



Gilbertsville- Mount Upton Central School District Cafeteria Operations

Report of Examination

Period Covered:

July 1, 2014 — September 29, 2015

2015M-351



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Gilbertsville-Mount Upton Central School District, entitled Cafeteria Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendation are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Gilbertsville-Mount Upton Central School District (District) is located in the Towns of Butternuts, Gilbertsville, Morris and Unadilla in Otsego County and the Towns of Guilford and Norwich in Chenango County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction.

The District operates one school with approximately 400 students and 90 employees. The District's budgeted appropriations for the 2015-16 fiscal year are approximately \$9 million, funded primarily with real property taxes and State and federal aid. The 2015-16 budgeted appropriations for the school lunch fund are \$255,000, which are funded primarily with State and federal aid and sales of breakfast, lunch and other food items. The Board appointed a Food Service Director¹ who is responsible for overseeing the cafeteria operations.

Objective

The objective of our audit was to determine if the cafeteria operations were managed properly. Our audit addressed the following related question:

- Did District officials effectively manage cafeteria operations?

Scope and Methodology

We examined cafeteria operations of the District for the period of July 1, 2014 through September 29, 2015. We extended our scope period back to July 1, 2011 to analyze the school lunch fund's financial trends.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

¹ The Food Service Director was appointed as of September 1, 2015.

**Comments of
District Officials and
Corrective Action**

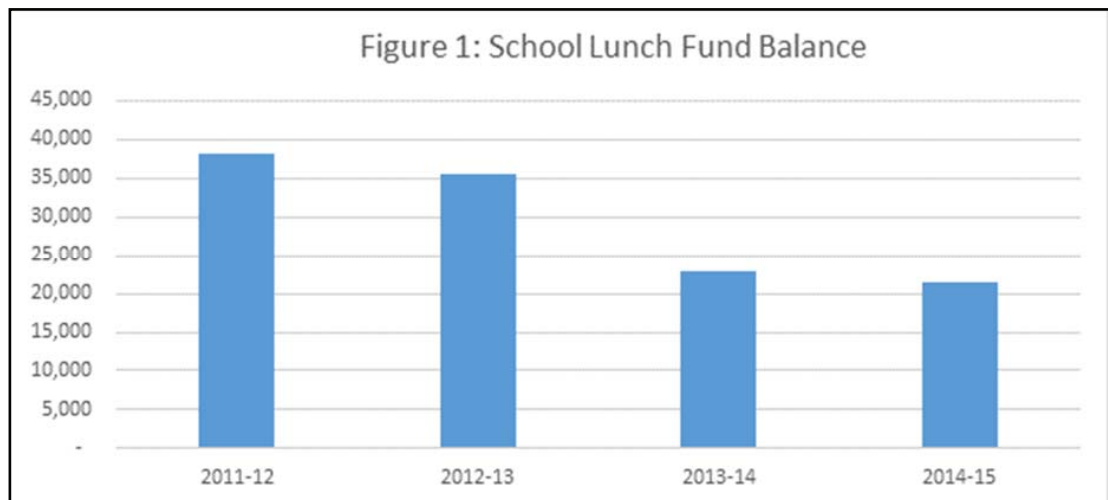
The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Cafeteria Operations

District officials are responsible for effectively managing cafeteria operations. This includes ensuring there are sufficient revenues to meet current expenditures while complying with federally established nutritional guidelines. To help ensure there are sufficient revenues to meet the current expenditures, officials should compare the cost to produce a meal with the meal price to set appropriate prices. This cost per meal analysis would also assist District officials to identify ways to reduce costs and enhance revenues. It is an added benefit when officials are able to enrich student education by incorporating such topics as the environment and food waste reduction with cost savings and revenue enhancement ideas within District cafeteria operations.

While the school lunch fund's fund balance declined by 44 percent from 2011-12 through 2014-15, District officials have taken steps to effectively manage the cafeteria operations by attempting to decrease expenditures and increase revenues.



District officials have taken steps to reduce the total school lunch fund's expenditures. Specifically, from 2012-13 through 2014-15, District officials, through attrition, reduced the number of full-time cafeteria employees from five to three, which contributed to significant decreases in personnel and employee benefit costs. By implementing these cost savings measures, the District reduced expenditures by 18 percent or \$46,000 from 2011-12 through 2014-15. Staff reductions were possible because cafeteria employees' productivity remained high when compared to industry standards.² From 2012-13 through

² Industry standards for meals per labor hour consider many factors, including the type of service being provided, production system, amount of convenience food used, employee skill levels and complexity of the menu. Meal per labor hour standards for a conventional system with daily meal equivalents of 301 to 400 meals range from a low of 14 meals per labor hour to a high of 16 meals per labor hour.

2014-15, cafeteria employees produced 16 meals per labor hour. From 2012-13 through 2014-15, District officials reduced cafeteria labor hours by an average of 4 hours each day.

Recycling Program – District officials implemented a recycling program which provides students with education on recycling and composting and reduces cafeteria waste. As part of this program, the District donates leftover milk, juice and other liquids to a local farmer, who uses them to feed a pig. After the farmer processes the pig, the meat is inspected by United States Department of Agriculture staff and donated to the District’s cafeteria.

