

2019

Internal Audit of the Child Nutrition Function

*for the Fort Bend Independent
School District*

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Chapter 1 – Executive Summary

Gibson Consulting Group, Inc. (Gibson) was engaged to conduct an internal audit of the Child Nutrition function of the Fort Bend Independent School District (Fort Bend ISD/the District). Research shows that healthy eating is linked with academic achievement; as such the school nutrition function is an important element of a child’s education. In *Health and Academic Achievement*, the National Center for Chronic Disease Prevention and Health Promotion summarized the evidence child nutrition has on student achievement:

- Student participation in the United States Department of Agriculture (USDA) School Breakfast Program (SBP) is associated with increased academic grades and standardized test scores, reduced absenteeism, and improved cognitive performance (e.g., memory).
- Skipping breakfast is associated with decreased cognitive performance (e.g., alertness, attention, memory, processing of complex visual display, problem solving) among students.
- Lack of adequate consumption of specific foods, such as fruits, vegetables, or dairy products, is associated with lower grades among students.
- Deficits of specific nutrients (i.e., vitamins A, B6, B12, C, folate, iron, zinc, and calcium) are associated with lower grades and higher rates of absenteeism and tardiness among students.
- Hunger due to insufficient food intake is associated with lower grades, higher rates of absenteeism, repeating a grade, and an inability to focus among students.¹

School Nutrition functions are managed differently from most other district functions in that they operate as a self-sustaining business, and are expected to operate a successful program without relying on the District’s General Fund resources.

Audit Objectives and Approach

The scope of this internal audit of the District’s Child Nutrition Program sought to answer the following questions:

- Is the child nutrition operation financially self-supporting? Are general fund indirect costs allocated to food service operations?
- Is the District’s child nutrition program in compliance with all applicable federal, state, and local policies and regulations?
- Does the District contract any portion of its food service operations? If so, does it provide effective management and oversight of contracted operations?

¹ https://www.cdc.gov/healthyyouth/health_and_academics/pdf/health-academic-achievement.pdf

- Does the Child Nutrition program operate efficiently? Are staffing levels consistent with industry standards?
- Is there a central kitchen and/or warehouse? Are school cafeterias organized and equipped to support efficient meal preparation and delivery?
- Does the District purchase high-quality food and supplies at the lowest possible cost?
- What are student meal participation rates and how does this vary across schools? What programs are in place to maximize student participation rates for breakfast and lunch programs?
- Does the District track and analyze standard performance metrics, such as meals per labor hour, cost per meal, reimbursement per meal, and others?
- What written procedures and controls exist for counting and depositing cash?
- Does the District maximize the use of technology to support efficient operations?

The audit approach involved five major tasks: project initiation; initial data collection and analysis; district and campus site visits and observations; development of findings and recommendations; and, the development of this final report. Data requested and analyzed included Board policies, organizational charts, job descriptions, historical expenditure and staffing data, operating statistics and procedures, information system descriptions, and meal reimbursement reports. Gibson conducted interviews with district and program leadership, central office and campus-based Child Nutrition Department (CND/the Department) staff, and conducted focus group sessions with principals and campus-based CND staff. The audit team conducted walkthroughs of 18 different kitchens, and the Department's main office. While conducting onsite visits the team observed over 3,000 lunches and almost 1,000 breakfasts. A complete site visit roster is included in *Appendix A – Audit Site Visit Roster*.

Throughout the audit, the team analyzed more than 200 different department reports and program files. *As a point of reference, the audit team refers to the CND when referencing Fort Bend's Child Nutrition Department specifically, while at other times the program in a broad sense is referred to as the School Nutrition Program (SNP).*

In addition to interviews and focus group sessions, the audit team conducted audit tests to evaluate key CND processes. Table 1 provides a brief summary of the tests that were performed for this audit.

Table 1. Food Services Audit Testing Summary

Test Number	Sample Size	Test Overview
Test 1. Food Production Record Completion and Accuracy	23	Audit of breakfast and lunch food service Food Production Records to ensure they are complete, accurate, account for all foods prepared, all foods served, all foods leftover or wasted, and substantiate meals claimed for the day's service.
Test 2. Edit Check Accuracy	23	Audit of select breakfast and lunch Edit Check records to ensure system data matches supporting documentation.
Test 3. Employee Site Assignment	16	Audit of visit sites' employee roster versus day of audit active employees on-site.

Information from all sources was analyzed and triangulated to develop audit findings, commendations, and recommendations, resulting in this final report.

Peer Districts

As part of the operational analysis, Fort Bend ISD's results were compared to peer districts. Peer districts were selected based on three criteria: student enrollment, proximity to urban areas, and Community Eligibility Provision (CEP) sites. Each of the school districts selected for comparison are located in suburban communities, and ranged in student enrollment from 32,258 to 116,529 students during 2018-19. At the time of this audit, Fort Bend ISD had 75,715 students enrolled.²

The CEP program offers no-cost meals to all students at a school regardless of individual status. These schools have high percentages of economically disadvantaged students. Fort Bend ISD currently has 30 CEP-qualified schools, although none are yet participating in the CEP program. Of the 11 peer districts, all have CEP-qualified sites, and 6 currently participate in the CEP program to some degree. The peer districts, their total number of schools (sites), and the number of those sites identified as CEP-qualified and participating are list in Table 2.

Table 2. Fort Bend ISD and Peer Districts Enrollment vs. CEP Site Participation by Sites Qualified

District Name	Enrollment	Total Sites	Sites CEP- Qualified	Sites Participating	Percent of Total Sites Participating
Cypress-Fairbanks ISD	116,529	88	44	7	8.0
Northside ISD-San Antonio	106,248	117	46	49*	41.9
Katy ISD	77,780	66	15	0	0
Fort Bend ISD	75,715	77	30	0	0
North East ISD	64,928	71	33	24	33.8

² TDA "Community Eligibility Provision (CEP) List," 2018-19

District Name	Enrollment	Total Sites	Sites CEP- Qualified	Sites Participating	Percent of Total Sites Participating
Conroe ISD	61,551	61	22	0	0
Pasadena ISD	54,395	69	69	0	0
Klein ISD	53,098	49	14	9	18.4
Alief ISD	45,848	43	42	0	0
Humble ISD	42,477	45	12	0	0
Richardson ISD	39,097	54	26	5	9.3
Lamar CISD	32,258	41	15	16*	39.0

Source: TDA "Community Eligibility Provision (CEP) List," 2018-19

Note: *Have more sites participating in CEP than qualified

Audit Summary

While the Department has struggled in many respects over the past several years, the overall stakeholder perception of the program is currently positive, and staff both outside and within the CND have observed growth and improvement in the program within the last school year. With experience in hundreds of similar districts across the nation, the audit team recognized practices employed by the Fort Bend CND that are common among established businesses in other industries, but are less common in child nutrition for various reasons. Thus, the following Departmental practices are to be commended. The Fort Bend ISD CND:

- Implemented a detailed tracking list of equipment and facilities issues, including an asset tracking process and replacement plan.
- Enhanced human resource management at the school level with improved job descriptions, improved management practices, and use of substitute employees. These activities helped improve overall staff productivity as measured by Meals per Labor Hour (MPLH) from 2015-16 to 2017-18.
- Developed monthly reports for MPLH and meal participation, giving the District the ability to better manage the operations and staffing.
- Enhanced and formalized communications within the District's administrative team and with CND staff and stakeholders outside the central office.

These commendations and improvements notwithstanding, the Fort Bend ISD CND needs to address ongoing concerns related to overall performance management, financial management, staffing efficiency, data integrity and information systems:

- The CND does not track a sufficient number of Key Performance Indicators (KPI) to effectively manage the operation and evaluate CND district and campus level leadership.

- The CND has experienced net operating losses in each of the past five years, and lacks basic financial information, such as school-level profit and loss statements, to support decision-making. While CND net operating losses have been reduced, and fund balances remain healthy, staffing inefficiencies, the lack of menu costing, and other factors are inhibiting an efficient operation.
- The District is not currently participating in the CEP, even though it has 30 schools that are eligible. Participation in the CEP could increase student meal participation and federal reimbursements to the program.
- Because of outdated CND information systems, the lack of integration among other Fort Bend ISD systems, and the lack of adequate controls to validate data, Fort Bend ISD cannot currently track or rely on the data it needs to effectively manage the program. Fortunately, the district just selected a new CND information system, but this alone will not address all the information management issues identified through this audit.
- CND job descriptions, performance appraisals, training programs and tracking, and communications need to be improved to help achieve and sustain higher performance levels.

This audit report contains 27 recommendations to improve the efficiency, effectiveness, and compliance of the District's CND, as shown in Table 3. The audit team assigned a priority level to each recommendation based on perceived risk and/or impact to the organization. Recommendations are not listed in order of priority but rather the order in which they appear in the report. Once the recommendations are fully implemented, the District's General Fund could receive an annually recurring financial benefit through indirect cost recovery of nearly \$1.41 million, an increase of approximately \$860,000 a year over the current allocation.

Table 3. Summary of Recommendations

No.	Priority	Recommendation
Organization and Management		
1	Medium	Establish performance measures and targets for the CND, including customer satisfaction.
2	Medium	Conduct annual customer surveys.
3	Medium	Develop job-specific performance appraisals that align with job duties for each CND position type.
4	Medium	Modify the school-level appraisal instrument to include a high-performance rating.
5	Low	Modify the CND organizational chart to align with actual job description titles.
6	Medium	Standardize internal communications protocols for the CND.
7	Medium	Fill the Marketing Specialist position to promote CND program offerings.
Financial Management		
8	Medium	Track and analyze financial information by school.
9	Medium	Perform outsourcing feasibility studies and cost-benefit analyses periodically.
10	Medium	Allocate General Fund indirect costs based on the District's unrestricted rate.
11	High	Develop a process to maintain accurate personnel assignments in <i>PeopleSoft</i> .

