

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FREDERICK COUNTY PUBLIC SCHOOLS
FOOD SERVICE OPERATIONS**

**REPORT #10-05
MARCH 17, 2010**





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Executive Summary

Our audit found that internal controls over cash handling in the school kitchens are adequate and the FCPS warehouse inventory of Food Service items was accurate, with only minor discrepancies. Further, for the 20 purchases we reviewed at four school kitchens, we found that purchases were appropriate, and proper payment was made based on quantities received and the contract price.

We found that improvements have been made in the effectiveness and efficiency of FCPS Food Service Operations, but further improvements are needed. Because Food Services had been operating at a deficit for several years, the State Office of Legislative Audits (OLA) recommended in their June 2008 report that FCPS formally analyze and consider alternatives to its current food services operations to improve its financial condition. In response to OLA's recommendation, Food Services management considered a number of cost-cutting measures to reduce expenses. The most significant cost-cutting measure was increasing the number of USDA commodities that kitchens are required to use for their meals. According to the Food Service Officer, the United States Department of Agriculture (USDA) has now approved additional manufacturers so that FCPS can acquire "center of the plate items" that students like and purchase. As a result, Food Services generated a \$721,554 surplus in FY 2009, compared to a deficit of \$146,156 in FY 2008.

However, OLA's recommendation that FCPS consider implementing additional controls to ensure the accuracy of inventory records was only partially implemented. The FCPS Warehouse Manager drafted standard operating procedures for conducting inventories of Food Service items, primarily USDA commodities, at the warehouse. However, internal controls of purchased food housed at school kitchens need improvement. Specifically, Food Services needs to provide better guidance, training, and oversight for maintaining and reconciling perpetual inventory records, conducting monthly inventory counts, and analyzing reports of purchased food lost through spoilage or damage.

Food Services guidance requires that a perpetual inventory shall be kept for all food items. This guidance is too general as it does not state why or how perpetual inventory records should be maintained. It also does not state that monthly inventory counts should be reconciled to perpetual inventory records to determine any differences. As a result, when we visited 4¹ of the 10 food preparation sites to trace 5 food purchases at each location from order, through delivery and receipt, and into each school's inventory, only 1 of the 20 items was recorded on a perpetual inventory record. Two Complex Managers stated that their perpetual inventory notebooks were not complete, and the other two Complex Managers stated that they just began using the perpetual inventory notebooks at the end of October and beginning of November 2009. The main issue is that none of the four Complex Managers reconcile perpetual inventory records and monthly inventory counts. In clarifying its guidance on maintaining perpetual inventory records, we suggest that Food Services refer to the National Food Service Management Institute (NFSMI) Inventory Management for Child

¹ These sites included Hillcrest Elementary, Tuscarora High, Urbana High, and Governor Thomas Johnson High.

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Nutrition Programs Instructor Guide which states that “perpetual inventory levels should be periodically checked against physical inventory levels to determine any differences. The manager must evaluate any differences in perpetual and physical inventories, adjustments made, and cause for adjustment.”

We also found that inventory counts are not being conducted consistently among the schools. There were differences between when inventory was counted and who counted it. Therefore, detailed written standard procedures and training are needed to clarify requirements for monthly inventory counts. The Food Service Officer and Food Service Specialist have made visits to schools for various reasons during our audit period including checking inventory and inventory procedures. In our opinion, they should conduct and document additional on-site monitoring to ensure compliance with new procedures that are developed as a result of the audit regarding inventory procedures, recordkeeping, and reconciliation requirements for purchased food housed at kitchens.

Also, until August 2009, reports of non-commodity food lost through spoilage or damage were not standardized and Complex Managers sometimes left out pertinent information such as the value of the food or the reason for the loss or damage. Food Services management did not analyze these reports to ensure that the reports were complete and that the value of items lost or spoiled was indicated on the monthly inventory reports.

