



Internal Audit

Food and Child Nutrition Services Audit: Food Quality Management

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To: Board of Trustees
Stephanie S. Elizalde, Ed.D., Superintendent

From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: Food and Child Nutrition Services Audit: Food Quality Management

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Food and Child Nutrition Services (FCNS) Audit: Food Quality Management.

The audit focused on the adequacy and effectiveness of processes and procedures over food quality within FCNS and identification of opportunities for improvement with the perception of food quality amongst constituencies within the District. OIA's review of food quality and its related perception included analysis of student-centric data, including surveys, participation rates, as well as discussions with external auditors, students, and staff.

Overall, FCNS is highly effective in its operations surrounding food quality and no observations were noted during the audit.

Opportunities for improvement including enhancements to FCNS' operational and marketing activities are presented later in this report.

Background

FCNS is a financially self-supporting program which provides free meals to all District students. FCNS is nationally recognized, ranking in the "Top Ten" of such programs both in Texas and across the country. FCNS currently services 227 schools, 9 college campuses, and 2 Pre-K centers. Through federal and state reimbursement programs, FCNS served approximately 9.4 million meals for breakfast and 16.1 million meals for lunch during the 2023-2024 school year. In addition to breakfast and lunch, FCNS provides meals for after school programs, Saturday school, and summer learning programs.

FCNS strives to serve nutritious and delicious meals that meet the highest quality standards. The following includes background information on certain FCNS operations with a focus on food quality, student engagement, and marketing initiatives.

Menu Planning

Menus vary by campus and program and are planned by registered dietitians. Meals are planned to meet or often exceed United States Department of Agriculture (USDA) standards as well as student dietary and cultural needs. Students are involved in menu selection through taste testing events and surveys. Menus for each campus are available online for parents and students to access daily. The menus detail what items will be served each day along with a picture of the item, the ingredients, and nutrition information.

Quality Control

Food items are delivered to FCNS' central warehouse as well as individual campuses. Upon delivery, campus cafeteria or warehouse personnel inspect the product to ensure the quality is appropriate and anything damaged or of questionable quality is rejected immediately. If rejected at an individual campus, school cafeteria personnel contact FCNS to communicate the issue. All complaints/issues are logged in the FileMaker system for tracking. If more than one complaint is received on a specific item, an automated "food hold" is placed on the item and communicated to all applicable locations while it is investigated by FCNS and the vendor.

Of the approximately \$40 million spent in food products in fiscal year (FY) 2023-2024, only four products placed on "food hold" were re-collected after investigation. FCNS satisfactorily resolved each issue with the vendors.

External Audits

FCNS is subject to regular audits by the Texas Department of Agriculture (TDA), which administers student meal reimbursement programs on behalf of the USDA. TDA follows a three to five-year rotation schedule for its audits. Auditees are scheduled based on a risk assessment that takes into consideration historical compliance, complaints received, and other factors. The most recent audit was reported on February 16, 2023. TDA selected 48 campuses for testing using standard formulas based on population and other criteria. Their audit procedures included review of FCNS documentation, interviews, and testing in the following areas:

- Certification and Benefit Issuance and Verification: applications, rosters and documentation supporting eligibility
- Counting and Claiming: rosters, detailed transaction reports, claim forms, and documentation supporting meals claimed for reimbursement
- Meal Components and Quantities: food production reports, dietary specs forms, child nutrition labels, product formulation statements, nutrition fact labels, manufacturer's specification statements, recipes, and any other documentation illustrating that meals contained items required by program regulations
- Civil Rights: documentation for staff training, complaints, and media releases
- On-site Monitoring: forms and supporting documentation
- Local School Wellness Policy: policies, assessments, and supporting documentation
- Smart Snacks: listings, approval documentation, and any calculations
- Professional Standards: personnel listings with position and date of hire and training logs
- Food Safety: health inspections, hazard analysis/critical control point plans, food safety procedures, and temperature logs
- Procurement: procedures, solicitations, code of conduct, contracts, invoices, purchase orders, grant documentation, and historical spending by vendor
- Resource Management: financial data

There were no findings, and compliance was achieved in all areas of the program. OIA discussed FCNS's TDA audits in detail with TDA representatives who indicated that Dallas ISD is considered a "flagship" district within Texas as it rarely receives complaints or experiences compliance issues.