No.	Priority	Recommendation
12	High	Implement CEP in qualifying schools.
13	Medium	Develop a program to increase meal participation in low performing schools.
14	Medium	Modify cash-handling procedure to ensure cash is never left unsecured.
Operations and Staffing		
15	Medium	Increase campus staff productivity (meals per labor hour) to industry standards.
16	High	Develop custom reporting to track employees by site worked.
17	Medium	Implement a CND administrative staff training program.
18	Medium	Implement a more efficient method of tracking training hours.
19	Medium	Develop a structured leadership development program to identify, grow, and retain effective future-leaders of the Department.
20	High	Enhance recipes to include a food cost methodology.
21	Low	Update Standard Operating Procedures (SOP) and the Hazard Analysis and Critical Control Points (HACCP) manuals.
22	High	Automate food production records so they can be used as an efficiently as a meal planning and preparation tool.
23	Medium	Implement formal food quality and compliance monitoring procedures.
24	Medium	Implement a "Buy American" process and tracking for the District and CND sites.
25	Low	Reallocate kitchen equipment based on school needs.
26	Medium	Implement a preventative maintenance monitoring plan and procedures.
27	Medium	Provide supplemental equipment training for the kitchen staff.

The remainder of this report discusses audit findings and recommendations in greater depth and is organized into the following chapters:

- Chapter 2 – Organization and Management
- Chapter 3 – Financial Management
- Chapter 4 – Operations and Staffing

Chapter 2 – Organization and Management

Policy Framework

The Fort Bend ISD School Nutrition Program (SNP) is guided by several Board policies, as well as locally developed departmental procedures. The District must also meet all federal and state guidelines in activities pertaining to any foods served on campus during the school day not associated directly with the CND.

For Fort Bend ISD, the efficient and effective operation of the SNP involves hundreds of staff members. Department leadership must ensure adherence to Board policy as well as to federal and state regulations and guidelines. From hiring standards required of the CND Director, to the number and types of fundraisers that can be offered, Board policy clarifies federal and state guidelines specific to Fort Bend ISD, thus guiding decision-making and operations. Like most districts in Texas, Fort Bend ISD uses the Policy Service offered by the Texas Association of School Boards (TASB). This paid service provides members pre-developed legally required board policies, and suggestions on local policy and administrative regulations, including regular updates to all documentation. Table 4 provides a summary of the policy framework governing the SNP at Fort Bend ISD.

Table 4. Summary of Policy Framework

Name	Title	Summary
CH (LEGAL)	Purchasing and Acquisition	Defines purchase and acquisition requirements, limits, and procedures as required by Federal and state guidelines
CH (LOCAL)	Purchasing and Acquisition	Outlines the purchase and acquisition guidelines at the local level and designates authority for such.
CO (LEGAL)	Food Services Management	Defines essential food service functional guidelines and policies including Director hiring standards, definition of allowable service times and locations, fundraiser exemptions, student purchase guidelines and meal balances, and donation of food.
CO (LOCAL)	Food Services Management	Outlines Superintendent’s authorization to develop regulations for the donation of food from campus sources. This local policy also establishes the meal charge policy for students without funds to purchase meals, following state and Federal guidelines.
COA (LEGAL)	Food Services Management – Food Purchasing	Articulates local Buy American policy following United States Department of Agriculture (USDA) guidance on Buy American provisions, and prohibits Board purchase of non-domestic agricultural foods.
COB (LEGAL)	Food Services Mgt. Free and Reduced-Price Food Program	Articulates the Federal requirement, based on enrollment percent of Free and Reduced-Price students, to participate in the School Breakfast Program (SBP) and the National School Lunch Program (NSLP), and in which methods this can be accomplished.

Name	Title	Summary
DN (LOCAL)	Performance Appraisal	Outlines requirements for periodic assessment of all District employees in the performance of their duties.
FFAF (LOCAL)	Wellness and Health Services – Care Plans	Sets forth local guidelines for the District to develop and implement a student food allergy management plan, including details for said plan.
FFA (LEGAL)	Student Welfare – Wellness and Health Services	Articulates the Federal requirement to establish a local school wellness policy for all schools participating in the NSLP and SBP programs within the jurisdiction of the District.
FFA (LOCAL)	Student Welfare – Wellness and Health Services	Articulates the Federal nutritional guidelines the District will follow in order to advance student health and reduce childhood obesity, in addition to the District promoting the general wellness of all students through nutrition education, physical activity, and other school-based activities.
FJ (LEGAL)	Student Fundraising	Sets forth local guidelines for the number of allowable school-based fundraisers on each school campus, the exceptions to the allowance, and the requirement that no foods or beverages sold may compete with the SNP.
FJ (LOCAL)	Student Fundraising	Sets forth local guidelines for fundraising, but specific to student involvement, and requirements for that involvement. This policy also describes any prohibitions on student-related fundraising locations, and types of foods and beverages allowed.
FL (LEGAL)	Student Records	This policy is tangentially related to CND activities as it articulates requirements regarding student records, which include student allergy details, and the protections and expectations of privacy, security of, and access to, said records.
GNB (LEGAL)	Relations with Educational Entities – Regional Education Service Centers	This policy is also tangentially related to CND activities as it articulates the relationship between the Educational Entities, i.e. Regional Education Service Centers, from which CND obtains some services, i.e. program support and training, as well as procurement-specific services.

Source: Fort Bend ISD Board Policy Manual (<https://pol.tasb.org/Home/Index/483>).

Texas Department of Agriculture and United States Department of Agriculture

SNP guidelines legislated by Congress are nationally overseen by United States Department of Agriculture (USDA), while being locally overseen by the Texas Department of Agriculture (TDA).

At the state level, TDA's Food and Nutrition Division enters into a federal-state agreement with the USDA's Food and Nutrition Service for the administration of the nutrition and food distribution programs, which include the following key programs in which the CND participates:

- **National School Lunch Program (NSLP)** – Established under the National School Lunch Act, signed by President Harry Truman in 1946, the National School Lunch Program is a federally assisted meal program operating in public and nonprofit private schools and residential child care institutions. The program provides nutritionally balanced, low-cost or free lunches to children each school day.
- **School Breakfast Program (SBP)** – Similar to the NSLP, the School Breakfast Program is a federally assisted meal program operating in the same types of facilities as NSLP. It began as a pilot project in 1966 and was made permanent in 1975.
- **Summer Feeding Program (SFSP)** – The Summer Food Service Program ensures that low-income children continue to receive nutritious meals when school is not in session.
- **USDA Foods in Schools (Commodity Foods)** – The USDA Foods in Schools program supports domestic nutrition programs and American agricultural producers through purchases of 100 percent American-grown and produced foods for use by schools and institutions participating in the nutrition programs listed above.
- **Community Eligibility Provision (CEP)** – The Community Eligibility Provision is a relatively new non-pricing meal service option for schools and school districts in low-income areas. CEP allows the nation's highest poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students, without collecting household applications.

As part of extensive program regulations, each student meal served as part of the reimbursable meal program, be it a breakfast, lunch, snack, or summer meal, must meet strict federal guidelines that specify nutritional requirements by grade ranges. Federal law requires that Fort Bend's CND receives an Administrative Review (AR) to ensure program compliance with these guidelines every three years. The CND's most recent AR was conducted by TDA in February 2019. The findings from that review are summarized in Table 5.

Table 5. Administrative Review Results Comparison, 2015-16 vs. 2018-19

Critical Area Findings	
<p>Meal Components and Quantities, 5 Findings in 2015-16¹</p> <p>Findings Issued Dec-'15 Resolved Jan-'16</p>	<ul style="list-style-type: none"> ▪ Required meal components were not available on every reimbursable meal service line to all participating students prior to the beginning of meal service. Cereal that was offered did not meet the meal pattern requirement for whole grain-rich grain. ▪ Observed meals on the day of review and counted for reimbursement did not contain all of the required meal components. One breakfast did not contain the daily requirement of ½ cup of fruit or vegetable. ▪ Minimum daily quantity requirements were not met for the age/grade group served. Food production records for the review period did not indicate enough legume vegetable subgroup was met. ▪ Documentation for meals served during the review period did not indicate all of the required meal components per weekly meal pattern requirements were offered and served to students. The legume, starchy, and dark green vegetable subgroups were not offered to the In-school suspension students. ▪ Planned menu quantities do not meet meal pattern requirements for the review period. Required quantities of the weekly vegetable subgroup was not met for the In-school suspension students.
<p>Meal Components and Quantities, 1 Finding in 2018-19²</p> <p>Finding Issued Feb-'19 Resolved Apr-'19</p>	<ul style="list-style-type: none"> ▪ Minimum daily quantity requirements were not met for the age/grade group served. Food production records for the review period did not indicate enough red-orange vegetable subgroup was met.

Sources: ¹TDA Notice of Administrative Review Findings, 2015; ²TDA Notice of Administrative Review Findings, 2019.

Per regulatory requirements, the CND was provided a timeframe within which to respond to each AR finding. According to CND staff and documentation provided to the audit team, the District's Corrective Action Document responses sufficiently met the requirements of the 2015-16 AR.

