



School Food Services
Annual Procurement Review
For the year ended June 30, 2015

Office of Internal Auditing
March 2016

APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

APR 19 2016

MALCOLM THOMAS, SUPERINTENDENT
VERIFIED BY RECORDING SECRETARY

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Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of District operational staff and other District personnel.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the Food Services, Food Service Accounting, and Purchasing departments, as well as other personnel throughout the District for their cooperation and commitment.



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Executive Summary

The federal nutrition program is operated by the U.S. Department of Agriculture (DOA) in the fifty states and U.S. Territories through the National School Lunch and Breakfast Programs (NSLP). This program is governed by 7 CFR Part 210.21. The Escambia County School District's (the District) school meals program is operated by the Food Services Department. To ensure compliance, the program is audited by the DOA on a rotational basis (approximately every 5 years). The Department of Education (DOE) requires an internal program review of the procurement process on an annual basis by an independent party who is not associated with food services procurement. The Office of Internal Auditing has been tasked with performing this independent annual review.

The objective of this review was to apply several agreed-upon procedures:

- The execution of the Coordinated Review Effort Procurement Review Instrument (the Instrument)
- The performance of an internal review of food service procurement practices
- The assessment of the adequacy of documentation
- The determination of compliance with governing sections of federal regulations
- The follow-up to any findings noted in the previous procurement review.

We interviewed District personnel in the relevant departments to obtain an understanding of the procurement process related to food services. We tested, on a sample basis, the essential elements required to comply with the above-mentioned federal regulations. This review included testing of the competitive bid process, receipt of goods, invoices, and pricing.

The execution of the Instrument was completed, and a copy is contained in Appendix A of this report.

Overall, it appears proper competitive bid procedures were followed, and adequate documentation exists to comply with federal laws and regulations within the scope of this review. It also appears the District has addressed the findings noted in previous procurement reviews.

During our review, we compared prices paid, per invoices, to prices listed on pricing sheets provided by the vendors in our sample. **Based on this testing, no exceptions were noted. It appears that the District is ensuring that actual prices paid for food services procurement are in agreement with bid prices.**

Also during our review, we tested whether or not District personnel were attesting (via signature/date) that all goods ordered were received and that they were of adequate quality. **Based on our testing, no exceptions were noted, and it appears that District personnel are appropriately demonstrating their review of goods received.**

Background

The NSLP is a federally assisted meal program administered through the Federal Food and Nutrition Services agency of the DOA. The program is governed by the Code of Federal Regulations 7 CFR Parts 210 and 3016, and is overseen by the Florida DOE and DOA.

To ensure compliance, the program is subject to various audits by both DOE and DOA. A Coordinated Review Effort (CRE) is conducted by DOE/DOA on a rotational basis (approximately every 5 years). The last audit performed by the DOE/DOA was FY 2013-2014. Guidelines issued by the DOE/DOA require an independent review of the District's food services procurement process be conducted at least once per year by a person not directly involved in the food service function. This review has traditionally been performed by the Office of Internal Auditing and has been limited in scope to those specific procedures outlined in the Instrument.

Three major departments participate in the District's school meals program: Food Services Operations (Food Services) determines the food needs of the District; Purchasing & Business Services (Purchasing) oversees the bid process, approves requisitions for purchase orders, and maintains documentation for deliveries made to the District's warehouse; and Food Services Accounting maintains documentation for deliveries made directly to the schools, processes vendor disbursements, gathers financial and production information from schools, and maintains and provides financial information.

According to Food Services Accounting, the District presently serves lunch at 56 and breakfast at 51 District or Charter school sites. Of the 35,751 meals/equivalents served daily, 23,570 are reimbursable lunches and 5,889 are reimbursable breakfast equivalents (which represents 11,778 breakfast meals served). The 2014-2015 fiscal year Food Services budget for appropriations was approximately \$21.5 million (expenditures without encumbrance carryovers). The prior year's annual Food Services budget for appropriations was approximately \$22.1 million.