Leftover cafeteria food scraps, including fruits and vegetables, are composted and used in the elementary student council’s garden. The garden not only serves as an educational tool for the elementary students, but food grown in the garden is donated to the cafeteria and used in school meals. The students also sort and recycle food containers, milk cartons, plastic cups and snack boxes, which are recycled through the District’s refuse vendor. The students also sort out chip bags, juice pouches and certain other recyclable items, which are sold to a recycling vendor. District officials were able to enhance revenues by recycling these items and, from 2011-12 through 2014-15, the District was reimbursed \$830 for 20,824 juice pouches and 17,999 chip bags.³



The District’s recycling program provides educational opportunities for student involvement. Officials hope that, as students get involved, they will learn the importance of protecting our environment and the effect we have on it and come away from their involvement with

³ Chip bags and juice pouches were also donated by District residents.

a commitment to the environment that will follow them through to adulthood. By implementing a recycling program, the District and its students reduced cafeteria waste and their effect on the environment and saved money. Specifically, the District has reduced its landfill waste and the number of refuse pickups, while saving more than \$10,000 in refuse costs since 2013-14. Additionally, District officials increased revenues by almost \$2,000 from 2011-12 through 2014-15 through reimbursements from the recycling program.

Although the cafeteria sales decreased from 2011-12 through 2014-15 by 44 percent or \$38,000, District officials attempted to increase sales by increasing student lunch participation by incorporating healthy ingredients into recipes that appeal to children in both lunches and à la carte items. For example, cafeteria employees mix black beans into the brownies, whole wheat flour into the cookies and yogurt into the ranch dressing to make appealing items a more healthy option. As a result, cafeteria employees created food options within the healthy food guidelines.⁴ Further, cafeteria employees cook mostly from scratch and incorporate fresh produce from the elementary student council's garden whenever possible.

District officials recognized the declining school lunch fund balance and that the average daily participation rate decreased by 13 percent, or 56 daily meals, from 2012-13 through 2014-15. During the same period, the student population decreased by 40 students. However, officials did not prepare a per-meal cost analysis to determine if lunch pricing was adequate. In fact, we calculated a revenue loss of 25 cents⁵ per meal equivalent.⁶

We commend District officials for identifying areas to reduce cafeteria costs and enhance revenues through their recycling program. However, the continued trend of declining participation could lead to higher subsidies from the general fund.

Recommendation

1. District officials should perform a per-meal cost analysis to ensure that they are raising enough revenues to cover cafeteria expenditures and continue to identify potential efficiencies that will help to ensure the school lunch fund is self-sufficient.

⁴ Guidelines require an increase in the amount of fruit and vegetables served, emphasize whole grain-rich foods and proteins and low-fat milk or nonfat milk and set limits on calories, fats, sugar and sodium.

⁵ Our calculation includes the New York State and Local Retirement System costs for the cafeteria employees which the District has been paying out of its general fund.

⁶ A meal equivalent includes converting the number of breakfast and à la carte items served to an equivalent number of lunches. A single lunch is the standard by which measures are calculated.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

Gilbertsville-Mount Upton Central School

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Phone: (607) 783-2207 ▪ Fax (607) 783-2254

Annette Hammond, Superintendent and Director of Special Education
Dorothy Iannello, District Treasurer ▪ Cathy Lefkowitz, Business Clerk
Aimee Piedmonte, Administrative Assistant to the Superintendent and District Clerk

February 24, 2016

Office of the State Comptroller
Division of Local Government & School Accountability
PSU - CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

Dear Sir or Madam,

Thank you for your visit to our school and for the valuable feedback you provided on our school cafeteria program. We are very proud of the nutritional, flavorful meals we can provide students while incorporating unusual healthful ingredients that boost nutritional value without sacrificing flavor.

Upon your recommendation, our newly hired School Food Service Manager has already begun the process of looking at food costs and the analysis of our per meal costs to make sure we are raising enough revenue to cover expenditures. We have also engaged in valuable conversations on ways of improving efficiencies.

Please know that this response serves as a corrective action plan for our district. Thank you again for your time and feedback on the Gilbertsville-Mt. Upton Central School District school meal operations. Please let me know if you have further questions.

Sincerely,

Annette D. Hammond, Superintendent

It's the quality of the journey that counts!

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to gain an understanding of the cafeteria operations and determine if there were any recent ideas the District had implemented to reduce costs and waste or enhance revenues.
- We analyzed the trends in the school lunch fund's fund balance, sales and expenditures from 2011-12 through 2014-15.
- We analyzed the trends in the District's average daily participation, student population and number of cafeteria employees from 2012-13 through 2014-15.
- We reviewed the personnel and employee benefit expenditures to determine if all expenditures related to cafeteria operations were properly recorded in the school lunch fund for 2012-13 through 2014-15.
- We reviewed the District's calculation of refuse costs and determined the amount the recycling program implemented by the District had reduced costs for the District from 2012-13 through 2014-15. We also reviewed the accounting records for this same period to determine the amount of revenues the District received from the third-party vendor as part of the recycling program.
- We calculated the meals per labor hour from 2012-13 through 2014-15 by dividing the daily meal equivalent by the average daily hours worked by cafeteria employees, obtained from the payroll journals. We excluded the hours worked by the Food Service Director during time periods when school was not in session.
- We performed a cost per meal analysis for the 2014-15 fiscal year to determine if the District was charging an amount that would allow the school lunch fund to be self-sustaining or how much it was losing per meal.

We conducted this performance audit in accordance with GAGAS. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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