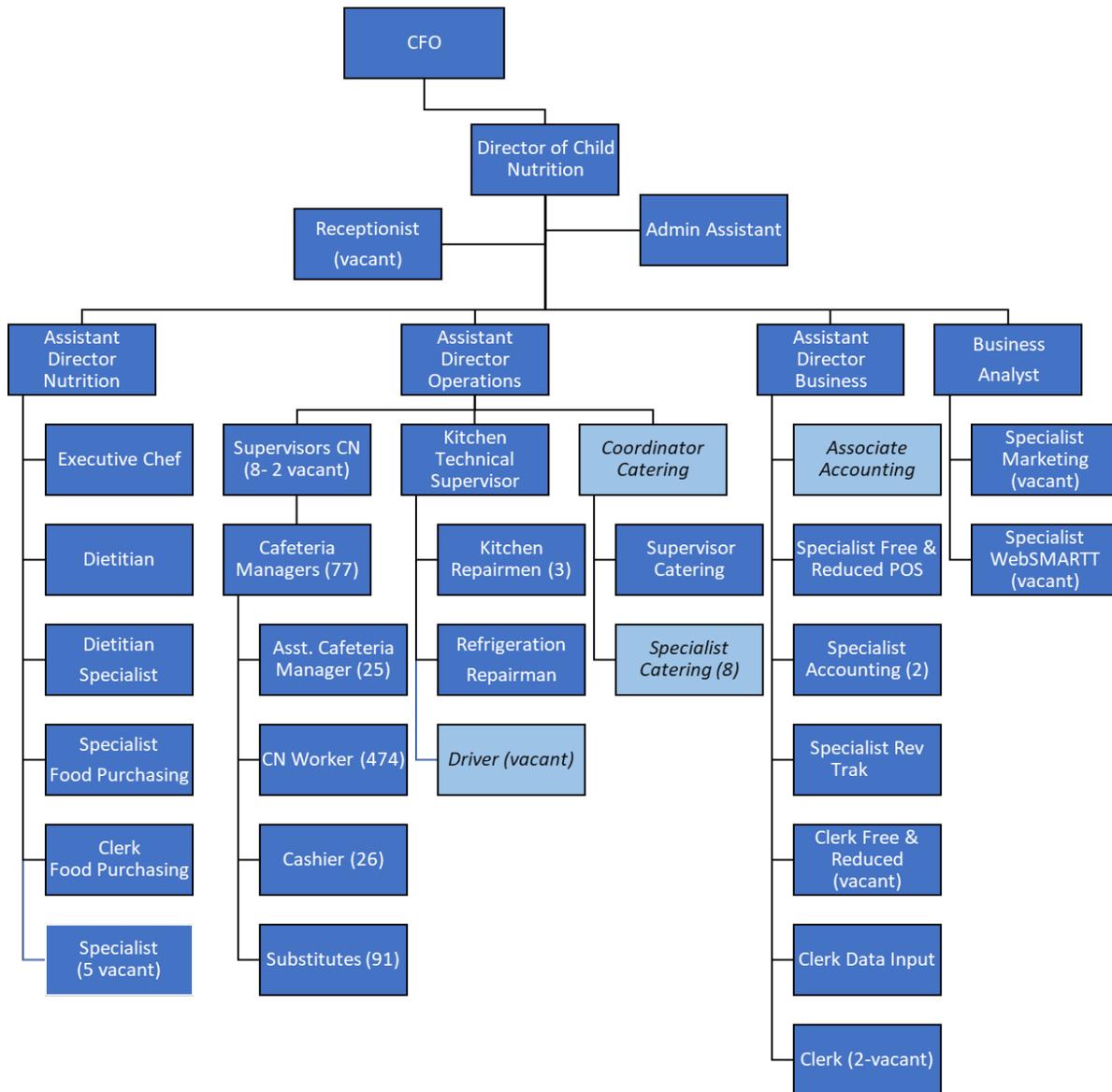
Department Organization

Organizational Structure

At the time of this audit, there were 46 administrative positions within CND that involved the management of food service from the district to the school level, as well as positions supporting school-based kitchens. At the site level, there were 77 cafeteria managers, 25 assistant cafeteria managers, approximately 474 child nutrition workers, 26 cashiers, and 91 substitute employees. Together, district and site-level staff totaled approximately 739 employees. Of the 46 support roles defined at the district

level, 11 were vacant at the time of this audit. Figure 1 illustrates the CND organizational structure³ beginning with the Chief Financial Officer flowing to the school-level managers, including ancillary roles.

Figure 1. Child Nutrition Department Organizational Structure



Source: Gibson Consulting Group, Inc., November 2018. Developed from Fort Bend ISD CND organizational chart and supplemental position information obtained through other sources during data collection

³ Organizational structure developed based on information provided to the audit team at the time of audit data collection (November 2018)

The following information details the primary responsibilities within the Department according to the job descriptions provided and the interviews conducted by the audit team.

- **Director of Child Nutrition** – The Director directs, coaches, plans, and is responsible for all food service activities within the school district by performing assigned duties personally as well as through a team of nutrition employees in the CND, and at 76 school food service sites. The Director ensures proper procurement of food, supplies, and equipment, safe and efficient food preparation, sanitation, training and staffing, and coordinates with construction and design department in planning or renovation of kitchens as well as the maintenance department regarding repair, maintenance, or replacement of kitchen equipment.
- **Assistant Director(s)** – The Assistant Directors assist the Director in managing and directing all CND activities within the District by performing assigned duties personally as well as through the management of others. Fort Bend ISD has three Assistant Director positions that have specific areas of focus: Nutrition, Operations, and Business.
- **Dietitian** – The Dietitian ensures compliance with all nutrition-related guidelines such as maintenance of menus, production records and recipes. Another primary goal is to coordinate nutrition education and wellness efforts.
- **Catering Coordinator** – The Catering Coordinator is the first point of contact for all catering and concessions and directs, coordinates, and supervises the daily activities of the kitchens and concessions. This position was not included in the District’s organizational chart but was included in job descriptions and staffing data provided by the District.
- **Supervisor, Child Nutrition** – The Child Nutrition Supervisors are responsible for supervising, monitoring, and training managers and employees at the school level in effective and efficient cafeteria operations including food production, time management, and employee management. These positions assist the CND in planning and implementing all programs for managers and employees and monitoring compliance within the operation of each kitchen.
- **Supervisor, Technical Kitchen (Equipment)** – The Technical Kitchen Supervisor specifically ensures all kitchen equipment is maintained in a safe and operating condition and manages all repairs with minimum disruption to the food preparation functions. This Supervisor position coordinates all work orders, repairs, purchases, and safety and health inspections to ensure the kitchen facility operates in a safe, efficient, effective and organized manner during work hours and coordinates preventative maintenance during kitchen non-work hours.
- **Supervisor, Catering** – The Catering Supervisor is responsible for all aspects of the food service operation in the assigned catering kitchen including directing, coordinating and supervising the daily activities of the kitchen.

- **Associate, Accounting, Child Nutrition** – The Accounting Associate (for Child Nutrition) is responsible for analyzing financial information and preparing accurate and timely financial reports. This position was not included in the District’s organizational chart but was included in job descriptions provided by the District.
- **Specialist, Child Nutrition** – The Child Nutrition Specialists serves as a liaison between Business/Finance, Technology, and the CND. The Specialists are responsible for performing business and accounting functions including creating requisitions, vouchers, purchase orders and payments. There are seven different subspecialties in the Fort Bend ISD CND including accounting, food purchasing, free and reduced Point of Service (POS), *RevTrak* (K12 payments processing), *WebSMARTT* (fully integrated school cafeteria software system), dietetics (the science of food and nutrition), and marketing.
- **Clerk III** – The Clerk performs advanced clerical tasks that support the operations and functions of the assigned CND tasks, such as purchasing functions, student/financial management system administration, payroll processing, and other advanced-level clerical duties.
- **Clerk III, Data** – The Clerk Data Input provides advanced level clerical support tasks involving specialized skills and highly confidential materials.
- **Cafeteria Managers** – The Cafeteria Manager is responsible for all aspects of the campus food service operation at an assigned school including training, ordering, inventory, recording maintenance, food preparation and reporting, safe operation of equipment and overall efficiency of the operation.
- **Assistant Cafeteria Manager** –The Assistant Cafeteria Manager assists and works cooperatively with the Cafeteria Manager to ensure the food production and service is in accordance with established standards, rules, and regulations.
- **Driver, Child Nutrition** – The Driver is responsible for the safe and efficient operation of a light truck and/or van, and for the delivery of food, materials and supplies and equipment to various locations throughout the District. This position was not included in the District’s organization chart but was included in job descriptions provided by the District.
- **Cashier, Cafeteria** – The Cashier is responsible for recording and handling all money taken into the cafeteria in the assigned schools and must effectively understand and operate the CND software.
- **Specialist, Cafeteria** – The Cafeteria Specialist is responsible for food preparation, sanitation and safety practices and to meet the menu requirements while promoting an atmosphere of efficiency, cleanliness and friendliness.
- **Specialist, Catering** – The Catering Specialists are responsible for preparing food and following all sanitation and food safety practices for catering operations. This position was not included in the

District's organizational chart but was included in job descriptions and staffing provided by the District.

- **Executive Chef** – The Executive Chef position is listed on the District's organizational chart, and is also included in the District's 2016-17 staffing data. However, a job description for this position was not provided.

Organizational Analysis

There are two primary elements of organizational analysis: logical alignment of functions and span of control. Similar functions should be logically aligned to support accountability over those functions. In the case of Fort Bend ISD, the audit team found that the organization is logically aligned by major CND functions and is sized appropriately, with an appropriate number of administrative and leadership positions to support site-based staff.