During the 2012-2013 procurement review, the Superintendent asked that we expand the scope of our yearly review to include procurement-related matters surrounding misconduct by the former Food Services Director. We

detailed the results in our report dated August 2013. During the 2014-2015 fiscal year, we performed a follow-up of our audit recommendations and detailed the results in our report dated November 2014. Due to the comprehensive audit/investigation of the food service procurement operations, the recently conducted follow-up (which included FY 2013-2014), and DOE/DOA's recent comprehensive audit of food service, the procurement review for the 2013-2014 fiscal year was limited to discussion/interviews with District personnel.

The procurement review for the current year took a more traditional approach, as done in years prior to 2012-2013, and included interviews, testing, and completion of the Instrument.

Objective

The objective of this review was to apply agreed-upon procedures. These procedures included the execution of the Instrument, the performance of an internal review of food service procurement practices, the assessment of the adequacy of documentation, the determination of compliance with governing sections of federal regulations, and the follow-up to any findings noted in the previous procurement review.

We conducted our review in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

We believe these procedures provide a reasonable basis for our opinions, findings, and any recommendations.

Scope

The scope of this review was limited to the Purchasing, Food Services, and Food Service Accounting departments. The period covered was the fiscal year 2014-2015 (July 1, 2014 through June 30, 2015).

Methodology

Interviews were conducted with various District personnel responsible for food service procurement to obtain an understanding of the competitive bid process and to complete and execute the Instrument.

In order to perform the required internal review, various documents were obtained from each relevant department and reviewed for adequacy. 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.

A judgmental sample of awarded bids was selected. From those bids, a sample of vendors was selected. These bids and vendors were tested for compliance with 7 CFR Part 3016.36. The elements tested in this process as part of the competitive bid 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 judgmental sample of payments and invoices associated with the previously selected bids/vendors was selected and tested.

Additionally, school cafeteria menus for the period under review were also examined to complete the testing of the documentation element.

The findings and responses made in the previous review of food service procurement were reviewed. Interviews with District personnel were conducted to determine what actions had been taken to address the findings.

Detailed Results

The annual Food Services Procurement Review consists of several steps, in which the auditor both gains an understanding of the procurement process and tests the process for compliance with various federal laws and regulations.

To gain an understanding of the procurement process and to document compliance with regulations, the Instrument is completed, bids are reviewed, price testing and receipt of goods testing is performed, an interview is conducted with the Supervisory Dietician to confirm the duties of Food Services personnel, and prior-year findings are reviewed to determine if they have been adequately addressed.

CRE Procurement Review Instrument

This Instrument is completed to document compliance with federal regulations. The instrument has been completed and is included in the review workpapers. **It appears that proper competitive bid procedures were followed, and adequate documentation exists to comply with federal laws and regulations within the scope of this review.**

Compliance

Not all compliance elements mentioned above are detailed in this section. Only items where information was deemed important are included below.

Price Testing

A judgmental sample of bids and vendors was selected. From those bids, all payments for the month of February 2015 were examined, and invoices related to certain selected payments were selected for testing. Each invoice was reviewed, and the prices charged were compared to the relevant price sheet. **For both Direct Delivery and Warehouse Delivery bids, there were no instances of noncompliance noted. It appears that the correct prices were charged for each item tested as part of this review.**

Receipt of Goods Testing

Receipt of goods testing was performed for both the Direct Delivery and Warehouse Delivery bids. The methods of testing varied slightly between the two bid types.

Direct Delivery Bids

For the Direct Delivery bids, receipt of goods testing was performed on the selected invoices. Each invoice is to be stamped by the particular school's cafeteria manager and signed/dated when the items are received. We reviewed the selected invoices and ensured that each cafeteria manager attested to the receipt of the items ordered. **There were no instances of noncompliance noted. It appears that each cafeteria manager is appropriately attesting to the receipt of goods ordered.**

Warehouse Delivery Bids

For items delivered to the District warehouse, receipt of goods testing was performed by reviewing activity within Skyward. As the District has begun moving to a paperless system, the previous Warehouse Receiving Reports have been replaced with an electronic "receiver" function in the District's system. When the District warehouse receives shipments, the person who received the order checks a box inside the system that attests the appropriate quantity has been received and that the quality of the items is acceptable. **There were no issues of noncompliance noted. It appears that the "receiver" function is being completed appropriately within Skyward.**

Supervisory Dietician Interview

An interview was conducted with the District's Supervisory Dietician to determine compliance with duties expected of the Food Services Supervisors. **Based on information gathered in this interview, it appears that the Food Services department and the Supervisory Dietician are complying with all federal laws and regulations applicable to the areas within the scope of this review.**

Follow-Up to Prior Year Findings

As mentioned previously, an extensive audit was performed of the entire Food Services Department's operations was completed in 2013. Additionally, a follow-up to that audit was also completed. As the 2013 audit and follow-up consisted of procedures, including and extending beyond the procurement process, a limited procurement review was completed for the 2013-2014 fiscal year. That review consisted of completing the Instrument and gaining an understanding of any changes to processes in the procurement process through the completion of flowcharts and personnel interviews.

As such, findings from the 2011-2012 Food Services Procurement Review were followed up on as a part of this current review. There was one finding noted related to prices charged by vendors, with two instances of prices being paid that were greater than those listed on the relevant pricing sheet.

Based on our price testing for the current year, and the lack of exceptions noted, it appears that this finding has been adequately addressed.

Per discussion with District personnel, changes made to the process have directly led to the lack of exceptions found in the current year's review. It was noted that in previous years, staff was "spot checking" invoices to ensure that proper prices were being charged by vendors. This process has been changed, and District personnel are reviewing prices charged for all items on all invoices. If any prices charged are found to not match those on the applicable pricing sheets, District personnel send e-mails to vendors requesting corrected invoices. In addition, with increased support from the Purchasing Department and the Assistant Superintendent of Finance and Business Services, District personnel have also been allowed to withhold vendor payment until corrected invoices are received.

Recommendations

As it appears that District personnel are complying with federal laws and regulations within the scope of this review, no recommendations are made.

Appendix A – CRE Procurement Instrument

| See attached.

Appendix A - CRE Procurement Review Instrument

COORDINATED REVIEW EFFORT

2014 - 2015 Fiscal Year

Form Complete

Form N/A

CRE Procurement Review Instrument

SFA:

Agreement Number:

REVIEW AREAS	YES	NO	N/A	COMMENTS	DCA
3101. Sponsor has written procurement policies referencing applicable National School Lunch and Breakfast Programs and guidance 7 CFR Part 210.21, 7 CFR Part 3016.36. <i>Review procurement procedures.</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	School Board Rules	<input type="checkbox"/>
3102. Sponsor's written procedures ensure procurement regulations and vendor performance are monitored in accordance with applicable USDA regulations, SFA policy and Florida Statutes. <i>Obtain a copy.</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Written in bid, and Food Services notifies if poor performance.	<input type="checkbox"/>
3103. Sponsor has written procedures to open, record, and post all offers and responses received for bids, RFP's or Program procurements over the bid threshold of \$25,000 as defined in State Board of Education Rule 6A-1.102(6).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	School Board Rules, and written in bid.	<input type="checkbox"/>
3104. Sponsor publicly posts all bid responses received and determination of apparent lowest and best compliant offers received for the procurement.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Information posted on District's Purchasing Department's website.	<input type="checkbox"/>
3105. Sponsor has written procedure to post or publicly announce the final determination of lowest and best compliant bid, as awarded.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Information posted on District's Purchasing Department's website.	<input type="checkbox"/>
3106. Sponsor periodically monitors written Procurement Code of Conduct policy statement for compliance with applicable Program regulations; the actions of agency personnel related to procurements, advertisements, public posting of bids results, timely resolution of protests and disciplinary actions against employees who have violated these policies or NSLP regulations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Annually	<input type="checkbox"/>
Uses FLDOE Prototype Statement: <input checked="" type="checkbox"/> - Used as a basis.					
Uses SFA's Internal Policy: <input checked="" type="checkbox"/> - Uses Board Policy (more stringent)					
3107. Sponsor has written policy whereby vendor performance and contract compliance are monitored and recorded on a regular basis. <i>Obtain a copy.</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Written into bid; done as needed.	<input type="checkbox"/>
3108. Check all procurement methods used by the SFA and list the total expenditures by type for the review period.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Approximately \$10,202,292.	<input type="checkbox"/>
<input checked="" type="checkbox"/> Small Purchase (informal) - Rarely used for Food Services.					
<input checked="" type="checkbox"/> Competitive Sealed Bid					
<input checked="" type="checkbox"/> Request for Proposals (RFP)					
<input checked="" type="checkbox"/> Sole Source (use only when Competitive Bid or RFP have failed) - Rarely used for Food Services.					
<input checked="" type="checkbox"/> One Time or Special Buys from manufacturers or distributors - Possible, but rare.					
<input checked="" type="checkbox"/> Other - P-Card purchases					
3109. Sponsor's procedures to administer bid protests and disputes are included in each bid document when published and follow the standards set forth in Florida	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