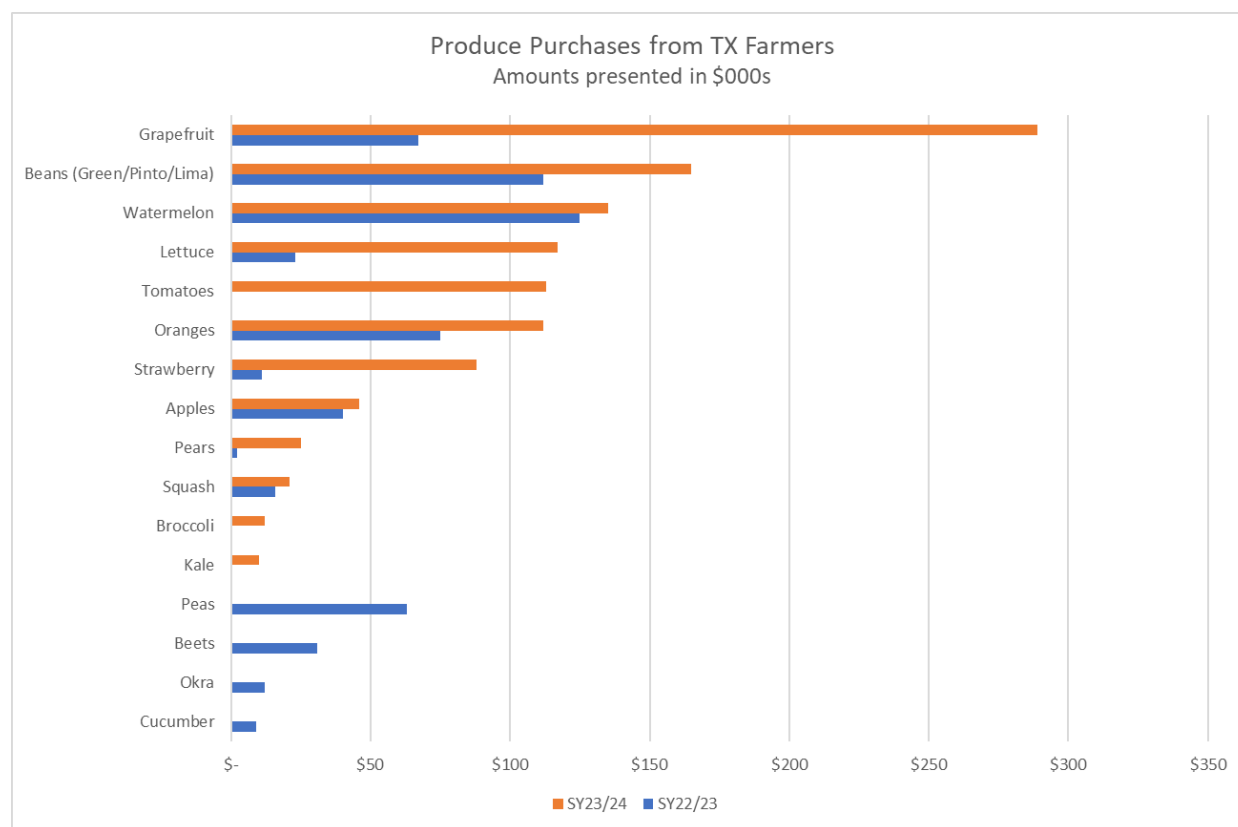
Internal Assessments

To ensure cafeterias are aligning with FCNS' food quality and operational standards, the department initiated an internal assessment process beginning in FY2023-2024 whereby central staff visit campuses and assess cafeteria operations. A standard form is used for all assessments

to evaluate cafeteria cleanliness, customer service, and each element of the meal served on a 1-5 scale. For each meal element, grades are awarded for taste, appearance, and temperature. Assessors attach photos and include comments from their overall observations. 53 schools were assessed in FY2023-2024 as part of the pilot program and all schools with operating cafeterias are planned to be assessed in FY2024-2025.

Food Quality Initiatives

Many of the meals served by FCNS feature fresh seasonal produce from farms across Texas. Produce purchased from Texas farmers grew to over \$1.1 million during the FY2023-2024, representing an increase of over \$545,000 or 93% from the prior year. Furthermore, the different types of produce purchased has expanded. FCNS benefitted from a \$250,000 award from TDA under the Local Food for Schools Program (LFS), the purpose of which is to promote unprocessed or minimally processed Texas food products and to support local and regional food systems with historically underserved and small businesses. FCNS used the funding to introduce students to new local produce not previously served in campus cafeterias. The graph below illustrates the expansion of types of fresh produce and increase in spending on fresh produce from FY2023 to FY2024.