Span of control refers to the number of direct reports under a supervisory position. Several factors can influence span of control, including the difference and complexity of the position demands. For example, a leadership position may be expected to oversee five to eight major functions that are different, but another leadership position could supervise 50 or more direct reports if they are all similar positions, such as bus drivers.

The audit found no instances of unreasonable spans of control at the central office or school level within the CND. At the central office, most supervisory positions have 6 to 9 direct reports. Only the business analyst position has two direct reports, and both of these positions are currently vacant.

Administrative Technology

The CND uses several technology tools to support the program's administration. These are discussed below.

School Nutrition Software

The CND currently uses *WebSMARTT* software from Heartland School Solutions. *WebSMARTT* currently supports both 'front-end' (kitchen/service line-level activities) and 'back-end' operations (management-level and reporting). From a 'front-end' perspective, *WebSMARTT* is a Point of Service (POS) System, allowing the capture and consolidation of meal counts at each school, for each meal period served. From the 'back-end' perspective, the CND uses *WebSMARTT* for menu planning, production management, and inventory management. The software enables the planning of nutritionally compliant meals for each grade group served, as per the requirements of the Federal meal program. The software also ensures meals meet the prescribed dietary limits on calories, sodium, and saturated fat.

A Request for Proposals (RFP) for a new *Child Nutrition Software System* was issued in November 2018. The RFP required the following scope of services:

- Implement a cafeteria POS system with online payments
- Implement free and reduced application software system
- Automate and streamline financial accountability processes
- Implement menu planning and production records
- Implement integrated grocery ordering and inventory systems
- Implement digital menu screen and marketing software
- Implement a single parent app for accessing student accounts, making payments, viewing menus and nutritionals, and applying for meal benefits
- Implement digital professional standards tracking software
- Support current and future Fort Bend ISD child nutrition accountability and reporting requirements
- Improve efficiency of meal service and worker productivity
- Provide users with the ability to access appropriate accountability, claim and financial documentation at the site and district level

On May 13, 2019, the Fort Bend ISD Board of Trustees approved the purchase of *Child Nutrition Software*, marketed as *Primero Edge*, from Cybersoft Technologies, Inc. A not-to-exceed amount of \$650,000, over a four-year period, was approved by the Board⁴. According to the Board documents, the CND will use nine modules within the software platform. Figure 2 includes the modules to be implemented and the functionality of each.

⁴ <https://purchasing.fortbendisd.com/Doc.ashx?b=663&d=303>

Figure 2. Child Nutrition Software Modules and Functionality

Module	Functionality
Point of Sale	Ability to ring up student meals and food items on touchscreens in all cafeterias District-wide. Ability to serve all students at any location, and offer quicker service times.
Free and Reduced	Flexibility to back date student meal effective dates to when the student originally applied instead of waiting until a meal application is processed.
Menu Planning	Allows for electronic analysis of all menus to ensure compliance with Federal, State and Local guidelines.
Production	Completion of production records electronically instead of on paper.
Inventory	Tracking of inventory on a real time, perpetual basis using first in, first out (FIFO) inventory methods, instead of using a dated monthly physical inventory.
Ordering	Allows for automated food ordering based on inventory and food usage.
Financials	Provides in-depth analytical participation and managerial accounting reports including meals per labor hour and profit/loss by campus.
Bidding	Enables staff to create electronic bid specification reports from existing products within the database.
Parent Portal	Parents may view menus, make online payments, apply for Free/Reduced, view meal history and set account restrictions in one convenient location.

Source: <https://v3.boardbook.org/Public/PublicItemDownload.aspx?ik=44376570>

If properly implemented, the audit team is confident a number of improvements discussed throughout the report will be addressed through the new software system.

Student Information System

Fort Bend ISD Information Technology staff maintain oversight and management of district student data including student information housed within CND systems. The District uses *Skyward* as its Student Information System. *Skyward* interfaces with the CND's point of sale system, *WebSMARTT*, providing student data including grade level, classroom assignment, and meal status. Processes driven by *Skyward* include student enrollment and student meal benefits determinations. In July of each year, the District updates its Free and Reduced-Price Meal Application form, both in print and online. The form is distributed as a paper copy to all schools. The electronic copy is made available online through the District website, as well as during campus enrollment on extra computers setup for that specific purpose. Extra computers are also made available in the CND office to ensure any parents who need access to the forms can obtain it.

Periodically, Information Technology uploads data to *WebSMARTT* from *Skyward*, making student enrollment and meal benefit data available at the POS. Network uptime was described by school staff as very high, with the system rarely inaccessible.

Finance and Human Resources System

Fort Bend ISD uses *PeopleSoft* software for its financial and human resources information systems. All CND staffing and expenditure data are recorded in this system. This system generates separate financial statements for the CND since it operates under a separate fund. *PeopleSoft* does not directly receive data from *WebSMARTT*. Instead, bank deposit information is downloaded into *PeopleSoft* from a third-party bank portal. After reconciling deposit amounts to deposit information contained in *WebSMARTT*, sales and meals revenue is recorded in *PeopleSoft*.

Timekeeping

The Child Nutrition Department uses the *Kronos* time-keeping system for automated time and attendance management for employees. Each school has a *Kronos* time clock where employees punch in/out daily to record their time. Employees are required to enter their 6-digit employee identification number and a finger biometric scan each time. Leave time is also entered in *Kronos* when an employee is absent and all time cards are reviewed, approved, and submitted to payroll on a weekly basis.

Communications

The District uses K12 Let's Talk to communicate with students and parents on topics such as safety, customer service, school boundaries, transportation, and overall employee and customer engagement. The Chief Financial Officer contacts the CND Director when issues are related to food service or the cafeteria.

The CND uses Smart Meals, (accessed through SmartMeals@fortbendisd.com) a Child Nutrition email address where parents and stakeholders can send program feedback directly to the Department. This department-specific email inbox is monitored by multiple staff members. Working together, messages are routed to the appropriate responder to ensure questions and concerns are answered correctly, quickly, and efficiently.

This past school year the CND worked with Heartland School Solutions to provide an online menu system through *MealViewer* to allow students and parents access to menus, nutrition and allergy information, as well as important CND announcements from the web or the free mobile app. Parents can set up user accounts to view information on their mobile devices or on the web and can rate menu items and leave feedback for the CND.

Online Parent Accounts

The District uses an online payment system through *RevTrak* to enable easy, convenient access to student meal accounts. *RevTrak* is also used for other district-specific payments. Once an electronic deposit is

triggered, it takes approximately one to two days to appear on the student’s account. The system gives users:

- 24/7 access to the account
- Payment and low balance reminders
- Payment options for other school district fees
- Account screens for viewing of transaction history, including all payments and purchases

Free and Reduced-Price Meals Application

The CND provides an online application for parents to apply for free and reduced-price meals in English or Spanish at HeartlandApps.com. The process is simple, efficient, and ensures the information is secure using data encryption. This allows applications to be processed much faster at the CND office, and allows students timely access to free and reduced meals. For households with language needs beyond English or Spanish, a link from the HeartlandApps site takes users to the USDA applications resource where the “Free and Reduced-Price School Meals Family Application” is available in 33 other languages.⁵

The CND added Nutri-Status⁶ prior to the 2016-17 school year to allow parents access to check their student’s eligibility status and print status letters.

Performance Management and Accountability

CND management and supervisory employees are to receive appraisals which are more complex and broadly related to the Department as a whole, including goal setting and alignment with the school district goals. The appraisal encourages goal setting using the well-known methodology of SMART goals (*Specific, Measurable, Achievable, Relevant, and Time-bound*), a common performance management approach used in myriad businesses worldwide.

The appraisal instrument for district staff is a four-page evaluation completed by the supervisor and is designed to address the performance of each employee in their individual role as well as annual goal setting. These appraisal instruments are divided into performance categories and competencies, each of which receives a subjective status of “*Meets, Exceeds, or Below.*” There is an evaluation of the employee’s performance, professional characteristics and alignment with Fort Bend ISD core competencies including *Communicator, Competent, Inspire Others, Honest, Problem Solver, Collaborator, and Innovator.* Additionally, there is an evaluation of beginning of year goals, a mid-year progress check, and future contract year goal setting including written statements of two to three job aligned goals, evidence and alignment with district goals. Although some goals were not met, all 20 district level employees reviewed either “*Met*” or “*Exceeded*” the appraisal components.

⁵ <https://www.heartlandapps.com/files/info/en/Info-OtherLanguages.htm> and <http://www.fns.usda.gov/school-meals/translated-applications>

⁶ Online at Schoollunchstatus.com

For school level positions, general skills and special skills are evaluated by applying the following rating scale:

- *P- Proficient*: Performance meets expectations;
- *I- Needs Improvement*: Performance does not meet expectations; and
- *N/A – Not Applicable*: Performance is not expected

Each employee also receives an overall performance rating. Supervisors completing the appraisal also have space to evaluate performance goals and add general comments, but the overall scoring process is primarily subjective, being based on the supervisor’s opinion of each employee’s performance relative to the performance categories. There are 12 general skills and four specialized skills evaluated. All of the skills on the performance appraisal were the same regardless of position.

Findings and Recommendations

Finding 1: The CND does not sufficiently track or use performance data for decision making.

The CND generates monthly reports detailing participation by site, meal claims by site, and meals per labor hour by site within individual excel files containing multiple sheets; however, these data are not presented in a manner conducive to meaningful analysis. These data are compartmentalized and must be manually analyzed by each person that uses it, reducing the operational value of the data. Although the POS system, *WebSMARTT*, helps generate basic reimbursable meals served reports, other program features such as perpetual inventory and profit and loss statements are not used because the modules needed to capture the data have not been set up by the CND, rendering additional reporting unavailable. Furthermore, *WebSMARTT* does not offer department-level performance reporting capability, such as current performance vs. past performance, current status of risks and issues, variance analysis, forecasting, or trending.

