



## Chesterfield County, Virginia Internal Audit

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**DATE:** July 20, 2018

**TO:** Joseph P. Casey, Ph.D.                      Chesterfield County  
County Administrator                      Board of Supervisors  
Donald R. Fairheart                      Chesterfield County  
Interim School Superintendent                      School Board

**FROM:** Greg L. Akers                        
Director of Internal Audit

**SUBJECT:** School Food and Nutrition Services

The Office of Internal Audit completed an audit of School Food and Nutrition Services.

We would like to thank Warren Grigg and his staff for their cooperation and assistance during this audit.

Attachment

Copy: Warren Grigg, Director of Food and Nutrition Services  
Christina Berta, Chief Finance Officer  
Brian Jones, Executive Director of Technology Services



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Chesterfield County  
Internal Audit  
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# School Food and Nutrition Services

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July 20, 2018

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July 2018

# Highlights

Internal Audit Report to the Board of Supervisors/School Board

## Why We Did This Review

Internal Audit conducted this audit as part of our FY2018 audit plan approved by the County Administrator, School Board Superintendent, and the Audit and Finance Committee.

Our objectives were to test cash collections for timely deposit and recording in financial systems, test expenditures for compliance with policies and procedures, and evaluate general and application controls over food service applications used for financial reporting.

## What We Recommend

We recommended the following:

- Perform analysis of the new meal charge collection procedures for improvement opportunities, including cost/benefit of administrative efforts versus amounts collected. Also, use large receivables to help target marketing efforts to increase free and reduced meal program participation.
- Review noted exceptions for expenditure coding and applicable fiscal period with processors to strengthen future monitoring.

- [REDACTED]
- Consider WebSMARTT software modifications or replacement to improve financial reporting efficiency.

- [REDACTED]



# School Food and Nutrition Services

## What We Found

### Commendations

The Office of Food and Nutrition Services is commended for compliance with appropriate policies and procedures and conducting training sessions with employees to ensure compliance. Employees in central accounting are knowledgeable and effectively provide oversight.

### Cash Collection and Revenue Recognition

Internal audit tested cash collection from vending collections, cafeteria cash collections, and MySchoolBucks.com in addition to revenue recognition on ten schools for April 2017 with immaterial, if any, discrepancies.

New United States Department of Agriculture (USDA) guidance requires that students can receive “reimbursable meals” regardless of their ability to pay. In FY17, the School Food and Nutrition Services began to record unpaid reimbursable meals by student for each occurrence. At the end of FY17, the Food and Nutrition Services department recorded an accounts receivable balance of \$78,423, which represents 0.01% of total cafeteria cash sales (\$8,827,760).

### Expenditure Testing

Internal audit selected a random sample of 60 expenditures records for FY17 and identified minimal exceptions.

### General and Application Controls over Financial Reporting

- [REDACTED]
- Large and cumbersome monthly batch entries are made into ONESolution to record Food and Nutrition Services Department financial activity from WebSMARTT. A significant number of working hours are required to accomplish these tasks.
- [REDACTED]

Management concurred with 7 of 7 recommendations to be implemented from June 1, 2018 to June 30, 2019.

We appreciate the cooperation received from management and staff while conducting this audit.