New USDA Standards Implementation

During the spring of 2024, the USDA issued new standards that will gradually limit sugar in cereals, yogurt, and milk; limit sugar to be no more than 10% of weekly calories; and reduce sodium at breakfast by 10% and lunch by 15%. The new standards will be implemented in phases starting in the fall of 2024 through the fall of 2027. FCNS has already implemented the first two phases of the new standards regarding the sugar reductions. The final and third phase, the reduction of sodium, must be implemented by the fall of 2027. FCNS is currently reviewing the

nutritional analysis of individual menu items. Next steps of FCNS' implementation plan include:

- Attending webinars hosted by USDA and TDA to ensure any interpretations of the new standards are incorporated
- Identifying current recipes that need to be altered
- Meeting with vendors to learn what products they are re-formulating and the related timing
- Updating the specifications as part of the bid process prior to the start of the new school year

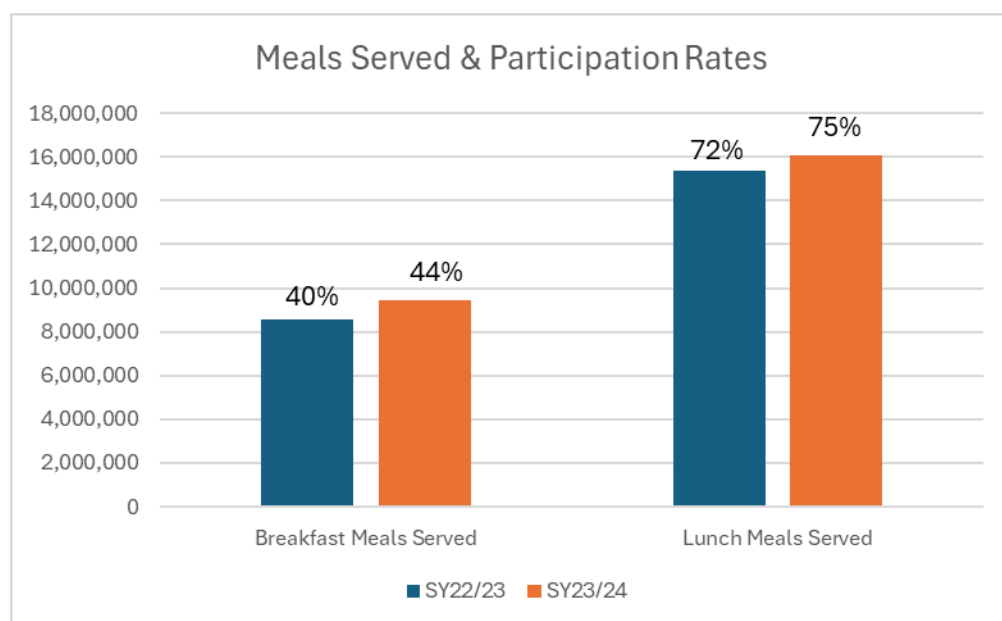
Based on its implementation plan, FCNS anticipates no issues with meeting the fall of 2027 deadline for USDA's sodium reduction requirement.

Meal Participation Rates

As illustrated in the following graph, total meals served for breakfast and lunch increased approximately 10% and 4%, respectively, during FY2023-2024. Although attendance rates decreased year over year, the increase in meals served pertains solely to improved student participation, which grew for both breakfast and lunch by 11% and 5%, respectively.

FCNS partially attributes the higher levels of student participation to inflation, which tends to have a greater impact on the day-to-day decision making of families experiencing socio-economic challenges. Schools with the highest participation rates for both breakfast and lunch include Moseley, Cochran, and Oliver. Notably, 166 schools served more breakfast meals and 158 schools served more lunch meals to students during FY2023-2024 compared to the prior school year. As such, the growth in student participation was experienced at the vast majority of schools. Examples of the more significant contributors to this growth include Rosemont Primary, Seagoville Middle, and Lincoln High. FCNS attributes the broader growth in participation to:

- serving favorite lunch menu items to students everyday instead of weekly,
- introducing grab and go breakfast items, and
- the pilot programs and other initiatives outlined in the Student Participation Initiatives section of this report.



Student Participation Initiatives

FCNS launched surveys in FY2022-2023 and FY2023-2024 to obtain student feedback on aspects of FCNS' operations. Questions focused on meal participation, taste, and customer service.

Remarkable results from the surveys are as follows:

Customer Service

- 82% of third graders surveyed rated customer service as being excellent or very good, up from 73% in the prior year.
- 88% of high schoolers surveyed rated customer service as being at least okay, down slightly from 93% in the prior year.
- In both years, the top challenges reported by high school students include favorite foods are gone by the time student ordered, lines are too long, and not enough time to eat.