Many financially self-supporting enterprises use department-level performance reports to monitor and measure effectiveness and efficiency against measurable objectives like key performance indicators. Within the CND, there are no department-level measures or targets tracking overall effectiveness, efficiency, or compliance. Further, the CND does not capture customer feedback using surveys, focus groups, or other methods. The lack of a performance measurement system limits the ability of District leaders to effectively oversee the Child Nutrition Department and hold CND leadership accountable for performance.

Recommendation 1: Establish performance measures and targets for the CND, including customer satisfaction.

A five-year history of measures should be developed as a baseline for the CND. These baseline measures can then be used to establish annual targets, and measurable objectives. These measurable targets will also allow the CND to use the SMART goal-setting methodology in performance evaluations.

Some measures, such as meal participation rates, compliance violations, and complaints, should be tracked monthly. Others, such as parent satisfaction and CND cost per meal equivalent, can be tracked annually. Throughout this report, the audit team developed performance measures to conduct its own assessment of effectiveness, efficiency, and compliance. The following are examples of departmental performance measures for the CND to track and monitor:

☐ Effectiveness

- Drill down report of meal participation rates (free, reduced, paid) by school and districtwide for variable periods of time with the ability to show trends and forecasting; number of complaints regarding CND, by school

☐ Efficiency

- CND cost per meal equivalent
- Drill down report of meals per labor hour, by school and districtwide for variable periods of time with the ability to show trends and forecasting
- Food cost as a percentage of total cost
- CND target profit level before capital equipment replacement and indirect cost allocation
- Net surplus or deficit by school

☐ Compliance

- Number of outstanding compliance citations
- Number of recurring compliance citations

Management Response:

Management agrees that measures do need to be tracked, but disagrees with the statement that CND does not track or monitor its performance against measurable objectives. Currently, the Child Nutrition Department does perform certain performance measures such as meal participation rates, meals per labor hour, compliance violations and complaints. During the 2018-2019 school year, principal focus groups were also conducted. However, we do acknowledge that we need to expand upon the performance measures to include food costs, and customer satisfaction surveys. With the new Child Nutrition software being implemented SY 19-20, the department will be able to benchmark the additional Key Performance Indicators (KPIs).

Recommendation 2: Conduct annual customer surveys.

Parents and students should be surveyed annually regarding their satisfaction with food and service quality. Results could point towards specific service improvements or menu changes districtwide or at particular schools.

Examples of customer survey topics, or constructs, include:

- ☐ Effectiveness
 - Food quality, taste, texture and availability
 - Customer service experiences, quality of service received, and the availability and effectiveness of customer-facing tools and technology
- ☐ Efficiency
 - Speed of service and time spent engaged with personnel to review and resolve issues

Management Response:

We agree with this recommendation. The Child Nutrition Department has purchased a Survey Monkey membership in order to conduct these annual customer surveys. With the new Child Nutrition software being implemented SY 19-20, parents and students will have the ability to rate menu items through the online parent portal and mobile app.

Finding 2: The current performance appraisal skills matrix does not align with CND job descriptions and job duties.

The overall performance appraisals are lacking the assessment of specific skills such as:

- The ability to effectively order groceries;
- The ability to efficiently serve food items according to menu specifications;
- The ability to take inventory of all items in the kitchen; and
- The ability to use large and small kitchen equipment including a pressure steamer, oven, dishwasher, etc.

These skills are a small portion of those outlined in job descriptions related to the CND job performance at the school level. The current focus on general skills is expansive; however, the general skills measured are found on all Fort Bend ISD appraisal instruments at this employee level, rather than being food service role-specific. The remainder of the instrument prompts for generalized goal-setting, such as “maintain a safe work environment,” making the overall performance appraisal more subjective and less tied to actual job duties necessary for the operation of the CND. Additionally, this results in performance appraisals that do not directly address specific CND deficiencies and plans for improvement.

Recommendation 3: Develop job-specific performance appraisals that align with job duties for each CND position type.

Fort Bend ISD should to create a custom job-specific performance appraisal instrument for each CND position type (e.g., Dietician, CND Specialist, CND Clerk, Cashier, etc.). The CND could contact peer districts to request samples of their instruments, as there are likely portions of instruments that can be used and modified in areas where job descriptions closely match.

Implementation of this recommendation will require collaboration with the District’s Human Resources Department.

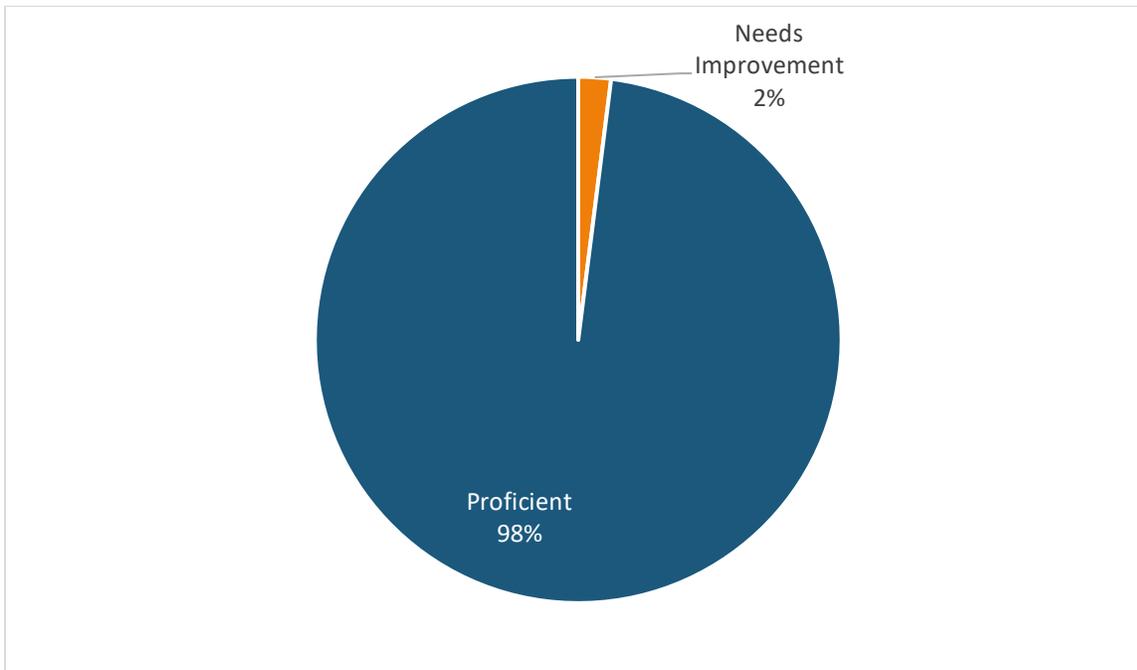
Management Response:

Management agrees with this recommendation to create a custom job-specific performance appraisal for all positions. Implementation plan includes development, revision, and utilization of the revised performance appraisal by SY 21-22.

Finding 3: The school-level appraisal instrument is unable to identify high-performing employees.

Child Nutrition roles at the school level, while being food service focused, are unlike the typical food service role in the restaurant industry. Child Nutrition is heavily regulated by Federal and state agencies, and has myriad industry-specific terms, processes, and systems that can take years for the average employee to master. As such, it is in the best interest of any nutrition department to hire, train, and retain the absolute best talent available. According to Mark Huselid of Rutgers University, organizations that make greater investments in identifying and developing their best talent show stronger financial performance (Huselid, 1995).

The audit team analyzed 58 school-level appraisals as shown in Figure 3, and found that 98 percent of employees’ overall performance received a *Proficient* rating. Of the 12 kitchen technicians analyzed, there were 11 indications for *Needs Improvement*, 5.7 percent of all the categories evaluated, and all 12 employees received an overall performance rating as *Proficient*. The most common skill needing improvement was “Maintains neat and orderly work area.” Of the 46 cafeteria positions analyzed, 7 percent had an indication for *Needs Improvement* and only one employee received an overall performance rating of *Needs Improvement*.

Figure 3. School-Level Appraisal Distribution

Source: Gibson Consulting Group analysis, based on Fort Bend ISD performance evaluations.

While performance ratings for school-level staff as a whole appear in line with other districts' typical ratings, the appraisal instrument itself lacks the means to identify high performers. Unlike the CND office staff appraisal, the highest rating available for a school-level employee is *proficient*. During site-visit interviews, the audit team heard conflicting information regarding how high-performing employees are identified. Given that the appraisal is not structured to highlight high-performing employees and the identification process at the site-level is unclear, the CND is risking the development of potential leaders.

Recommendation 4: Modify the school-level appraisal instrument to include a high-performance rating.

In *Chapter 4 – Operations and Staffing*, the audit team recommends the development of a structured leadership development program. This program will seek to grow and retain effective future-leaders of the Department. For future-leaders to participate in the program they must first be identified. Performance appraisal instruments are consistently used by the CND but must be modified to ensure staff supervisors can efficiently and effectively identify the best performers. District CND staff should work closely with the District's Human Resources staff to modify the appraisal instrument to accomplish this recommendation, since the modification of the instrument will likely impact the appraisal instruments of departments districtwide. A sample appraisal instrument has been included in *Appendix B – Sample Appraisal Instrument*.

Management Response:

Management agrees with the recommendation to modify the school-level performance appraisal to identify high performing employees. Implementation plan includes development, revision, and utilization of the revised performance appraisal by SY 20-21.