**1** **CONFIDENTIAL FOIA EXEMPT CONTENT**  
**§2.2-3705.2(3): System Security**



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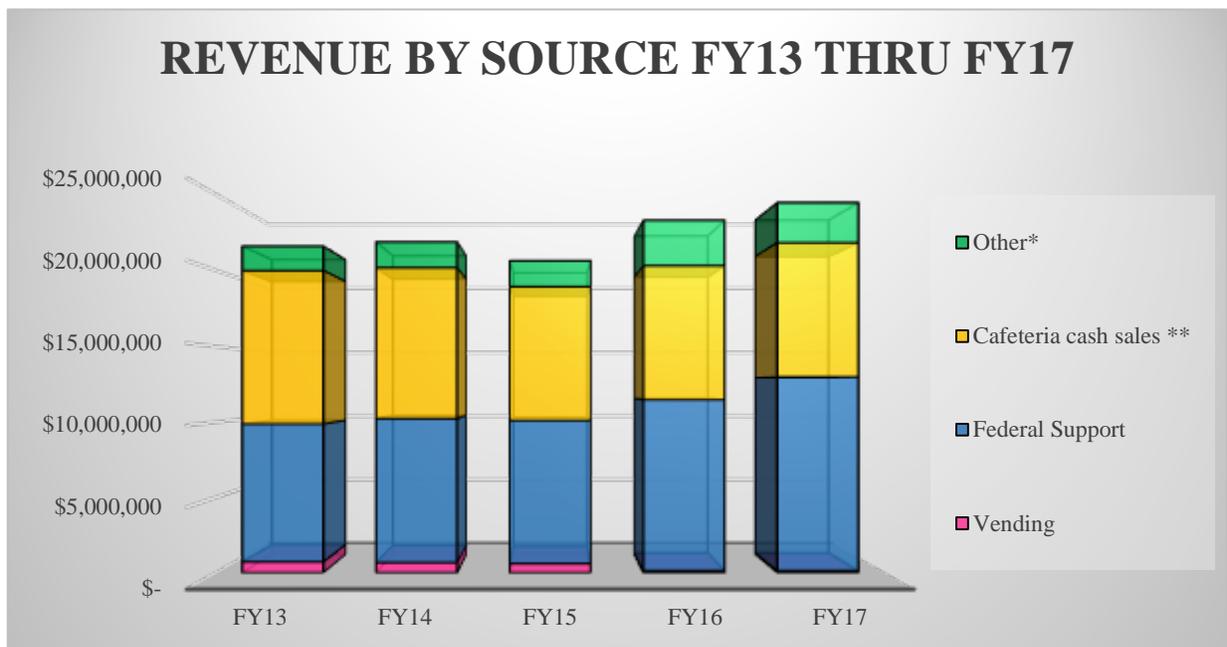
## INTRODUCTION

### BACKGROUND

The School Food and Nutrition Services audit was included in the audit plan as a regularly scheduled audit for FY18. Food and Nutrition Services' responsibility is the administration of the Federal Breakfast and Lunch Program for 64 schools throughout the County. The program is regulated by the United States Department of Agriculture (USDA) and the Virginia Department of Education - School Nutrition Program. The department is responsible for financial and meal participation data that is required by the state and Federal governments. The department has primary responsibility for the management of the centralized vending program, procurement of all food and supplies, site improvements, equipment replacement, staff and food safety training and certifications.

School Food and Nutrition Services receives revenue from several sources; vending sales, cafeteria cash sales which includes MySchoolBucks, and federal support. The MySchoolBucks online application allows parents to deposit money into their child's account which they can use to purchase food at school. Other income includes food service administration and management services, miscellaneous revenues, and refunds. Schools also receive federal support for school breakfast and lunch programs.

School Food and Nutrition Services revenue increased 11.7% from FY13 thru FY17, primarily from federal support (up 28.9%) with more students being eligible for free and reduced meals. While federal support has grown, cafeteria cash sales, which include MySchoolBucks, are down 14.6%. Vending, which is a relatively small portion of revenue, has decreased significantly (down 435.7%), mostly because of a change in federal guidance regarding healthy snacks.



\*Other includes interest, refunds, miscellaneous, and management services revenue

\*\*Cafeteria cash sales includes MySchoolBucks

## **OBJECTIVES**

Objectives of the audit were to:

- Test cash collections for timely deposit and recording in financial systems.
- Test expenditures for compliance with policies and procedures.
- Evaluate general and application controls over food service applications used for financial reporting.

