order and Requisition List as of June 30, 2005 disclosed that there were open purchase orders and requisitions for food services orders aggregating to almost \$1.2 million that were opened approximately six months or more beyond expiration of the related bids, where applicable. A few open purchase orders for kitchen equipment, such as refrigerators and freezers, listed in the referenced reports were dated as far back as 1999. This may in some cases unnecessarily tie up funds that could otherwise be used.

The Bid Status Report lists open purchase orders grouped by bid number and responsible buyer, as well as the balances. It is received in Procurement Management weekly. Open Order Listing includes, among other things, the purchase order number and amount, and vendor identification. It is received in Procurement Management monthly. Both reports are provided to each respective buyer and to F&N for their review and processing. The following table presents a sample of the range of open purchase order balances. Included in that list, were 23 individual stale dated purchase orders and requisitions with balances in excess of \$10,000 for an aggregate total of \$774,000.

Sample of Stale Dated Open Purchase Orders and Requisitions		
Purchase Order Number	Date Created	Open Balance
Q02103137	12/06/2003	\$ 67,570
Q01971638	01/18/2002	\$ 63,147
C02168277	07/06/2004	\$ 44,505
C02125364	02/03/2004	\$ 43,342
C02168262	07/06/2004	\$ 41,724
C02119702	03/04/2004	\$ 38,874
C02146050	04/13/2004	\$ 24,071
C01834167R	07/11/2000	\$ 20,226
Q02098551	09/19/2003	\$ 16,427
C02178646	08/26/2004	\$ 12,354

Stale Dated Purchase Orders and Requisitions By Date		
Calendar Year	Number of Open Purchase Orders and Requisitions	Aggregate Value
2002 and Earlier	20	\$ 116,142
2003	60	201,505
2004	157	852,410
Total	237	\$1,170,057

To verify the status of the purchase orders as indicated in the reports, we selected five open purchase orders that were created in the fiscal year ended June 30, 2004 and noted the following conditions:

- two purchase orders dated March and June 2004 were never received by the vendor, but were later faxed to the vendor upon our inquiry;
- one purchase order dated November 2004 was not received on-line by the school (even though the equipment was delivered to the school) until staff at F&N called the school in September 2005;
- one purchase order dated September 2004 was not received by the vendor until September 2005, at which time the vendor thereafter shipped the ordered equipment; and
- one purchase order, which F&N had requested be cancelled during the fiscal year ended June 30, 2004 had not been cancelled.

RECOMMENDATION

- 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.**

Responsible Department: Procurement Management and
Department of Food & Nutrition

Management Response:

The Department of Food and Nutrition and Procurement staff routinely review the bid status report and routinely request closure of open purchase orders in conjunction with the Accounts Payable Department.

Considering the volume of purchases made by the Department of Food and Nutrition, in excess of \$64 million during the audit period, the dollar amount in open purchase orders identified that could have been closed is minor, representing less than 1.9% of total purchases.

The Department of Food and Nutrition has developed internal written procedures ensuring staff reviews and takes appropriate action to request closure of open, stale-dated purchase orders.

URGENCY OF CORRECTIVE ACTION

- ☐ Critical
- ☒ Important
- ☐ Desirable


**IMPLEMENTATION
SCHEDULE**

- ☐ Immediately (Short Term)
- ☒ By Already implemented
- ☐ Contingent upon Funding

MEMORANDUM

OSP#58
January 17, 2006
OSP: 305-995-4581

TO: Mr. Allen M. Vann, Chief Auditor
Office of Management and Compliance Audits

FROM: Ofelia San Pedro, Deputy Superintendent 
Business Operations

SUBJECT: **RESPONSE TO REVIEW OF DRAFT REPORT – AUDIT OF FOOD SERVICE OPERATIONS**

Attached please find the response to the Draft Report – Audit of Food Service Operations as discussed at the January 11, 2006 Exit Conference. The Department of Food and Nutrition has been working on several major initiatives related to the findings as follows:

1. A request for proposals has been issued for an internet-based, integrated Food Ordering, Receiving and Management Systems (FORMS) to replace the legacy mainframe system used for food ordering. The FORMS RFP incorporates integration of food ordering for menu projections, perpetual inventory tracking, on-line receiving information and integration with sales data for each school cafeteria.
2. As part of the OPPAGA review, the Department of Food and Nutrition has reviewed school food service labor hours closely and implemented a new labor hour allocation beginning in school year 2003/04. The Department is in the process of revising senior high school lunch menus to streamline food offerings, to reduce labor intensive items while meeting customer demand.
3. The Department of Food and Nutrition has significantly increased the use of donated USDA commodity foods since 2003, more than doubling the value of donated items received from \$3.9 million in 2001/02 to over \$8.5 million in 2003/04. In addition, the Department has aggressively taken advantage of rebate opportunities and a new program approved by the USDA, termed “net-off invoicing”. Net-off invoicing allows districts to divert USDA commodity foods to manufacturers and pay a lower retail price for food items containing the commodity, thus lowering purchased food costs and more effectively utilizing donated foods.

Staff from the Department of Food and Nutrition has discussed this response to findings in depth with staff from Management and Compliance Audits.

OSP:PP/gw
Attachment

cc: Dr. Rudolph F. Crew
Mr. Martin Berkowitz
Mr. Joseph A. Gomez
Ms. Joanne Koski
Mr. Trevor Williams
Ms. Penny Parham

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.

Age Discrimination in Employment Act of 1967 (ADEA), as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963, as amended - prohibits sex discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

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.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

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

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.



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