Finding 4: The CND job titles on the organizational chart are inconsistent with CND job descriptions.

Several job descriptions were provided that were not included in the CND organizational chart, including the Catering Coordinator, Accounting Associate, CND Driver, and Catering Specialist. Additionally, the Executive Chef position was included on the organizational chart but was not associated with an actual job description. The organizational chart provides clarity of roles and expectations for employees and should accurately reflect the overall organization of the Department.

Recommendation 5: Modify the CND organizational chart to align with actual job description titles.

For those roles not originally included in the organizational chart, the audit team added them to locations as indicated in each job description. The Executive Chef role – for which there was no job description – was inserted in the most logical area by the audit team, reporting to the Assistant Director of Nutrition. The CND should ensure that all job description titles match those on the organizational chart, and that the alignment of staff under supervisors on the organizational chart is consistent with supervision references in the job description.

Implementation of this recommendation should be done collaboratively with Fort Bend ISD Human Resources Department.

Management Response:

Management agrees with this recommendation and will implement at the start of the 2020-21 school year.

Finding 5: Program compliance and operations information is not effectively disseminated to all managers and employees.

Important CND information can have various levels of urgency, such as a food safety recall requiring immediate action or a program compliance message that informs teams of an anticipated recipe change in two weeks. In the case of a food recall, where time is of the essence, the District uses established lines of communication (telephone/cellphone) that will reach the greatest number of action takers in the shortest amount of time. In the latter case, email is used to disseminate information.

While visiting schools and speaking with district-level and site-level staff, the audit team observed that program compliance and operations communications varied significantly and were interpreted differently by CND employees. Whether it was an explanation of how different menu options would credit toward the required meal components or how a recipe was recently modified to ensure a higher quality product, communication methods were inconsistent and the message either unclear or missing. Email was the

main source of communication with managers from the District office. However, many teams were observed relying on numerous printed messages, each sent to convey an assortment of priorities and instructions to staff. These papers and notices were posted throughout kitchens, but were neither uniform nor easy to understand. Inconsistent communication methods can lead to inconsistent understanding among staff members, which in turn can lead to a lack of consistent execution of departmental procedures and priorities.

Recommendation 6: Standardize internal communications protocols for the CND.

Urgent and non-urgent messages should have a pre-determined, consistently used communication channel that is standardized for each expected communication type. A simple medium for accomplishing this is using an email group.

Most email systems allow for the creation and use of structured 'group' email at no additional cost. This approach enables a consistent communication channel to the field. Use of structured email addresses would also accommodate administrative changes at the CND office, such as when administrators are rotated to different areas of responsibility. Managers at schools would not have to search for emails sent by multiple individuals, which uses time and can create frustration, instead they could search the structured email name. This would bring up all historic and current messages relating to compliance, menus, recipes, free and reduced, and any other standard communication.

Furthermore, program compliance and operations information itself must be structured, input into a pre-determined format based on standardized templates. Each templated message should be attached to the email for printing. Emails should provide brief information in the body but should then refer the reader to the message in the attachment. Each attachment should be as concise as possible with a header that is distinct for that message type, much like an icon on a computer represents the purpose of a program. The printed header should represent the purpose of the message. For example, the "save" icon in most computer programs is represented by the same common image of a computer disk. In much the same way, each type of CND message should have a common header for the message type sent.

All printed messages should be placed into a binder with tabbed sections corresponding to the message types being sent, which also match the message header as well as the structured email address. The binder should have a clear plastic cover with a printed page inserted to identify the binder as the kitchen's information repository. If new information replaces old, the instructions for handling both should be shared in the email. The binder should always be kept in the same designated location accessible to all employees, and managers must identify any new information placed into the binder during a pre-shift meeting. Loose papers in the kitchen should be avoided.

Management Response:

Management agrees with the use of standardized internal communications protocols. Departmental protocols currently in use include:

- *Manager's Reference Manual (currently under review for update)*
- *Shared I:Drive (provides centralized information such as how-to guides, district forms, etc.)*
- *New Child Nutrition software (will automatically update recipe changes, production changes, etc.)*
- *The Scoop (weekly manager/employee newsletter)*

Future communication protocols to be implemented by SY 21-22 include utilization of the new Child Nutrition software for department announcements and standardized department email protocols.

Finding 6: The CND does not perform activities devoted to marketing the SNP.

During interviews and on-site visits, several school staff, parents, and students were unaware of various CND menu initiatives and overall program opportunities. Currently, there is no CND employee with expertise in marketing. Though a position dedicated to this function exists (Marketing Specialist), it remained vacant at the time of this audit. Without this expertise, the CND is not effectively promoting the CND's purpose and how the nutritious meals offered can positively impact both the school and community.

Recommendation 7: Fill the Marketing Specialist position to promote CND program offerings.

Marketing and advertising activities to promote menu initiatives and CND program opportunities will help drive participation among the portion of the student body where parents have a stronger influence over their child's eating habits and bag lunch options. School nutrition marketing challenges common stereotypes regarding school food, helping parents and students see the value in the variety of options available. The marketing position should create flyers, promotional materials for the cafeterias, newsletters, press releases, and social media content to actively educate and engage the customers and community regarding CND activities, opportunities for community involvement in those activities, and the positive ways nutrition and nutrition education can benefit the students. Activities can range from recipe creation to food tastings, where the community can have input in what is eventually offered to students. When more students eat with the program on a regular basis meal participation would likely increase, resulting in additional revenue for the CND.

As an implementation consideration, if this position ever becomes vacant again, these marketing activities should be temporarily assigned to another position, as it is important to sustain program marketing.

Management Response:

Management agrees with this recommendation and the Marketing Specialist position was filled in the spring of 2019.

Chapter 3 – Financial Management

Strong financial management is important to all school district functions, but particularly so for the Child Nutrition Department since it is a self-sustaining operation that generates its own revenue to cover its costs. This chapter presents a financial profile of the Fort Bend ISD Child Nutrition Department and evaluates the Department’s budget process, financial stability, indirect cost allocations, and internal controls.

Child Nutrition Department Financial Profile

The two primary indicators of financial performance for the CND are the net operating surplus or deficit and fund balance. The net surplus or deficit shows the profitability of a food service operation over a period of time. The fund balance essentially reflects the sum of all prior net surpluses, or net worth, of the operation at a specific date.

Federal guidelines require food service programs to be self-sufficient, and specify that a program’s fund balance may not exceed three months (25%) of average annual operating expenditures.⁷ An annual net surplus is not forbidden by federal law, nor discouraged.

Table 6 presents the financial performance of the Fort Bend ISD CND since 2013-14. CND revenues include federal reimbursements for student meals plus paid meal revenues. Expenditures include costs for labor, food, equipment maintenance, and supplies. Transfers primarily represent transfers into or out of the CND fund balance from or to other funds. For 2013-14 through 2017-18, aside from minimal transfers to cover student negative balances, for which the CND fund may not be used, no General Fund transfers were needed to support program operation.

Table 6. District School Nutrition Department Financial Results, 2013-14 to 2017-18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Overall Change
Total Revenue	\$24,557,567	\$25,209,629	\$24,608,616	\$25,934,631	\$26,151,670	7.8%
Operating Expenditures	(\$24,587,895)	(\$25,998,172)	(\$25,161,709)	(\$26,354,862)	(\$26,246,577)	(6.7%)
Net Operating Surplus (Deficit)	(\$30,328)	(\$788,543)	(\$553,092)	(\$420,232)	(\$94,907)	(212.9%)
Capital Outlay	(\$4,272,385)	(\$2,585,778)	\$0	\$0	\$0	100%
Net Surplus (Deficit)	(\$4,302,713)	(\$3,374,321)	(\$553,092)	(\$420,232)	(\$94,907)	97.8%

⁷ Title 7 Section 210.9(b)(2) 847

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Overall Change
Sale of real or personal property	\$4,163	\$60	\$0	\$0	\$0	100%
<i>Fund Balance, End of Year</i>	<i>\$8,567,847</i>	<i>\$5,193,586</i>	<i>\$4,640,493</i>	<i>\$4,220,260</i>	<i>\$4,125,353</i>	<i>(51.85%)</i>
<i>Fund Balance Percentage</i>	<i>34.8%</i>	<i>20.0%</i>	<i>18.4%</i>	<i>16.0%</i>	<i>15.7%</i>	<i>-</i>

Source: Fort Bend ISD Comprehensive Annual Financial Reports.

In all five years detailed in Table 6, the Fort Bend ISD VND has experienced a net operating deficit although there was improvement in the most recently completed fiscal year. The recurring deficits have contributed to a declining fund balance, from \$8.5 million in 2013-14 to \$4.1 million in 2017-18. However, 2013-14 and 2014-15 expenditures include one-time capital outlays of \$4,272,385 and \$2,585,778, respectively. This allowed Fort Bend ISD to spend down its fund balance from 35 percent of operating expenditures in 2013-14 (above the federal cap) to 20 percent in 2014-15.

At the end of 2017-18, the fund balance represented approximately 16 percent of annual operating expenditures. This level is below the federal cap but sufficient for financial stability of the VND.

The deficit of \$94,907 in 2017-18 was in large part due to the loss of 11 operating days caused by Hurricane Harvey. During that time, the VND continued to pay operating costs such as labor without the associated revenue from meals since students were not in school. The average daily revenue for 2017-18 with 162 operating days was \$161,430. With the additional days of revenue, the VND would most likely have had a net surplus for the first time since 2013-14.

