

Andes Central School District

Cafeteria Operations

APRIL 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Cafeteria Operations 2**
 - How Should Officials Manage Cafeteria Operations? 2

 - Officials Need to Reduce the School Lunch Fund’s Reliance on
General Fund Subsidies 2

 - Officials Need to Improve Internal Controls Over Cafeteria Cash
Receipts 4

 - What Do We Recommend? 5

- Appendix A – Comparison to Other Delaware County Districts 6**

- Appendix B – Response From District Officials 7**

- Appendix C – Audit Methodology and Standards 8**

- Appendix D – Resources and Services 9**

Report Highlights

Andes Central School District

Audit Objective

Determine whether District officials properly managed cafeteria operations.

Key Findings

- School lunch fund operating deficits averaged \$67,000 over the last three years (excluding general fund transfers).
- The District has the lowest average daily participation for breakfast and second lowest for lunch as compared to all Delaware County school districts.
- Internal controls over cafeteria cash receipts could be improved.

Key Recommendations

- Consider ways to encourage more daily participation for breakfast and lunch and continue to identify potential efficiencies.
- Adopt detailed policies and establish written procedures for collecting and accounting for cafeteria cash receipts.

District officials agreed with our recommendations and indicated they planned to take corrective action.

Background

The Andes Central School District (District) serves five towns in Delaware County. The District is governed by the Board of Education (Board), which is composed of five elected members and is a component district of the Otsego Northern Catskills Board of Cooperative Educational Services (BOCES).

The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is responsible, along with the other administrative staff, for the District's day-to-day management under the Board's direction. The Treasurer is responsible for administering finances and accounting records and reports. The cafeteria manager oversees two part-time cafeteria employees.

Quick Facts

Employees	31
2017-18 Enrollment	97
2018-19 General Fund Appropriations	\$3 million

Audit Period

July 1, 2017 – September 5, 2018. We extended our audit period back to July 1, 2015 to analyze trends.

Cafeteria Operations

How Should Officials Manage Cafeteria Operations?

District officials are responsible for effectively managing cafeteria operations. This includes maximizing revenues to meet current expenditures needs while complying with federally established nutritional guidelines. District officials should analyze operations to identify production inefficiencies and to determine if the pricing structure meets current cost needs. The number of meals produced divided by the staffing hours to produce those meals, also known as the meals per labor hour (MPLH), provides the District with a measurable figure to gauge these aspects of its operation. Officials could also compare the cost to produce a meal with the meal price to set an appropriate price and assist in identifying ways to enhance revenues and reduce costs. To reduce costs, officials should seek to obtain cafeteria goods at the best possible price.

District officials are responsible for designing internal controls over cafeteria financial operations to ensure that the district receives all revenues from cafeteria sales. Such controls should include written policies and procedures for the collection, verification and deposit of cash receipts, including procedures to ensure that no individual controls all aspects of cash transactions. Someone independent of cafeteria operations should compare and investigate differences between the daily cash deposits, cafeteria sales and accounting reports to reduce the risk of errors or misappropriation of funds. Additionally, cash receipts should be deposited as soon as possible because the longer money remains undeposited, the greater the risk that loss or theft can occur.

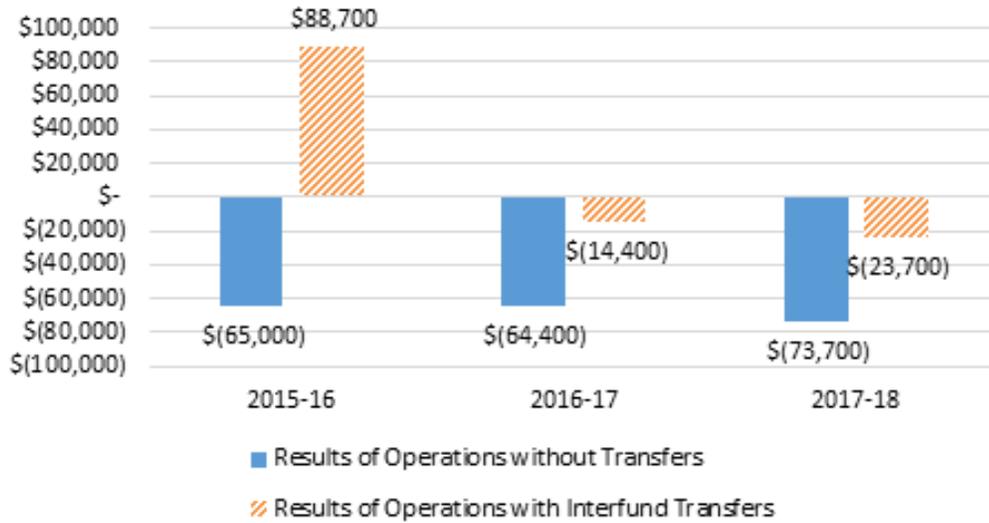
Officials Need to Reduce the School Lunch Fund's Reliance on General Fund Subsidies

The school lunch fund had operating deficits¹ averaging \$67,000 from 2015-16 through 2017-18 and has been relying on subsidies from the general fund to support operations. Even with these subsidies, which were an average of \$84,000, deficits occurred in two of those years. For the 2018-19 year, we project the fund will have another deficit totaling approximately \$71,400.

¹ Before considering subsidies from the general fund

FIGURE 1

School Lunch Fund Results of Operations



We calculated the cost to produce a meal was \$8.80, while the revenue received per meal was \$3.18, not including subsidies from the general fund. Therefore, the District is losing over \$5 per meal. We compared the District's average daily participation (ADP) for breakfast and lunch to all other schools in Delaware County. We found that the District had the lowest ADP for breakfast and second lowest ADP for lunch.²

Figure 2: Profit/(Loss) per Meal Equivalent (ME)

	2016-17	2017-18
Revenues per ME	\$2.98	\$3.18
Total Food and Labor Costs per ME	\$6.71	\$8.80
Profit/(Loss) per ME	(\$3.73)	(\$5.62)

Selling additional meals, along with efforts to identify efficiencies, should reduce these per meal losses by allocating the District's fixed costs over more production.

District officials purchased most of their cafeteria supplies and food through the BOCES' cooperative bid service. However, no one at the District compared the prices offered through the BOCES cooperative bid to other options, such as the New York State Office of General Services (OGS) cooperative bid, to ensure they were getting the best possible price. We compared the District's milk and bread

² See Appendix A for comparisons

purchases to prices offered through the OGS contract to determine if the District could have saved money. We found that the District could have saved over \$1,500 if it had purchased those items through the OGS bid for 2017-18.

District officials told us they did not perform MPLH or cost-per-meal analyses to determine appropriate meal pricing. However, they told us the high school students are permitted to eat lunch off campus, which has impacted participation. The cafeteria manager visited a similar sized district to obtain ideas to increase the District's ADP. She told us that District officials are considering surveying the students for meal ideas, hosting an event where students can sample different foods and starting a garden to encourage student participation in growing food to be used in the cafeteria.

When established prices and reimbursement rates do not generate sufficient revenue to cover the District's costs, the school lunch fund is not able to sustain its operations without subsidies from the general fund. If the need for the operational subsidies from the general fund were reduced or eliminated, those resources could be used for other District purposes.

Officials Need to Improve Internal Controls Over Cafeteria Cash Receipts

The cafeteria manager performs most aspects of the cash receipts functions including collecting cash receipts, depositing money and voiding transactions in the point-of-sale (POS) system, with no oversight. The cafeteria manager counts all receipts collected for cafeteria sales from the cash drawer after breakfast and lunch each day. She then generates a daily sales report from the POS system that shows all cash collected and uses this report to reconcile the cash in the drawer to the cash on the daily sales report. She then fills out the deposit slip and brings the money and daily sales report to the Treasurer, who recounts the money to ensure it matches the report. The cafeteria manager then deposits the money. However, this is not a sufficient control because the manager could alter the report and amounts deposited without detection. In addition, District officials did not adopt detailed policies and did not establish written procedures for collecting and accounting for cafeteria receipts.

Furthermore, even though the POS system has the capability to export detailed reports of voided transactions, no one exports and reviews any detailed void reports. In fact, officials did not review 1,037 voided transactions totaling \$2,700 from September 2017 through December 2018. The cafeteria manager told us that the majority of the voids occurred because the POS system automatically charges the student's account for a meal when a student enters their identification number into the system, regardless of what was actually purchased (i.e. a la carte items such as a bag of chips or a bottle of water). Therefore, she has to void those transactions.

Because of the internal control weaknesses, we compared recorded sales to deposits for December 2017 and May 2018 to determine if they matched and if receipts were deposited timely. We found that 21 deposits totaling \$1,800 were not deposited timely ranging from four to 35 days deposited after collection. The cafeteria manager told us that she was too busy and stored the receipts in a drawer until she was able to make the deposit. We also reviewed support for a sample of 32 voided transactions totaling \$527 for the 2018-19 year to verify the cafeteria manager's assertion that the POS system automatically charged students for a meal. We found no exceptions.

By not establishing proper procedures for processing cafeteria cash receipts, there is an increased risk that cafeteria receipts could be misappropriated and remain undetected.

What Do We Recommend?

District officials should:

1. Periodically perform cost-per-ME and MPLH analyses and use them to identify methods to increase revenues and reduce expenditures.
2. Consider additional school lunch fund cost savings measures and revenue enhancements so that the fund is less reliant on general fund subsidies and loans.
3. Require someone not involved in the cash collection process to review the cafeteria manager's daily reports and verify that the amounts collected agree with deposits on the bank statements.
4. Require someone not involved in the cash collection process to review and approve voided and modified transactions and ensure that explanations for all adjustments are accurate and supported.

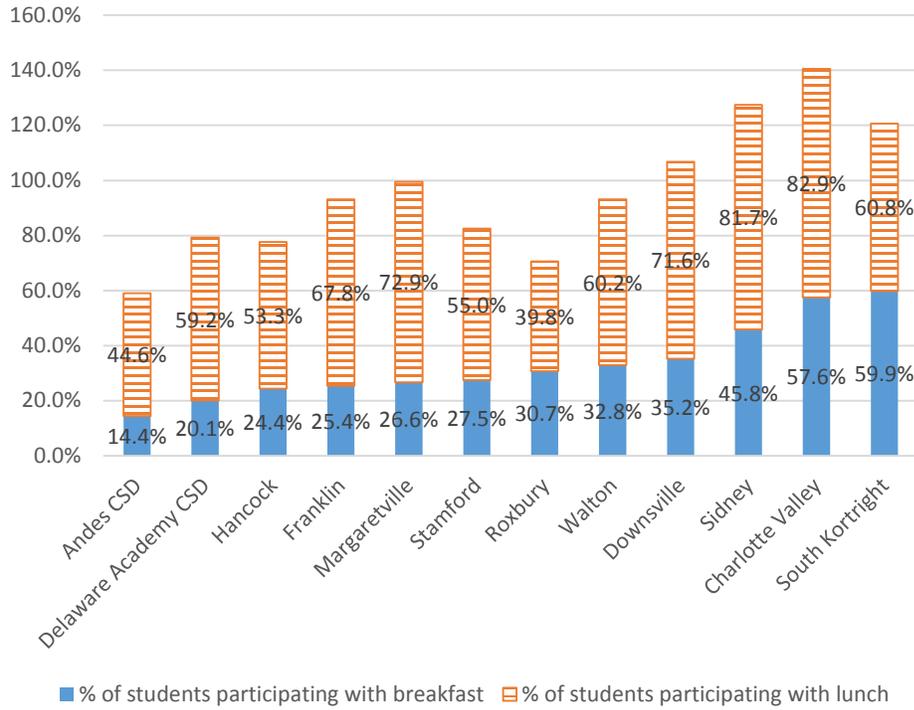
The Board and District officials should:

5. Ensure the District is obtaining the best prices when making purchases for the cafeteria.
6. Adopt detailed policies and establish written procedures for collecting and accounting for cafeteria cash receipts.

Appendix A: Comparison to Other Delaware County Districts

FIGURE 3

Delaware County Schools Student Breakfast and Lunch Participation



Appendix B: Response From District Officials

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March 27, 2019

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Gentlemen:

The Andes Central School District has reviewed the NYS Comptroller's Audit Report Cafeteria Operations Report of Examinations 2019M-26 Draft.

The district considers the report very thorough and comprehensive and will use the comptroller's recommendations in implementing new practices to improve the school lunch program.

Sincerely,

Kelly Kilpatrick
Acting President
Board of Education

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials and reviewed Board minutes to gain an understanding of the cafeteria operations.
- We analyzed changes in revenues, results of operations, interfund transfers and fund balance for the years 2015-16 through 2017-18 to document trends.
- We reviewed the 2018-19 budget and used trend analysis to project results of operations as of June 30, 2019.
- We compared the District's student percent of breakfast and lunch participation to all of the school districts in Delaware County to determine whether the District's participation was reasonable in comparison with the other districts.
- For 2016-17 and 2017-18, we calculated the cost-per-ME and revenues-per-ME to determine whether the revenues were sufficient in comparison to the costs.
- For 2017-18, we compared the District's milk and bread purchases to the NYS OGS bid to determine if the District could have saved money.
- We judgmentally selected the months of December 2017 and May 2018 and selected all sales and voided transactions, with no expectation that there would be more or fewer errors, to determine how often deposits were made and if voided transactions were for valid reasons and properly supported.

We conducted this performance audit in accordance with GAGAS (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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

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