## **SCOPE**

Our audit work covered School Food and Nutrition Services fiscal year 2017 operations. We considered the following code, policies and procedures during our audit:

Food & Nutrition Services Procedures Manual	School Board Policy 7149: Small Purchases
School Board Policy 7150: Procurement	School Board Policy 7010: Federal Child Nutrition Program
Virginia Public Procurement Act §2.2-4300	School Board Policy 7230: Acceptable Use, The CCPS-NET
County Policy 1-5 Accounting – Bill Approval Documentation	County Policy 1-6 Accounting – Fixed Asset Policy
County Policy 1-15 Accounting – Purchasing Card	County Policy 12-01 Purchasing-Authority and Responsibility
County Policy 12-07 Purchasing-Delegated Purchasing Authority	County Policy 12-09 Purchasing-Blanket Purchase Orders
County Policy 12-10 Purchasing-Small Purchases Procedures	U.S. Department of Agriculture Eligibility Guidelines and Reimbursement Rates

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 objectives. Khara Lounsbury, Senior Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

## **METHODOLOGY**

Detailed information regarding the methodology can be found in the individual findings listed in the report. Our methodology included: interviews, observations, data analysis, and documentation review.

### **INTERNAL CONTROL CONCLUSION**

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place and there were minimal findings to question the ability to assist management in meeting its mission, goals, and objectives. Recommendations specific to improving controls can be found in detail further in the audit report.

### **CLOSING**

We would like to thank the Chesterfield County Public Schools Food and Nutrition Services Director and staff for their cooperation and assistance during the course of this audit.

## FINDINGS, RECOMMENDATIONS, RESPONSES

### Cash Collection and Revenue Recognition

(Point Sheet 1)

#### **CRITERIA:**

Food and Nutrition Services' procedure manual describes the required receipt and deposit procedures for vending sales, cafeteria cash collections, and MySchoolBucks.com.

On the 15<sup>th</sup> of each month, cash from vending machines is counted by two people and reconciled to the machine meter reading. The cash is deposited that day along with cafeteria cash collections.

Cafeteria sales consist of cash collected at meal service and checks for prepaid meal monies. Prepayments are credited to the students account. Students can enter a code at the cafeteria register to charge their account. After meal service, the cashier must count the cash drawer in the presence of a manager and reconcile to the cash register end of day report. The two employees complete and sign the cashier deposit breakdown worksheet daily. The food service manager deposits money daily into the bank account. Food and Nutrition Services central accounting receives the deposit slips and reconciles them to the signed deposit worksheets from each school.

MySchoolBucks.com allows parents to electronically add money to the student's meal account. Prepayments to MySchoolBucks.com are transferred to Nutrition Services and sent to the Treasurer for recording. Revenue received is deposited into a bank account that is reconciled each month for accuracy.

New United States Department of Agriculture (USDA) guidance requires that students can receive "reimbursable meals" (i.e. meets federal nutrition standards for USDA reimbursement) regardless of their ability to pay. USDA also required school divisions to have a meal charge policy in place by July 1, 2017. At the end of FY17, School Board Policy 7010 was amended to state that "all children will receive a reimbursable breakfast and/or lunch even if they do not have adequate money in their student account or on hand to cover the cost of the meal at the time of service." It also outlines collection procedures for delinquent and bad meal charges debt and adverse actions related to meal charge bad debt. These procedures, which began FY18, include a series of letters to the families, a phone call from the Principal/designee, and sending the uncollectible debt to the Treasurer or collection agency.

