



*"Making a Positive Difference"*

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## Annual Food Service Procurement Review

Audit Number: 2007-001

Report date: November 3, 2006

Period covered: Fiscal years ended June 30, 2005, 2006, and 2007 (partial)

Fieldwork dates: October 25, 2006 to November 3, 2006

### EXECUTIVE SUMMARY

#### *Background*

The federal school meals initiative is operated by the USDA in the fifty states and U.S. Territories through the National School Lunch and Breakfast Programs. This program is governed by 7 CFR Parts 3016 and 3019. The Escambia County School District's school meals program is operated by the Food Services Department. According to Food Services Accounting, the District presently serves lunch at 66 and breakfast at 55 district or charter school sites. Of the 32,820 meals/equivalents served daily, 19,773 are reimbursable lunches and 8,558 are reimbursable breakfasts. The current (06/07 FY) annual School Food Services budget is \$19.3 million dollars. To ensure compliance, the program is audited by the USDA/DOE on a rotational basis (approximately every 3 years). The last audit performed by the USDA/DOE was in 2003.

#### *Objectives*

Our initial objective was to perform an agreed-upon procedure. This procedure was to execute a document titled Procurement Review Instrument. In completing this document, our objective broadened to include follow up on the 2003 USDA/DOE audit's comments and recommendations related to procurement. This process resulted in an internal review of the food service procurement practices. This review was applied to periods following the USDA/DOE's Food Services Department Audit; fiscal years ended June 30, 2005, 2006, and 2007 (partial). The review included assessing the adequacy of documentation and ascertaining compliance with 7 CFR 3016.36.

#### *Scope*

There are three major departments which participate in the District's school meals program. The Food Services Department determines the food needs, Purchasing & Business Services oversees the bid process and maintains documentation for deliveries made to the District's Warehouse, and Food Services Accounting maintains documentation for deliveries made directly to the schools and processes vendor disbursements.

We interviewed personnel in the three departments to:

- obtain an understanding of the procurement process related to food services, which included the competitive bid process;

## **EXECUTIVE SUMMARY (continued)**

- execute the Procurement Review Instrument (a copy is attached, with supporting documentation contained in audit working papers); and
- complete elements to comply with 7 CFR 3016.36.

We tested, on a sample basis, the essential elements required to comply with the above mentioned federal regulations. This process included testing of the competitive bid process, receipt of goods, invoices, and pricing.

### *Conclusions*

It appears that proper competitive bid procedures were followed and required documentation exists to be in compliance with federal regulations. It also appears that the District has addressed the findings and recommendations related to procurement made in the 2003 USDA/DOE audit.

### *Noteworthy Accomplishments*

The Food Services Department, Food Services Accounting, and Purchasing & Business Services have increased compliance with applicable laws and regulations related to the food service procurement process. These accomplishments were in response to audit findings and recommendations reported in the USDA/DOE March 10 – 14, 2003 Food Services Department Audit. These three departments have done so through a team-based approach to strengthening internal controls.

### *Management Action Plans*

Management indicated they would not issue a formal response. They have had several discussions between the departments and the multi-year contract issues highlighted in the review are going to be addressed via supplemental procedures.

### *Process-improvement Recommendations*

- Presently, all vendors are required to complete a debarment/suspension certification as part of the District's bid process. However, once a vendor is awarded a 5-year bid, it does not appear that any further renewal of certification during the duration of the bid is required by the District. This creates the opportunity for the District to do business, unknowingly, with a vendor that could have become debarred or suspended *after* being awarded the bid. We recommend the District determine if vendors awarded a 5-year bid have been suspended or debarred *after* their initial submission of the debarment/suspension certification by requiring them to complete a debarment/suspension certification with *each* subsequent period renewed.
- Concerns have been expressed by Purchasing & Business Services and Food Services Accounting regarding the pricing intricacies of 5-year bids. We recommend Purchasing & Business Services and Food Services Accounting meet to discuss the complexities of 5-year bids, including procedures related to any price fluctuations, packaging changes, and vendor errors. The goal of these discussions should be for all departments to obtain a better understanding of 5-year bids.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Food Services Department, Food Services Accounting, and Purchasing & Business Services were not observed to be out of compliance with any applicable laws and regulations related to the areas within the scope of the review. In addition, no other noncompliance was brought to our attention during the review.

## **METHODOLOGY**

A random sample of awarded bids was selected. From those bids, a random sample of vendors was selected. These bids and vendors were tested for compliance with 7 CFR Parts 3016 and 3019. The elements tested in this process included: competition, comparability, documentation of bid process, code of conduct, and debarment/suspension certification.

To test for compliance with the contract administration element, a random sample of purchase orders and invoices associated with the previously selected bids/vendors was selected and tested.

Additionally, Food Services Department menus for the periods under review were also examined to complete the testing of the documentation element.

## **STATEMENT ON AUDITING STANDARDS**

This review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.



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