



MEMORANDUM

DATE: June 12, 2019

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Terrie L. Pyeatt, CPA *tlp*
Director, Office of Internal Audit

SUBJECT: Food Services Cafeterias Audit

BACKGROUND

As part of the 2019 Audit Work Plan, the Office of Internal Audit (IA) has performed a Food Services Cafeterias Audit. The focus of this audit was on cafeteria meal sales.

The Office of Food Services (Food Services), within the Department of School Division Services, has a budget of \$33.1 million and 492 allocated staff positions (which includes all cafeteria staff). Food Services is responsible for providing breakfast and lunch services at all schools except the Adult Learning Center, Advanced Technology Center, and Technical and Career Education Center.

Food Services utilizes CyberSoft's PrimeroEdge software package for the cafeterias which includes several different modules. These modules include free and reduced lunches, inventory, ParentOnline, and point of sale (POS), as well as menu planning and production. The POS module requires students and staff to enter their personal identification number (PIN) into a keypad at the register after they have made their food selections. This PIN must be entered for all transactions, whether cash/debit sales or payments on account. The ParentOnline module allows parents to load money on their child's account via a credit or debit card. It also allows parents to monitor their child's purchases, put restrictions on the account (i.e. 'no ice cream'), set up low balance reminders, and schedule recurring payments.

Cashiers enter their beginning and ending denominations into the system for each breakfast and/or lunch shift. The cashiers then print and sign a POS Closing Form at the end of each shift. This form displays the cashier's previously entered denominations. The cafeteria manager recounts the funds and compares the amounts to the POS Closing Form for each shift. This assists the cafeteria manager in ensuring sales are appropriately reflected in the system.

AUDIT OBJECTIVES

This audit was performed to meet the following audit objectives:

- To determine if financial policies and procedures related to daily cafeteria sales are being followed;
- To determine if sales are accurately recorded;
- To determine if bank deposits are timely and accurate; and
- To determine if change funds are correct and properly safeguarded.

AUDIT SCOPE AND METHODOLOGY

Inquiry and examination of documents and data, as well as site visits, were the methods of reviewing internal controls. The audit period was September 4, 2018 through April 30, 2019. Total amount collected for all schools during the audit period was as follows:

Form of Payment	Amount Collected	Percentage
Cash	\$ 1,709,079.26	22%
Check	702,637.23	8%
Online	5,511,792.55	70%
	<hr/> \$ 7,923,509.04 <hr/>	

The cafeterias at the following schools were the focus of this audit:

- Green Run High School
- Tallwood High School
- Salem Middle School
- Glenwood Elementary School
- Pembroke Meadows Elementary School
- Three Oaks Elementary School
- Trantwood Elementary School

Total sales at these seven schools for the audit period were approximately \$927,000.

IA judgmentally selected 16 dates. Those dates represent approximately 11% of the available dates during the period. IA examined the meal sales and banking documentation for those dates at each of the selected schools to determine compliance with policies and procedures. During fieldwork, IA observed sales activity and counted change funds at each school. Site visits were conducted from May 16, 2019 through May 29, 2019.

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.

CONCLUSION

The results of the audit were discussed with management. We thank management and staff of the Office of Food Services and as well as the cafeteria staff at the selected schools for their cooperation throughout the audit. A summary of the audit results, audit recommendations, as well as responses from management, is included in this report. These recommendations are intended to further strengthen compliance with policies and procedures and also to strengthen internal controls.

In our opinion, the results of the audit indicate from the sample tested that cafeteria meal sales were accurately recorded, bank deposits were timely and accurate, change funds were correct and properly safeguarded, and the selected schools substantially followed the policies and procedures related to meal sales.

cc: Dr. John E. Smith, Director, Office of Food Services
Mr. Jack Freeman, Chief Operations Officer

Dr. Donald E. Robertson Jr., Chief Schools Officer
Mr. Daniel F. Keever, Senior Executive Director of High Schools
Mrs. Cheryl R. Woodhouse, Senior Executive Director of Middle Schools
Mrs. Shirann C. Lewis, Senior Executive Director of Elementary Schools
Dr. James A. Avila, Principal, Tallwood High School
Mr. C. Todd Tarkenton, Principal, Green Run High School
Dr. James J. Smith, Principal, Salem Middle School
Mr. David B. French, Principal, Glenwood Elementary School
Ms. Lou Anne Metzger, Principal, Trantwood Elementary School
Mr. Matthew A. Orebaugh, Principal, Three Oaks Elementary School
Dr. Charles L. Spivey, Principal, Pembroke Meadows Elementary School

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: General Financial Procedures

We noted several issues with regard to general financial procedures. These issues included the following:

- Funds were not deposited in a timely manner in one instance at Trantwood Elementary School;
- Managers were using their logons to sign in substitutes at Three Oaks Elementary School and Tallwood High School;
- Loose change was kept to offset shortages at Tallwood High School;
- One or more POS Closing Forms were not completed accurately at all schools except Salem Middle School. Examples include:
 - Cashiers and/or managers failed to sign forms; and
 - Multiple POS Closing Forms were missing.
- Managers were cashiering in one or more instances at all schools except Green Run High School and Salem Middle School.

Generally, the procedures related to these topics are outlined in the *VBCPS Food Services Quick Reference Guide* and/or the *Food Services Operations Manual*. These issues were primarily caused by a lack of understanding of existing procedures and/or a lack of oversight by the managers or Food Services. Failure to follow proper procedures could result in financial discrepancies and/or loss of funds going undetected.

Recommendations:

We recommend Food Services:

- Continue to actively monitor these issues via observations, spot checks, and/or periodic review of POS Closing Forms;
- Provide additional training on the POS Closing Form procedures to all cashiers and managers; and
- Institute additional internal controls when a manager is cashiering.

Management's Response:

Accounts are monitored daily by a Financial Assistant within the Office of Food Services. If deposits are not made in a timely manner and there is no written explanation inserted in the software, then the cafeteria is contacted and an explanation is noted. The Office of Food Services management will improve procedures to allow managers to cashier in certain limited circumstances, with the requirement that an additional employee count the end of the day cash and both employees sign the POS Closing Form. Training on POS Closing Form will take place during the August 2019 cafeteria managers' workshops. Anticipated date of revisions is prior to starting SY19-20.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Other Item Noted: Access Controls

Managers currently have the ability to change the cashier's cash counts in the system without producing a session adjustment. Food Services actively monitors all session adjustments. Allowing the managers to adjust the cashiers' counts without making session adjustments circumvents the review process established by Food Services. This increases the risk of funds being misappropriated.

Recommendations:

We recommend that Food Services examine this practice and revise guidance to ensure all manager changes are reviewed by Food Services.

Management's Response:

The Office of Food Services management will review the roles assigned to managers within the PrimeroEdge software to evaluate what roles could be limited in order to strengthen internal controls and mitigate any risks. Anticipated date of roles review and evaluation is prior to starting SY19-20.