## FINDINGS, RECOMMENDATIONS, RESPONSES

### Cash Collection and Revenue Recognition

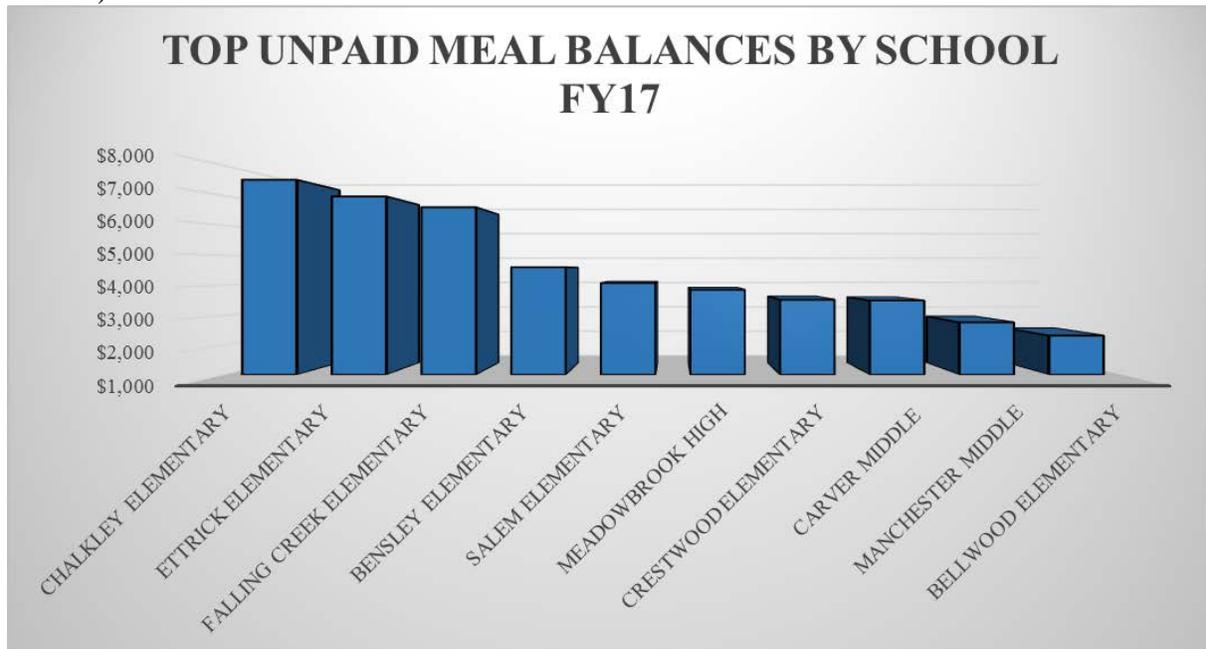
(Point Sheet 1, continued)

#### CONDITION(S):

The following audit testing was performed on ten schools for April 2017, with immaterial, if any, discrepancies noted:

- Vending reports were re-reconciled to the vending meter reading, deposit slip, bank statement and revenue recorded in the financial system (ONESolution).
- Cafeteria cash collections daily count sheets for each school day during April 2017 were recalculated. We also examined end of day reports, corresponding deposit slip, and the bank statement. We recalculated the days from collection to deposit to ensure timely deposits. We traced deposits to the monthly revenue entry into ONESolution.
- MySchoolBucks.com monthly deposit statement was compared to Treasurer deposit forms, and general ledger detail from the claim on cash account. We recalculated the days from collection to deposit to determine regular timely deposits were being made.

In FY17, the School Food and Nutrition Services began to record unpaid reimbursable meals by student for each occurrence. Previously, students unable to pay for meals were provided an alternate meal at no charge. During FY17 year, School Food and Nutrition Services recorded the related \$78,423 receivable. This represents 0.01% of total cafeteria cash sales (\$8,827,760). Individual account receivable balances averaged \$27.16, ranging from \$450.05 to \$0.10. 2,887 students had a balance in arrears at year end (4.8% of student population). 60 of 64 schools (93.7%) had unpaid meal charges at year end ranging from \$7,535 to \$6. The graph below shows ten schools with the highest unpaid meal balances (\$45,708 or 58.3% of total unpaid meal balances).



## FINDINGS, RECOMMENDATIONS, RESPONSES

### Cash Collection and Revenue Recognition

(Point Sheet 1, continued)

#### **CAUSE(S):**

- Central accounting works with all schools to ensure accuracy and provides oversight to ensure policies and procedures are followed.
- Food and Nutrition Services started tracking unpaid reimbursable meals while developing the meal charge policy required by FY18.

#### **EFFECT(S):**

- School Food and Nutrition Services followed receipt and deposit procedures. Cash is collected, reconciled, and deposited in a timely and reasonable manner.
- School Food and Nutrition Services is recording unpaid meals and has revised School Board Policy 7010 to comply with USDA requirements for having a written policy in place. Schools are providing reimbursable meals to children who may be eligible for free meals without being reimbursed by federal funds.