Food Quality

- 62% of third graders surveyed reported lunch as tasting excellent or very good, up from 59% in the prior survey.
- 53% of high schoolers surveyed reported lunch as tasting at least okay, down slightly from 55% in the prior survey.

To solve for some of the issues reported in the surveys, FCNS is currently looking into advance batch cooking practices, participation planning by menu item and has piloted vending machines which offer full meals that are USDA compliant.

To increase meal participation and satisfaction, FCNS launched or expanded several pilot programs for the 2024-2025 school year, including a self-serve fruit/parfait bar at breakfast, a self-serve salad bar at lunch, a smoker program, and a build your own bowl featuring various grains, proteins, and vegetables at lunch. FCNS also recently rolled out its back to scratch initiative pursuant to which menu items such as macaroni and cheese are prepared in house using fresh herbs and garnishes.

Marketing Activities

FCNS is currently working on a number of initiatives focused on developing content to promote its culinary program. The department is currently working to build their marketing capabilities with two recently hired marketing professionals who were former District teachers. FCNS recently completed a marketing plan for the 2024-2025 school year with several initiatives to enhance its programs.

Scope

This audit focused on current operations and included activity from FY2023-2024 and FY2022-2023. Certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Objective

The objective of the audit was to evaluate the adequacy and effectiveness of processes and

procedures over food quality within FCNS and identify opportunities for improvement with the perception of food quality amongst constituencies within the District.

Methodology

Auditors interviewed key personnel, conducted walkthroughs, and reviewed supporting documents to understand processes and controls surrounding food quality, participation efforts, and marketing strategies. Detailed audit procedures are noted below.

1. Food Quality Operations - To determine if the District has effective processes and procedures in place to meet food quality standards as well as best practices, auditors performed the following with no observations noted:
 - a. Auditors analyzed health inspection data from FY2023-2024 and noted no schools with a score of less than eighty.
 - b. Auditors reviewed FCNS internal assessment results to identify trends and determine solutions for any identified issues.
 - c. Auditors performed an internal assessment at a selection of campuses including observation of the logistics and flow during lunch time, taste testing lunch items served, and assessing participation.
 - d. Auditors conducted walkthroughs of the FCNS warehouse to review the processes surrounding procurement, food preparation, and food delivery within FCNS.
 - e. Auditors assessed the results of available student surveys to identify trends and determine solutions for any identified issues.
 - f. Auditors analyzed existing KPIs focused on food quality/participation at both the campus and District level for the past two years, assessed trends in consumption, and reviewed related benchmarking data utilized by FCNS. Auditors then benchmarked KPIs tracked by FCNS to those suggested by the Institute of Child Nutrition to determine essential data is being monitored.
 - g. Auditors analyzed the historical financial statements for the past two years, including a comparison of actuals to budget, and investigated any trends and variances.
 - h. Auditors reviewed available data on historical vendor spending with a focus on usage of local farmers to analyze trends.
 - i. Auditors walked through the food complaint and re-collection processes and analyzed historical data to identify trends.
 - j. Auditors reviewed FCNS' project plan for implementing the revised USDA standards and assessed any concerns regarding compliance and timing.
 - k. Auditors reviewed historical audits issued by external authorities to understand their scope of work specifically related to food quality management and follow up on any recommendations where applicable.

2. Marketing – To assist FCNS management in improving the perception of food quality amongst constituencies within the District, auditors performed the following with no observations noted:
- a. Auditors reviewed the FCNS website and social media accounts to assist in developing strategies and ideas for improvement with a focus on food quality, community visibility, and broadening the overall FCNS message.
 - b. Auditors benchmarked FCNS' marketing activities with other districts to determine creative solutions and best practices.
 - c. Auditors reviewed the FCNS marketing plan and provided feedback.
 - d. Auditors assessed opportunities to build and leverage partnerships with related organizations.

Overall, OIA was able to obtain reasonable assurance from the testing noted above that processes and controls are in place to ensure the quality of food served to students meets local, state, and federal requirements. As such, no formal observations were identified.

Commendations and Opportunities for Improvement

Commendations

FCNS has recently implemented a multitude of initiatives to provide quality and good tasting menus to boost student participation. The department goes above and beyond to engage both students and parents to recognize the impact of nutrition on student learning.

OIA is presenting the following areas where potential improvements to current procedures could be made to enhance and strengthen FCNS' practices.