Statute Ch.120.57 (3).

If no, obtain the Sponsor's protest procedures.

3110. Was the Certificate of Independent Price Determination form signed and dated by both the Sponsor and vendor, and attached to the bid document?

Vendors sign, District does not.

3111. Debarment and Suspension Form A.D.1048 was completed by the vendor and is attached to each bid over \$100,000 per year or per contract.

Completed for all bids.

3112. The "Buy American" regulations set forth in 7 CFR 250.23 are referenced in the SFA's procurement policy for each bid document where federal entitlement funds are disbursed.

3113. Does the Sponsor's bid contain a "Statement of No Bid" form which declares the vendor has chosen not to participate in a particular bid, but wishes to remain on the active vendor list?

Yes, posted on website.

3114. Sponsor has procedures to monitor and record vendor performance during the current contract and these records are reviewed prior to bid extension or re-bidding.

Only bid itself. Notified by e-mail, etc.

If yes, record name and title of review official(s):

3115. For Food Service Management Company (FSMC) contracts, were all competing vendors registered with FLDOE? (See FLDOE's website for current list of registered vendors.)

3116. When bid bonds are required by SFA policy or Program regulations, the FSMC bid or proposal was submitted with the bid bond attached.

If Yes, obtain documentation.

3117. a. If a 10% FSMC Performance Bond was required, was it delivered prior to the commencement of service? (Check the effective date of the Bond and obtain a copy.)

b. If yes, what was the amount of the Bond?

3118. Do FLDOE records on file indicate the FSMC contract fully executed by the Sponsor, Vendor, and State Agency staff prior to the first day of performance?

3119a. Did Sponsor utilize State Board of Education Rule 6A-1.012 Paragraph (5) (Piggyback provision) when applicable, if internal bid process failed, or to take advantage of lower prices obtained by another SFA?

b. If yes, did the Sponsor maintain a copy of the bid from which purchases will be made?

Paperless; Have access to copies on website.

3120. a. Does the Sponsor belong to a food service purchasing cooperative?

b. If yes, list name of Co-op and District-based administrator:

3121. Was the Certificate prohibiting Lobbying Activity by the Vendor attached to the bid, if applicable?

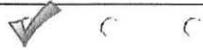
Per DOA, could list applicable laws.

3122a. Does Sponsor use a proprietary, fee-based system for publishing and gathering responses to food service bids? (Example: Demand Star)

Demand Star, Bid Net, Prime Vendor, also District website.

b. If yes, what is the name of this service?

c. If yes, does SFA also publicly post announcements for food service department procurements to inform local and regional vendors of opportunities to bid?



Yes - Listed on District's Purchasing Department's website.



3123. a. Are non-members of this proprietary service excluded from submitting food service bids?



There is a charge to vendors, but they can go to/use District website for free.



b. If yes, what is the Sponsor's justification for limiting competition from an otherwise qualified vendor?