#### **COMMENDATION(S):**

The Office of Food and Nutrition Services is commended for compliance with appropriate policies and procedures, and for conducting training sessions with employees to ensure compliance. Employees in central accounting are knowledgeable and effectively provide oversight.

#### **RECOMMENDATION(S):**

We recommend Food and Nutrition Services:

1. Perform analysis of the new meal charge collection procedures at the end of FY18 for improvement opportunities, including cost/benefit of administrative efforts versus amounts collected.
2. Use large receivable balances to help target marketing efforts for the availability of the free and reduced meal application process. Consider benchmarking with other localities for methods that have successfully increased participation.

#### **MANAGEMENT'S RESPONSE(S):**

1. *Concur. Director of Food and Nutrition Services, Warren Grigg, is responsible for implementing 6/30/19. The administrative cost of having a dedicated employee to manage past due meal accounts is cost prohibitive. Therefore, school food service is evaluating other options for collection procedures. Options under evaluation include utilizing County Treasurer to assist with collection, having school Principals contact the families with high charged amounts, and using a collection agency when all else fails. These programs will require School approval.*
2. *Concur. Director of Food and Nutrition Services, Warren Grigg, is responsible for implementing 6/30/19. Staff will talk with other systems and research websites to see what others are doing that may be more productive in the collection or reduction of negative meal charges.*

## FINDINGS, RECOMMENDATIONS, RESPONSES

### Expenditure Testing

(Point Sheet 2)

#### **CRITERIA:**

Per School Board Policy 7150, the Director of Food and Nutrition Services is the purchasing agent for the School Board for purchasing food supplies for schools. Outside of this, the department utilizes the County procurement office.

County policy 12-1 states that County purchasing department will be utilized for all purchases greater than \$5,000 and seek competition to the maximum feasible degree for all goods and services procured for using departments/schools except where specifically delegated above.

Virginia Public Procurement Act “*Competitive sealed bidding*” requires evaluation of bids be based upon the requirements set forth in the invitation, which may include special qualifications of potential contractors, life-cycle costing, value analysis, and any other criteria such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose, which are helpful in determining acceptability.

#### **CONDITION(S):**

School Food and Nutrition Services’ total non-payroll operating expenditures for FY17 were approximately \$16,226,000. The largest single expenditure category was food costs. Other significant expenditures were for food service administration, USDA donated foods, and furniture and fixture costs.

The following tests were performed with no exceptions:

- ONESolution user security verification reports for authorized creators and approvers were confirmed by department management twice yearly.
- All purchase request/order creators and approvers were listed on the user security verification reports.
- There were no duplicate payments.
- There were no split purchases.
- There were no non-cash rewards or recognition purchases.

In addition, Internal Audit selected 60 FY17 non-payroll expenditures for testing:

- Invoice agreed to supporting documentation.
- Proper purchasing procedures were followed (bids, purchase order logs, travel, etc.).
- Expenditure was recorded in the correct period.
- Expenditure was for legitimate, reasonable school business.
- Correct accounting codes (GL Key and Object) were used.
- Payments were made against proper contracts and amounts agreed with the contract terms.

## FINDINGS, RECOMMENDATIONS, RESPONSES

### **Expenditure Testing**

(Point Sheet 2, Continued)

We found minimal exceptions for:

- One \$357 travel expenditure was coded to miscellaneous travel expense rather than allocating to more specific object codes (mileage, hotel, conference fees, etc.).
- One \$472 expenditure was recorded in FY17 rather than the correct period of FY18.

#### **CAUSE(S):**

- A Pre-Travel payment request was not approved in a timely manner by the School Board Finance Office.
- Payments were being sent to a lockbox each month which resulted in late posting by the vendor.
- The expenditure was posted based on the order date, not the ship/invoice date.

#### **EFFECT(S):**

- Because the pre-travel payment request was not approved timely, the employee filled out an expense report for reimbursement. Reimbursement requests are typically coded to miscellaneous travel expense and therefore was incorrectly coded based on this unusual circumstance.
- Expenditures are recorded in the incorrect period. Recording in the improper period affects the accuracy of the departments financial statements and reporting used in decision making.

#### **RECOMMENDATION(S):**

We recommend:

3. School Board Finance and Food and Nutrition Services review the noted exceptions for coding and applicable fiscal period with processors to strengthen their future monitoring.

#### **MANAGEMENT'S RESPONSE(S):**

3. *Concur. Lead Accountant, Kathy Figura was responsible for implementing 6/1/18. Lead Accountant has reviewed and reinforced with processors.*

**FINDINGS, RECOMMENDATIONS, RESPONSES**

**General and Application Controls over Financial Reporting**

(Point Sheet 3)

**CRITERIA:**

School Board Policy 7230 (Acceptable Use, The CCPS-NET) defines CCPS-NET as “all computers, networks, equipment, programs, and data that are owned, leased, rented, or licensed by Chesterfield County Public Schools (CCPS).” Regulation 7230-R describes requirements “to protect computer hardware, software, data and documentation from misuse, theft, unauthorized access and environmental hazards.”

Security to prevent or detect unauthorized access to automated systems and data requires a combination of general and application controls. General controls cover the technology environment, computer operations, access to programs and data, program developments and program changes. Application controls relate to the business process and transaction level. Best practices include removal of system access after employment termination, requiring unique user identification and passwords, as well as regular changing of passwords, and defined user roles that limit access to information based on job responsibilities to provide and appropriate segregation of duties.

**CONDITION(S):**



School and Nutrition Services uses a third-party software, WebSMARTT, to record, and process point of sale transactions, manage inventory, plan menus, and process free and reduced applications. It is our understanding the financial system (ONESolution) does not have the capability of performing these transactions nor is there a module available. Because WebSMARTT does not integrate with ONESolution, the Food and Nutrition Services Department is required to manually enter accounting information for financial reporting purposes. Due to the size and complexity of transactions recorded, these entries are typically done once monthly. These entries which include detailed summarization of various reports are cumbersome for School Food and Nutrition Services accounting staff to prepare. Once detail is prepared, the monthly entry is sent to County accounting for entry. Preparation and recording of these entries requires significant working hours each month.



**<sup>1</sup>CONFIDENTIAL FOIA EXEMPT CONTENT**  
**§2.2-3705.2(3): System Security**

**FINDINGS, RECOMMENDATIONS, RESPONSES**  
**General and Application Controls over Financial Reporting**  
(Point Sheet 3, continued)

[REDACTED]

**CAUSE(S):**

• [REDACTED]

- ONESolution does not have the ability to record and track the specific transactions needed in the Food and Nutrition Services Department.

• [REDACTED]

■ [REDACTED]

**EFFECT(S):**

• [REDACTED]

- Large and cumbersome monthly batch entries are made into ONESolution to record Food and Nutrition Services Department activity. A significant number of working hours are required to accomplish these tasks.

• [REDACTED]

■ [REDACTED]

**<sup>1</sup>CONFIDENTIAL FOIA EXEMPT CONTENT**  
**§2.2-3705.2(3): System Security**

**FINDINGS, RECOMMENDATIONS, RESPONSES**

**General and Application Controls over Financial Reporting**

(Point Sheet 3, continued)

**RECOMMENDATION(S):**

We recommend:

4. [REDACTED] <sup>1</sup>

5. Food and Nutrition Services consider software modifications or replacement that can interface with ONESolution to improve financial reporting efficiency and decrease the error risk from manual entry.

6. [REDACTED] <sup>1</sup>

**MANAGEMENT'S RESPONSE(S):**

4. [REDACTED] <sup>1</sup>

5. *Concur. Food Service Director, Warren Grigg is responsible for implementing 6/30/19. We currently have begun the preliminary research on new software programs designed for Child Nutrition Programs. The RFP will have to be the process we use in the purchasing this type of program.*

6. [REDACTED] <sup>1</sup>

<sup>1</sup>CONFIDENTIAL FOIA EXEMPT CONTENT  
§2.2-3705.2(3): System Security