Table 7 provides a comparative profile of Fort Bend ISD and the selected peer districts for 2017-18. All peer districts showed higher revenue per student enrolled than Fort Bend ISD. The lowest performing peer, Conroe ISD, was 5 percent higher than Fort Bend ISD; Alief ISD was 80 percent higher. On average, peer districts realized per student revenue that was 38 percent higher than Fort Bend ISD's per student revenue.

Table 7. Food Revenues by Student Relative to CEP Participation, 2017-18

District	Total Students Enrolled	Food Revenue	CND Revenue Per Student	Percent Difference from Fort Bend ISD
Cypress-Fairbanks ISD*	116,138	\$55,381,751	\$476.86	40%
Northside ISD-San Antonio*	106,086	\$52,722,786	\$496.98	46%
Katy ISD	77,331	\$31,638,095	\$409.13	20%
Fort Bend ISD	74,957	\$25,470,022 ¹	\$339.80	-
North East ISD*	65,805	\$34,259,301	\$550.62	53%
Conroe ISD	61,323	\$21,869,415	\$356.63	5%
Pasadena ISD	54,520	\$32,911,476	\$603.66	78%
Klein ISD	52,896	\$23,679,561	\$447.66	32%
Alief ISD	46,223	\$28,299,044	\$612.23	80%
Humble ISD	42,301	\$17,294,882	\$408.85	20%
Richardson ISD	39,204	\$15,076,071	\$384.55	13%
Lamar CISD*	32,051	\$13,633,776	\$425.38	25%

Source: TEA PEIMS Financial Reports

* Represents Districts participating in CEP

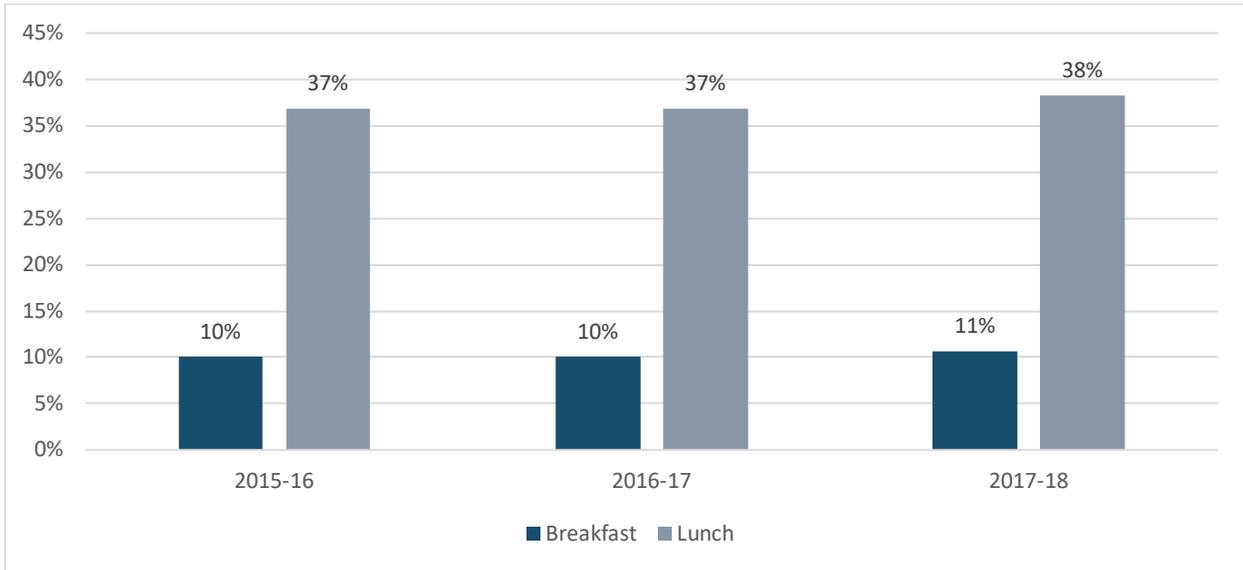
Note: ¹The Food Revenue amount in above is approximately \$682,000 less than the Food Revenue amount per the Comprehensive Annual Financial Report (see Table 6). This represents a per student difference of \$9.10.

Meal Participation

Meal participation is a key measure of school-level performance and is calculated by dividing the number of meals served (lunch and breakfast separately) by student enrollment. Cafeteria managers should staff their kitchens based on the anticipated number of meals served, not the number of students enrolled. The higher the percentage of students served by the cafeteria, the greater the economies of scale and related productivity. This report explores Fort Bend ISD staff productivity in more detail in *Chapter 4 – Operations and Staffing* of this audit report.

Meal participation rates at Fort Bend ISD have remained fairly stable over the last few years, but there remain wide variances in participation rates by school type and by school. Figure 4 presents overall breakfast and lunch participation rates for Fort Bend ISD from 2015-16 to 2017-18. Breakfast and lunch participation rates have both increased by 1 percentage point this past school year.

Figure 4. Fort Bend ISD Breakfast and Lunch Participation Rates, 2015-16 to 2017-18

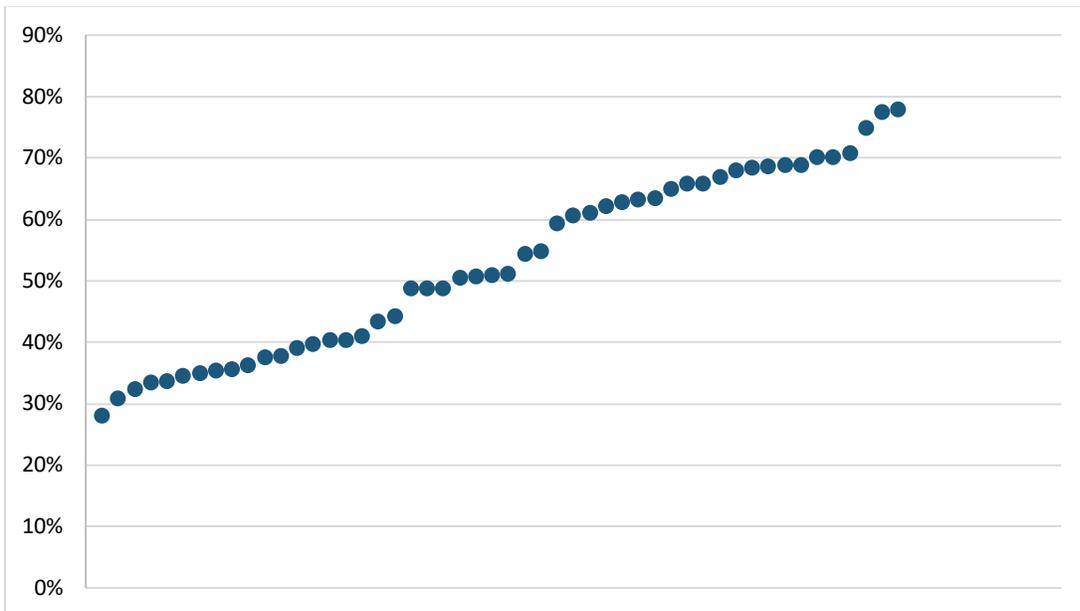


Source: Calculated by Gibson Consulting Group using the CND meal participation tracking documents.

Note: Of the 78 schools analyzed, 1 (site 40 (not a current feeding site)) did not include sufficient data to be included in the results

The variability in participation rates is wide across school types and individual schools, and reflects an opportunity to further increase meal participation districtwide. Figure 5 presents lunch participation rates for Fort Bend ISD elementary schools in 2017-18. The range of lunch participation ranged from 28 percent to 78 percent.

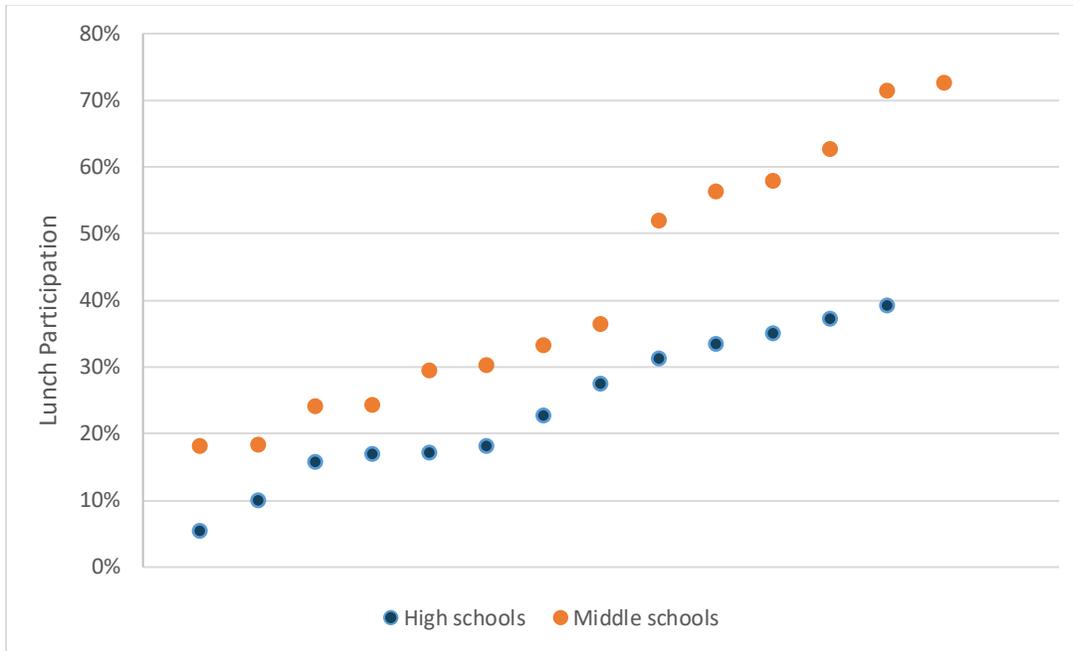
Figure 5. Elementary School Lunch Participation Rates, 2017-18



Source: Calculated by Gibson Consulting Group, Inc. using the CND meal participation tracking documents.