Internal Assessments

OIA reviewed all 53 internal assessments conducted by FCNS during FY2023-2024, noting that the results were highly positive. Most campuses were scored 4 or 5 in the various categories. The assessments regularly included positive comments concerning the cleanliness of the cafeterias and the friendliness and efficiency of cafeteria staff.

Opportunities for improvement: The following may provide potential ways to enhance the internal assessment process:

- Digitize the internal assessment form fields to allow for more efficient review and summary reporting
- Add a resolution field to the internal assessment to capture follow up activities for any issues noted. If the assessments are processed electronically as noted in the bullet point above, follow up items could be more easily tracked and monitored.
- Consider using the internal assessments as the basis for an annual award highlighting a school cafeteria's achievements

Meal Participation Rates

OIA analyzed breakfast and lunch meal participation rates for FY2022-2023 and FY2023-2024. Student participation in breakfast meals grew from 40% in FY2022-2023 to 44% in FY2023-2024. Similarly, lunch participation improved from 72% in FY2022-2023 to 75% in FY2023-2024.

Opportunities for Improvement: The following may further improve student participation in meals at school cafeterias:

- Set more specific participation rate targets for individual schools. At present, cafeteria staff are challenged to increase participation 2% annually for the district overall. Utilizing more specific targets could help FCNS focus efforts in a more impactful way.

Student Survey Participation

OIA reviewed student surveys launched by FCNS in FY2022-2023 and FY2023-2024. One survey targeted third graders at 11 elementary schools for both FY2022-2023 and FY2023-2024. A slightly longer survey was sent to high schoolers at approximately 15 schools in FY2022-2023 and expanded to all high schools in FY2023-2024. Information on participation is noted below:

- 624 third graders participated in the 2023-2024 school year survey, a 75% increase over prior year participation. FCNS attributes the increase to focusing on a limited number of schools and proactive efforts from FCNS' new marketing team to roll out the survey earlier.
- 361 high schoolers participated in the 2023-2024 school year survey, a 24% decrease from prior year participation. The high school survey was dominated by South Oak Cliff with 249 participants. Very few other schools had over 10 responders. Because of limited participation, the survey results might not be representative of most high school students in the District.

Opportunities for Improvement: The following may provide ways to increase both survey participation and student engagement.

- Incentivize high schoolers with a drawing or other enticement to encourage participation in the student survey
- Shorten the list of survey questions to focus on those that truly matter, such as participation, likes, dislikes, and why
- Utilize additional methods to foster student engagement such as a student ambassador program

Complaints and Recollections

OIA reviewed the recently implemented complaints/recollection forms and noted only four products were recollected during FY2023-2024, which were all satisfactorily resolved with the vendors.

Opportunities for improvement: OIA notes the following potential ways to further streamline the

complaints and recollection process:

- Digitize the complaint form fields to allow for more efficient review and summary reporting of results for the benefit of FCNS management.
- Add a resolution field to the complaint forms to clearly document completion of follow up activities

Marketing Initiatives

OIA reviewed FCNS' marketing plan for the 2024-2025 school year noting several initiatives to encourage participation in its programs.

Opportunities for improvement: The following are some additional marketing initiatives that may aid in increasing participation rates as well as perception amongst constituents:

- Expand content in the Nutritional Resources section of the website that is geared to all student age groups
- Consider developing additional internal and external partnerships with local organizations such as Dallas College and Dallas Coalition for Hunger to participate in events and bring their benefits closer to students and their families
- Engage free resources such as the MBA Program at Southern Methodist University and the leadership programs within Dallas Regional Chamber to help FCNS craft a longer-term marketing strategy that incorporates social media, communications, development of mission, vision, and commitment statements, and benchmarking of initiatives and KPIs.

Conclusion

Overall, FCNS has highly effective processes and procedures over food quality.

We would like to thank FCNS personnel for their cooperation and assistance with this audit.

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. Those standards require OIA to plan and perform the audit to obtain sufficient, reliable, and relevant evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

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Definition of Risk Level

Risk Level	Definition
High	These risks could directly impact achievement of a strategic or important operational objective of the District. There is a high probability of occurrence that would significantly impact the District and/or have a significant financial, reputational, or compliance risk.
Medium	Risks are considered to be substantially undesirable and pose a moderate level of risk exposure to District operations. Without appropriate controls, the risk will happen on a consistent basis.
Low	The risks are considered to be undesirable and could moderately expose the District. Without appropriate controls, the risk will occur some of the time.