We recommend that Food Services management improve internal controls over purchased food housed at school kitchens by:

- Issuing detailed written procedures and training for maintaining perpetual inventory records and reconciling them with monthly inventory counts;
- Issuing detailed written procedures and training for conducting monthly inventory counts, including when to conduct the counts and who should be counting;
- Conducting and documenting additional on-site monitoring to ensure compliance with inventory procedures, recordkeeping, and reconciliation requirements for purchased food housed at kitchens; and
- Requiring Food Service management to analyze reports of purchased (non-commodity) food loss to ensure that information reported by the Complex Managers is complete and that the value of inventory lost through spoilage or damage is removed from the school’s inventory.

On March 8, 2010, the FCPS Executive Director of Fiscal Services provided a written response to our February 17, 2010 draft report. FCPS agreed with all four recommendations and has implemented new procedures as suggested. We summarized his response in Section V and attached the full response to the report.

I. Introduction

This audit was requested by the Frederick County Public Schools (FCPS) Food Service Officer in April 2008, as part of the fiscal year 2009 Internal Audit risk assessment questionnaire process.² We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective (see Section III).

This report is intended to provide information to management; however, it is also a matter of public record and with the exception of any applicable disclosure exemptions, distribution should not be limited. Information extracted from this report may also serve as a method to disseminate information to the public as a reporting tool to help citizens assess government operations. Management responsible for the functional area reviews the report, and their formal written responses are incorporated into the final report per IIAA policy and generally accepted government auditing standards.

It is management's responsibility to design and implement an adequate system of internal control, and it is the Internal Audit Division's responsibility to determine if management's system of internal control is functioning properly in relation to the audit objectives. It is also management's responsibility to decide if action should be taken in response to any reported audit recommendations, taking into consideration related costs and benefits. Management, therefore, assumes the risk of making the decision not to implement any reported recommendations.

II. Background

The FCPS Food Services Division manages kitchens in 62 schools³, and serves over 2.5 million meals to more than 40,000 students each year. The Food Service Officer, who reports directly to the Executive Director of Fiscal Services, has the primary responsibility for the development, administration, and supervision of the School Food Service Program. A Food Service Specialist and a Food Coordinator assist the Food Service Officer in carrying out her responsibilities.

Food Services Division staff are responsible for monitoring operations. This includes ensuring that food is purchased in a cost-effective manner, calculating and allocating staff labor hours, tracking inventory, and managing the free and reduced price meal (FARMA) program, as well as meeting all

² The Executive Director of Fiscal Services, the Food Service Accountant, the Food Service Officer, and the Food Service Specialist also participated in the risk management survey.

³ The Division also serves meals to The Montessori School and the Flexible Evening High Program at the Walkersville "B" Building which do not have kitchens.

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reporting requirements to the Maryland State Department of Education (MSDE) and the Federal Government. Food Services staff also creates the meal menu each month by determining what resources, such as government-issued commodities, are available and which meals children are most likely to purchase.

Food Services has grouped county schools into ten “complexes,” led by Complex Managers who also assist the Food Service Officer. Each complex consists of one kitchen which serves as a “preparation site” and up to seven school kitchens called “receiving sites.” According to the Food Service Officer, preparation sites are led by the Assistant Managers and receiving sites are led by the Site Assistants. Food items that cannot be prepared and transported to receiving sites while maintaining good food quality are sent to the receiving sites to be prepared for each meal. However, large bulk food items that can be prepared and transported to receiving sites without loss of food quality are prepared at the preparation site.

Complex Managers purchase most food⁴ directly from approved vendors via online ordering and inventory is stored at the 62 kitchens. According to the Food Service Officer, the Food Coordinator orders all United States Department of Agriculture (USDA) commodity food items and distributes them to the Complex Managers’ preparation sites. Commodity food items not distributed are stored at the FCPS warehouse.

III. Objective, Scope, and Methodology

The objective of this audit was to determine whether FCPS Food Services Operations are managed effectively and efficiently. The audit included a review of cash handling and inventory management, an evaluation of internal controls, and a follow-up to recommendations made by the State Office of Legislative Audits (OLA) in their June 2008 report (see Appendix). Our audit covered Food Services operations during the period July 1, 2007 through June 30, 2009, as well as food purchased in August, September, and October 2009. Since USDA commodities are donated by the Federal Government, and are regularly audited by both the Maryland State Department of Education (MSDE) and the USDA, we did not test the requisitioning or issuing of commodity food items.

To test cash handling controls, we used the FCPS’ School Based Appraisal Accountability Check Off List at five judgmentally selected schools to ensure that FCPS cash handling procedures are being followed. We then compared our testing results for each school to the most recent Accountability Check Off List completed by the independent Certified Public Accountant hired by FCPS to test cash handling transactions.

To review inventory management, we reviewed FCPS policy and evaluated internal controls of food items at the FCPS warehouse and at selected schools. We randomly selected 21 Food Service items

⁴ According to the Food Service Officer, this excludes milk, Farm to School apples, and bread. Orders for these items are sent to the Food Services Office and processed.

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at the FCPS warehouse and compared our counts to counts made by warehouse staff and to the PeopleSoft inventory system. We reviewed the draft operating procedures provided by the Warehouse Manager. We also participated in the May 2009 month-end inventory count at five school kitchens: Hillcrest Elementary, Middletown High, Monacacy Middle, Tuscarora High, and Urbana High. All five schools are food preparation sites. We compared our inventory counts to the counts conducted by FCPS cafeteria staff and noted and researched discrepancies. We also identified differences among the schools in the monthly inventory process and tested compliance with FCPS Food Services policies. We interviewed Food Service officials in Washington and Harford County Public Schools to identify best practices related to inventory controls over food. We met with FCPS Food Services management to discuss internal control weaknesses and improvements needed.

Since Complex Managers purchase most food directly from vendors, we evaluated whether internal controls are adequate to ensure that food is purchased efficiently and in a cost-effective manner. We reviewed Food Services policies related to the purchasing of food and analyzed monthly purchasing totals for each complex for August 2008 through June 2009. We also judgmentally selected five individual food items purchased at each of four selected complexes during August, September, and October 2009. These months were selected to enable us to trace the purchases to perpetual inventory records during the current school year. For each item selected, we determined whether the food was purchased at the price per the contract with the vendor, correct items and quantities were received, food and supplies were recorded and tracked in perpetual inventory records, and that food was not purchased for personal use.

We reviewed FCPS' implementation of the recommendations made by OLA in their June 2008 report related to Food Services operations. We also contacted OLA to identify any best practices for managing food service inventory and purchasing and disposing of food.

IV. Audit Results

Our audit found that internal controls over cash handling in the school kitchens are adequate and the FCPS warehouse inventory of Food Service items was accurate, with only minor discrepancies. Further, for the 20 purchases we reviewed in total for four complexes, we found that purchases were appropriate, and proper payment was made based on quantities received and the contract price.

We found that improvements have been made in the effectiveness and efficiency of FCPS Food Service Operations, but further improvements are needed. In response to the State Office of Legislative Audits (OLA) recommendation to consider cost-cutting alternatives, Food Services took action and reduced its costs in FY 09. However, OLA's recommendation that FCPS consider implementing additional controls to ensure the accuracy of inventory records was only partially implemented. The FCPS Warehouse Manager drafted standard operating procedures for conducting inventories of Food Service items, primarily USDA commodities and non-food supplies, at the

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warehouse. Also, the Food Services Accountant reviewed and reconciled year-end inventories for school year 2008-2009 and plans to observe and test samples in the year-end inventory count in June 2010. However, Food Services needs to strengthen its internal controls of purchased food housed at school kitchens by providing better guidance and oversight for maintaining and reconciling perpetual inventory records, conducting monthly inventory counts, and analyzing reports of purchased food lost through spoilage or damage.

FOOD SERVICES' COSTS HAVE BEEN REDUCED

In its audit report, OLA noted that Food Services operates as a special revenue fund and is intended to be self-sustaining. Since Food Services had been operating at a deficit for several years, OLA recommended that FCPS formally analyze and consider alternatives to its current Food Services operations to improve its financial condition. In response to OLA's recommendation, Food Services management considered a number of cost-cutting measures to reduce expenses. These changes were implemented immediately and, as a result, Food Services generated a surplus of revenue over expenditures, as summarized in the following chart:

Food Services Revenues and Expenditures During Audit Period

	FY 2008	FY 2009
Total revenues (Includes transfers from other funds ⁵)	\$11,756,930	\$12,357,465
Total expenditures	\$11,903,086	\$11,635,911
Surplus (deficit) of revenue over expenditures	(\$146,156)	\$721,554

The most significant cost-cutting measure was increasing the number of USDA commodities that kitchens are required to use for their meals. According to the Food Service Officer, USDA has now approved additional manufacturers so that FCPS can acquire "center of the plate items" such as orange chicken, that students like and will purchase. As a result, Food Services Management, including the Complex Managers, revised their menu offerings to use more USDA commodities instead of purchased food items. In addition, the number of items published on the lunch menus was reduced to minimize waste. These changes reduced the amount of food purchased, which resulted in a 10 percent decrease in purchased food expenditures, from \$3,481,714 to \$3,140,478, for fiscal years 2008 and 2009, respectively. Food Services management also implemented other changes that reduced fuel costs, travel expenses, printing and supplies costs, and supplemental pay. The most significant cost savings are shown on the following chart:

⁵ Amounts transferred from other funds were \$366,733 and \$459,233 in fiscal years 2008 and 2009, respectively.

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Food Services' Cost Savings from FY 2008 to FY 2009

Expense	FY 2008	FY 2009	Cost savings	% decrease
Purchased Food	\$3,481,714	\$3,140,478	\$341,236	10%
Vehicle Fuel	\$52,071	\$31,852	\$20,219	39%
Supplemental Pay (Ben. Workers)	\$81,360	\$65,768	\$15,592	19%
Paper	\$174,957	\$160,033	\$14,924	9%
Office Supplies	\$29,669	\$18,019	\$11,650	39%
Travel	\$18,283	\$11,203	\$7,080	39%
Printing	\$25,800	\$22,278	\$3,522	14%

We believe that FCPS Food Services took appropriate cost-cutting measures in response to OLA's recommendations.

FOOD SERVICES NEEDS TO PROVIDE BETTER GUIDANCE, TRAINING, AND OVERSIGHT OF PURCHASED FOOD HOUSED AT SCHOOL KITCHENS

Detailed written procedures and training are needed for maintaining and reconciling perpetual inventory records and conducting monthly inventories. Food Services management should conduct and document additional on-site monitoring to ensure compliance with such procedures. In addition, Food Services Management should analyze reports of non-commodity food loss to ensure that information reported by the Complex Managers is complete and that the value of inventory lost through spoilage or damage is removed from the school's inventory records.

Maintaining and Reconciling Perpetual Inventory Records

FCPS policy, dated July 2007, requires that a perpetual inventory be taken for all food, which includes USDA commodities and purchased food. The FCPS warehouse does maintain a perpetual inventory for USDA commodities and purchased paper products that are stored there. However, Food Services guidance on maintaining perpetual inventories is too general as it does not state why or how perpetual inventory records should be maintained for purchased food housed at schools or that monthly inventory counts should be reconciled to such records.

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When we counted a sample of 103 inventory items at five⁶ food preparation kitchens in May 2009, our counts differed from staff counts for 43 of those items, or 42 percent. The net amount of the difference was only \$663, and the five Complex Managers provided several reasons for such variances. They stated that the auditors may not have counted some items on different shelves, on a serving cart or serving line, or in vending machines. Also, two Complex Managers said that some items were counted by the auditors before meal service, while the school took the inventory after meal service. While some of FCPS' reasons for the discrepancies may have been valid, food used during the day could not be reconciled with Daily Production Records and Sales Activity Reports. Further, the five kitchens did not maintain perpetual inventory records of purchased food that were reconciled with the monthly inventory counts.

We discussed the lack of perpetual inventory records with the Food Service Officer and she stated that schools have been directed to maintain perpetual inventory records for all food items for the 2009-2010 school year as required by the July 2007 FCPS policy that was revised in July 2009. The Food Service Officer stated that Complex Managers are reminded of perpetual inventory requirements during meetings throughout the year and it is an issue that is constantly being addressed.

In November 2009, we visited four⁷ of the ten food preparation sites to trace purchases from order, through delivery and receipt, and into each school's inventory. Of the 20 purchased items we tested, only one was recorded on a perpetual inventory record. Two Complex Managers stated that their perpetual inventory notebooks were not complete and the other two Complex Managers stated that they just began using the perpetual inventory notebooks at the end of October and beginning of November 2009. None of the four Complex Managers reconcile monthly inventory counts with perpetual inventory records, which was not specifically stated in FCPS' policy. The Food Service Accountant does conduct a monthly reconciliation of physical inventory reports to verify that ending inventories of purchased food and supplies match PeopleSoft financial records for each complex's purchases. However, Food Services needs to provide more detailed written guidance and training for maintaining perpetual inventory records and reconciling these records with monthly inventory counts.

As a reference for use in providing more specific guidance on maintaining perpetual inventory records, we suggest that Food Services refer to the National Food Service Management Institute (NFSMI) "Inventory Management for Child Nutrition Programs Instructor Guide." The guide states that "perpetual inventory levels should be periodically checked against physical inventory levels to determine any differences. The manager must evaluate any differences in perpetual and physical inventories, adjustments made, and cause for adjustment."

⁶ These food preparation kitchens were Hillcrest Elementary, Tuscarora High, Urbana High, Middletown High, and Monacacy Middle.

⁷ These sites included Hillcrest Elementary, Tuscarora High, Urbana High, and Governor Thomas Johnson High.

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Recommendation 1: We recommend that Food Services management issue detailed written procedures and training for maintaining perpetual inventory records and reconciling monthly inventory counts to perpetual inventory records.

Conducting Monthly Inventories

At our request, the Food Service Specialist asked Complex Managers to answer our specific questions regarding how the schools in their complexes conduct their monthly inventories. Based on the answers provided, we found differences between when inventory was counted and who counted it.

- Eight of ten complexes conduct inventory on the last school day of the month or the day before the last school day of the month. One complex begins counting on the last day of the month, but may continue into the next day if needed. One complex begins counting at the beginning of the last week of the month. Food Services said schools could take inventory during the last 3 days of the month, but this policy was not in writing.
- Eight of ten complexes conduct inventory counts throughout the day including during meal service. One complex conducts counts mostly after lunch, while another complex conducts inventory counts during lunch sales on inventory day, and completes the process after lunch.
- At eight of ten complexes, inventory counts are conducted by Site Assistants and/or Assistant Managers and at two complexes, Complex Managers also count.

During our audit, we also found that purchasing and receiving duties were not adequately separated. Complex Managers were allowed to purchase food, receive the delivery, and conduct physical inventory counts. In August 2009, Food Services management directed Complex Managers not to receive deliveries.

We recognize that it is Food Services' prerogative as to the flexibility it wants to give schools in conducting monthly inventories of purchased food. However, Food Services needs to establish written procedures that identify acceptable practices for conducting monthly inventories and provide training to Complex Managers. We suggest that Food Services refer to the NFSMI Inventory Management for Child Nutrition Programs Instructor Guide, which states that physical inventory procedures should include standard procedures such as:

- Determining a standard procedure for how to count broken cases, opened containers, parts of containers, and food in process;
- Using a standard procedure consistently to assure an accurate count;
- Taking the inventory after all items have been issued for the day and all purchased items have been placed in storage;

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- Assigning two trained individuals to take the inventory. One person should count the items and the other should record the count using the physical inventory form. At least one of the persons should not have any responsibilities for issuing since one of the main purposes is to check what is in inventory; and
- Using the inventory levels when planning purchases.

In its June 2008 audit report, OLA noted that FCPS “did not provide any centralized periodic monitoring (such as random test counts of amounts on hand) as a safeguard to ensure proper inventory control and accountability.” At our request, the Food Service Officer and Food Service Specialist provided a listing of trips to schools made during our audit period for various purposes which included observing and discussing inventory practices and procedures. However, documentation was sometimes lacking to show what inventory was checked, what inventory records were reviewed, and whether there was proper inventory control and accountability. The Food Service Officer and Food Service Specialist should conduct and document additional on-site monitoring to ensure compliance with new procedures that are developed as a result of the audit regarding inventory procedures, recordkeeping, and reconciliation requirements for purchased food housed at kitchens.

Recommendation 2: We recommend that Food Services issue detailed written procedures and training for conducting monthly inventory counts, including when to conduct the counts, who should be counting, and how counts are to be recorded to ensure accuracy.

Recommendation 3: We recommend that Food Services conduct and document additional on-site monitoring to ensure compliance with inventory procedures and recordkeeping and reconciliation requirements for purchased food housed at kitchens.

Analyzing Reports of Purchased Food Lost Through Spoilage or Damage

When food in school inventories becomes unusable due to spoilage or damage, Food Services’ policy requires that Complex Managers, or their designees, complete a MSDE “Commodity Loss Report, Report of Loss for Donated Foods” for commodity foods. Until August 2009, Food Services’ practice was to record purchased (non-commodity) food loss via e-mail or on the commodity damaged or food loss commodity inventory.

We reviewed all loss reports submitted to the Food Services Food Coordinator during our audit period of July 1, 2007 through June 30, 2009. Food Services received 10 reports during the audit period, 3 for the loss of commodities and 7 for the loss of purchased food. We found that Complex Managers used various forms to report purchased food loss and sometimes left out pertinent information such as the value of the food or the reason for the loss or damage and sometimes did not sign the reports. We found that Food Service management did not analyze these reports to ensure that the reports were complete and that the value of items lost or spoiled was indicated on the monthly inventory reports.

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During our audit, in August 2009, Food Services issued a written policy requiring a “Non-Commodity Food Loss Report” to be completed and signed by Complex Managers following the loss of non-commodity foods. The policy includes a suggested form for Complex Managers to report the date, the value of the item, the cause for loss, the quantity and unit value, and the total value. In our opinion, this form will help standardize the reporting of purchased food loss through spoilage or damage. However, this procedure should be strengthened to require that Food Services management analyze reports of non-commodity food loss to ensure that information reported by the Complex Managers is complete and that the value of inventory lost through spoilage or damage is removed from the school’s inventory records.

Recommendation 4: We recommend that Food Services management analyze reports of purchased (non-commodity) food loss to ensure that information reported by the Complex Managers is complete and that the value of inventory lost through spoilage or damage is removed from the school’s inventory.

V. Summary of Response

On March 8, 2010, the FCPS Executive Director of Fiscal Services provided a written response to our February 17, 2010 draft report. FCPS agreed with all four recommendations and has implemented new procedures as suggested. Regarding Recommendations 1 and 2, FCPS Food Service implemented new “Standard Operating Procedures-Inventory Requirements” on January 25, 2010, and revisions were implemented on March 3, 2010. The Food Service Officer and/or the Food Service Specialist has provided on-site training to each preparation site. Regarding Recommendation 3, Food Service Management began to conduct and document additional on-site monitoring and issued new procedures in March 2010 to sample and check perpetual inventory records. Regarding Recommendation 4, new procedures and forms have been developed to capture information related to non-commodity food lost through spoilage or damage. These forms are being analyzed by Food Service Management. The FCPS Executive Director of Fiscal Services’ full response is attached.

Interagency Internal Audit Authority

March 17, 2010

Interagency Internal Audit Authority

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Status of OLA Recommendations

Appendix

OLA Recommendation	FCPS Response	FCPS Action	Implemented?
<p>OLA recommended that FCPS formally analyze and consider alternatives to its current food services operations to improve the financial condition of the operations.</p>	<p>FCPS agreed that periodic financial analyses of the food service operations are necessary, but the Board of Education rejected bids to conduct such a study.</p>	<p>Food Services did consider alternatives to its operations, and made several procedural changes to improve the financial condition of its operations.</p>	<p>Yes</p>
<p>OLA recommended that FCPS consider implementing additional controls to ensure the accuracy of inventory records.</p>	<p>FCPS indicated that “year-end procedures will be amended to include review of year-end inventories and sample testing of the counts by an independent agent or employee. FCPS will enhance their documentation of the centralized review of the inventory information to include the ratios which are reviewed and research steps taken to research variances.”</p>	<p>The Warehouse Manager drafted procedures for conducting inventory of Food Service items at the FCPS warehouse.</p> <p>The Food Services Accountant reviewed and reconciled year-end inventories for school year 2008-2009 and plans to observe and test samples in the year-end inventory count in June 2010.</p> <p>Our audit found that internal controls of purchased food housed at school kitchens need improvement.</p>	<p>Partially</p>

HAROLD K. KELLER, JR.
Executive Director of
Fiscal Services
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ATTACHMENT

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Frederick, MD 21702
Phone: 301-644-5008
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March 8, 2010
HKK-10-11

Mr. Richard Kaplan
Director, Interagency Internal Audit
8 East Second Street, Suite 100
Frederick, MD 21701

Dear Mr. Kaplan:

Attached to this letter are the FCPS' responses to the recommendations in the February 17, 2010 Draft Food Service Internal Audit. We are pleased to say that all of the recommendations have been implemented to date.

Should you have any questions, please feel free to contact Leslie Pellegrino at X45050.

Sincerely,

A handwritten signature in cursive script that reads 'Harold K. Keller, Jr.'.

Harold K. Keller, Jr.
Executive Director of Fiscal Services

Working Together to Educate Each Child and Promote Success

**FCPS Responses to the 02-17-10 Draft of the
Frederick County Interagency Internal Audit Authority Audit of
Frederick County Public Schools' Food Service Operations**

March 8, 2010

Recommendation 1:

FCPS Response

Staff concurs.

Implementation of the newly created "Standard Operating Procedures - Inventory Requirements" dated January 25, 2010 was begun with training sessions held in January. These procedures include guidance for maintaining perpetual inventory records and reconciling monthly inventory counts to perpetual inventory records. In addition, each preparation site has been visited at least once, to date, for onsite training by the Food Service Officer and/or the Food Service Specialist regarding perpetual inventory records and reconciling monthly inventory counts to perpetual inventory records. The SOP was revised as of March 3, 2010 and the revisions were implemented on March 3, 2010.

Food Service Management will be responsible for the implementation of this SOP.

Recommendation 2:

FCPS Response

Staff concurs.

Implementation of the newly created "Standard Operating Procedures - Inventory Requirements" dated January 25, 2010 was begun with training sessions held in January. The procedures include detailed guidance for conducting monthly inventory counts. In addition, each preparation site has been visited at least once, to date, for onsite training by the Food Service Officer and/or the Food Service Specialist regarding conducting monthly inventory counts. The SOP was revised as of March 3, 2010 and the revisions were implemented on March 3, 2010.

Food Service Management will be responsible for the implementation of this SOP.

Recommendation 3:

FCPS Response

Staff concurs.

Food Service Management began to conduct and document additional on-site monitoring in February, 2010. In March, 2010, two newly created Standard Operating Procedures: “Periodic Sampling of Perpetual Inventory” and “End of the Month Perpetual Inventory Check” were put into effect. New forms were also developed to document results of the monitoring.

Food Service Management will be responsible for the implementation of these SOPs.

Recommendation 4:

FCPS Response

Staff concurs.

A standardized “Non-Commodity Food Loss Form” has been developed to capture information related to inventory lost through spoilage or damage and was implemented in January, 2010. A newly created “Standard Operating Procedure – Non-Commodity Food Loss” dated January 25, 2010 was implemented in January, 2010. The forms are being analyzed by Food Service Management who will ensure that information reported is complete and that the value of inventory lost is removed from the school’s inventory. The SOP was revised as of March 3, 2010 and the revisions were implemented on March 3, 2010.

Food Service Management will be responsible for the implementation of this SOP.