Secondary schools also showed wide variability in lunch participation rates. Figure 6 presents high school and middle school lunch participation rate for the 2017-18 school year. Middle school participation ranged from 18 percent to 72 percent and high school rates ranged from 5 percent up to 39 percent.

Figure 6. Secondary School Lunch Participation Rates, 2017-18



Source: Calculated by Gibson Consulting Group, Inc. using the CND meal participation tracking documents.

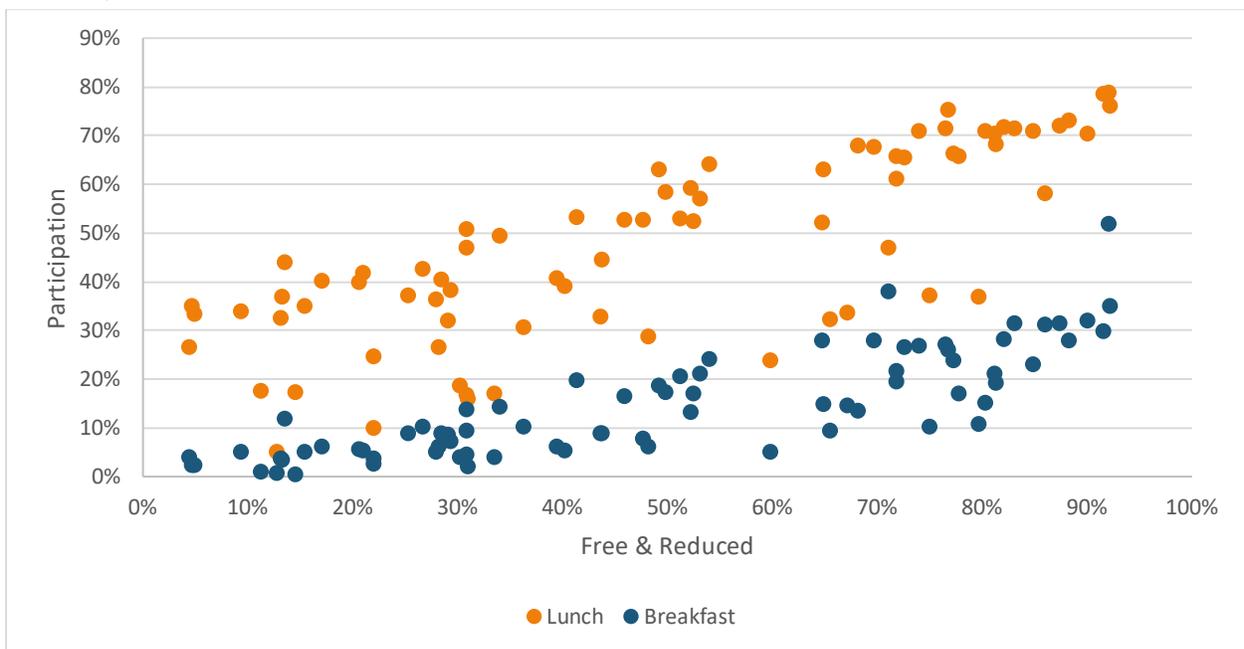
The audit team analyzed a three-year history of individual school participation rates and made the following observations:

- ② Overall participation rates for the CND have remained fairly stagnant over the last three years with individual fluctuations at the site level and a most recent increase in 2017-18.
- ② When comparing 2017-18 results to the prior school year, 41 out of 74 schools saw a positive improvement in lunch participation overall, while 35 of 74 (not the same 35 schools) saw a positive improvement in breakfast participation overall.
- ② Only 1 high school experienced an overall decline in lunch and breakfast participation over the last school year; 69 percent of high schools experienced an increase in lunch participation and 54 percent increased participation at breakfast.
- ② Approximately 51 percent of elementary schools saw overall decreases in lunch participation, while 19 percent experienced overall decreases in breakfast participation. Only 39 percent of elementary schools experienced an increase in lunch participation while 43 percent saw an increase in participation at breakfast.

- There were no middle schools that decreased in lunch participation and only three middle schools experienced overall decreases in participation at breakfast. At middle schools, 13 out of 14 schools increased lunch participation and 8 out of 14 increased breakfast over the last school year.

The audit team analyzed the relationship between free and reduced eligibility percentages and meal participation rates. This relationship (meal participation rates on the vertical axis and free and reduced percentage on horizontal axis) for each school is presented in Figure 7. There is an apparent and expected relationship between free and reduced eligibility percentages and meal participation rates. This is typical in child nutrition programs indicating that more students are likely to eat if more free meals are available.

Figure 7. Breakfast and Lunch Meal Participation Rates vs. Free & Reduced Enrollment Percentages, February 2018



Source: Calculated by Gibson Consulting Group, Inc. using the CND meal participation tracking documents.

Other factors that drive profitability, such as worker productivity (measured by Meals per Labor Hour calculations), menu pricing, food selection and cost, are discussed in *Chapter 4 – Operations and Staffing* of this audit report.

Budget Process

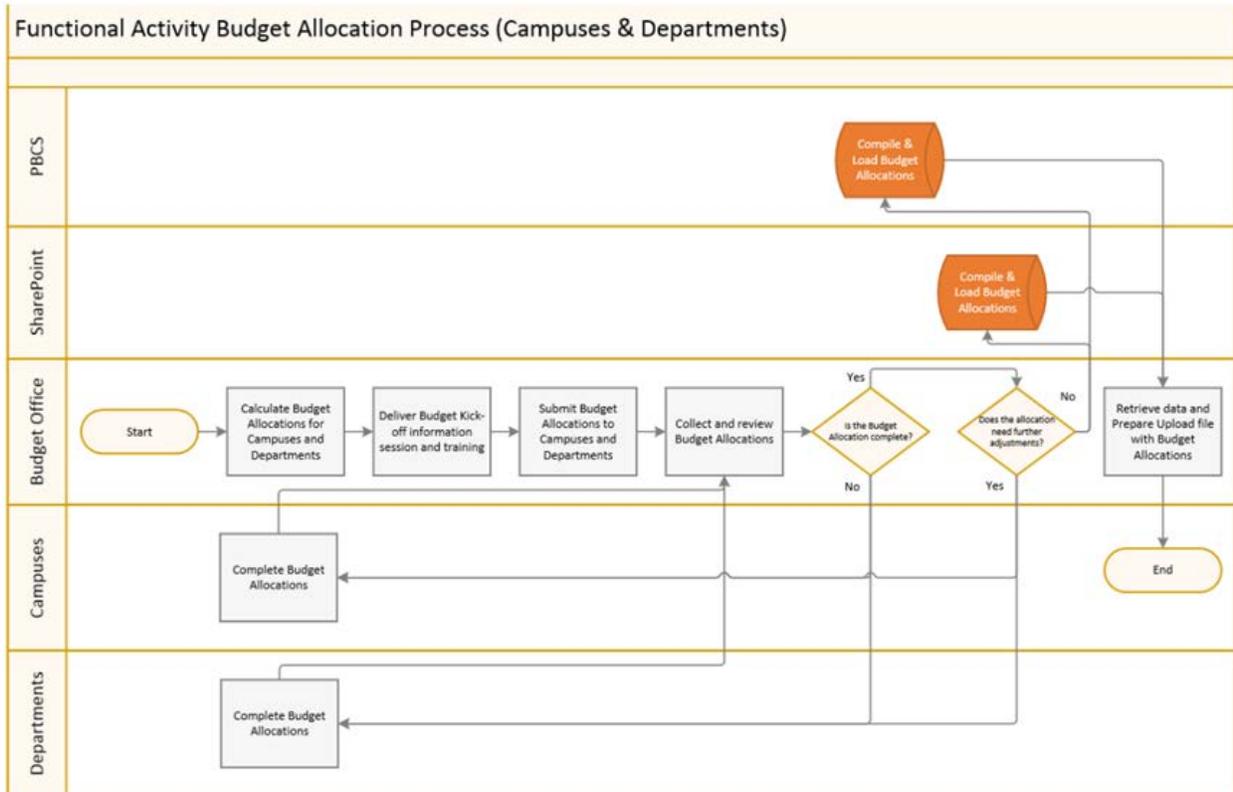
The CND applies a budget process that involves leadership from the CND, the District’s Chief Financial Officer, employees of the Budget Office, and members of the Board. Prior year’s data are studied annually by the Assistant Director of Business and the Budget Manager and compared to the forecast for the coming year.

Considerations are made for anticipated changes that could impact the program, such as the following:

- Projected enrollment changes
- Projected participation changes
- New school openings
- Food cost changes
- Labor cost changes
- Staffing needs
- Menu changes
- Anticipated equipment repair
- Anticipated equipment procurement
- Life cycle cost for computers, software, and other equipment and services

Once approved, the budget is monitored by CND staff regularly and adjusted if and when necessary. Figure 8 presents the CND budget process.

Figure 8. Child Nutrition Department Budget Process



Source: Fort Bend ISD Child Nutrition Department, 2018

Indirect Costs

There are two types of costs incurred by the CND – direct costs and indirect costs. Direct costs relate to actual charges incurred by the CND for the operation and administration of the CND, such as salaries and wages for food service workers. