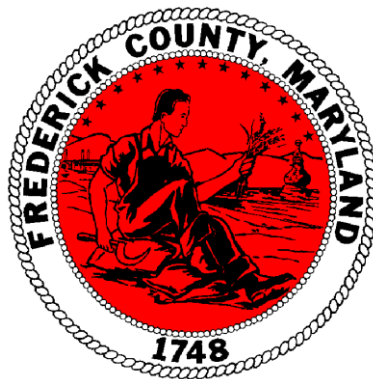
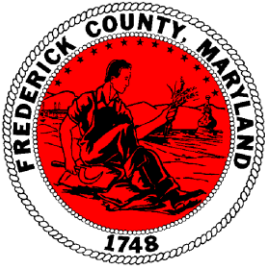


FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY

SECOND FOLLOW-UP REVIEW TO REPORT #11-03
FREDERICK COMMUNITY COLLEGE
DINING SERVICES' OPERATIONS

REPORT #13-05
DECEMBER 19, 2012





**FREDERICK COUNTY GOVERNMENT
INTERAGENCY INTERNAL AUDIT AUTHORITY**

Richard A. Kaplan, Director of Internal Audit

Winchester Hall, 12 East Church Street
Frederick, Maryland 21701

www.FrederickCountyMD.gov

O: 301-600-1154 F: 301-600-2211

Commissioners

Blaine R. Young
President

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Vice President

Billy Shreve
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Kirby Delauter

Lori L. Depies, CPA
County Manager

MEMORANDUM

To: Doug Browning
Executive Vice President for Administration
Frederick Community College

From: Richard A. Kaplan
Director, Internal Audit Division

Date: December 19, 2012

Subject: Second Follow-Up Review of Report #11-03 Frederick Community College Dining Services' Operations

On April 20, 2011, we issued the above audit report that contained 22 recommendations. In February, 2012, we conducted a follow-up review which found that actions on some recommendations had been completed. We recently completed our second follow-up review to determine the status of Recommendations 1, 7, 8, 9, 13, 20, and 21 that remained open. The work performed in this review did not constitute an audit that would have required compliance with *Government Auditing Standards*.

We reviewed your October 17, 2012 response and additional information provided on November 16, 2012. The new procedures you have implemented improve Dining Services' internal controls over purchases, cash handling, inventories, and catering operations. (The procedures you included as addendums to your response are not attached.) No additional responses are needed and we consider all recommendations in Report # 11-03 closed.

Your actions to address the open recommendations are summarized as follows:

Recommendation 1: FCC management evaluate the feasibility and cost effectiveness of outsourcing the Dining Services' operations.

Response: With the financial improvement that the college dining services department has made over the past fiscal year, the college does not feel that it would be prudent to outsource at this point. Aramark, a major contract food service operator did review the operation and it was determined that it did not make sense for the college to pay fees for a company to operate the dining services operation.

The decision was made by the College's past president Dr. Carol Eaton not to pursue outsourcing, but rather to concentrate our efforts on improving our Dining Services operations.

Recommendation 7: Develop written procedures that segregate purchasing, inventory, and cash duties among staff to reduce the risk of theft.

Response: See Addendum Two for Cash Controls, See Addendum One for Inventory Controls, See Addendum Three for Purchasing Controls

The addendums referred to are addendums to previous audit responses. More accurately, they are examples of policy, procedure and/or forms for your reference. We have added a notation under each recommendation showing the date of implementation. For your convenience we have broken these addendums apart and re-titled them as "Recommendation #" so they are more easily identifiable.

Recommendation 8: Develop written inventory procedures to establish consistency in taking inventory. The written procedures should require:

- Conducting inventory counts on the same day and closing locations while the counts are being conducted to create a definitive cut-off date and time.
- Using item labels/tags to indicate if an item has been counted or note its' count and its' location;
- Segregating duties between the staff performing inventory counts and those entering the counts into Optimum Control; and

Inventory shall physically be counted by the Dining Services' Assistant Manager with the aid of one or two trained hourly employees.

- Ensuring all items are entered into the inventory and have the proper valuations and conversions prior to beginning the inventory.

Response: See Addendum One

Line items 3 and 7 in the attached "Recommendation 8 - Inventory Procedures" address segregating duties between the staff performing inventory counts and those entering the counts into Optimum Control. Line item 3 states that "Inventory is physically counted by the Dining Services Assistant Manager with the aid of one or two trained hourly employees." Line item 7 states that "Once this is completed the inventory is manually entered into the Optimum Control inventory system by the manager." This segregates the duties of those responsible for the counts and those responsible for the data entry, and will also help reduce the risk of loss.

Recommendation 9: Establish a perpetual inventory system.

Response: After reviewing the experiences other Dining Services operations have had with the perpetual inventory systems FCC has decided against implementing a perpetual inventory system and instead are creating and implementing policies and procedures that support and formalize our current inventory system. See Addendum One.

Recommendation 13: Either prohibit personal purchases or track individual orders for personal purchases and ensure that payments for such purchases are received promptly.

Response: Complete. We have implemented a practice where the purchase of food items that are not on the retail menu may be purchased at cost with prior arrangements through the Dining Services Office and must be documented in the employee purchase log. A form must be completed with the date of purchase, purchaser's name, items purchased, employee signature, management signature and a receipt attached to the page before items can be removed from the premises. The implementation date of the form was July 1, 2011.

Recommendation 20: Dining Services establish written policies and procedures that include a standard profit margin for customized catering events and a requirement that deviations from the standard profit margin be approved by someone independent of Dining Services.

Response: Dining services uses the standard norm in the industry of 30% profit for all events, except for events coordinated with the Office of Student Engagement, the Bookstore and for fund raiser events where the profit is 20%. Any variations of this margin outside of those noted above will be approved by the Executive Director of Auxiliary Services.

FCC established a policy to address standard profit margins for catered events on the FCC Campus. Any event that requires a lower price than what is quoted by catering services, thus reducing the profit margin must submit a waiver request to the VP of Administration or the AVP of Fiscal and Auxiliary Services a minimum of 30 days prior to the event.

Recommendation 21: The College enforce their policy giving Dining Services first right of refusal for on campus catering events.

Response: The College has, and will continue to follow College Procedure 6.20 Use of College Facilities, Section A., item 6. Food Service..."reserves the first right of refusal."

If you need further information regarding this follow-up, please contact me at (301) 600-1675.

Interagency Internal Audit Authority

Interagency Internal Audit Authority

pc: Frederick Community College Board of Trustees
Fred Hockenberry, Executive Director, Auxiliary Services
Donna Sowers, Manager, Food Service
Kelly Hammond, Senior Auditor II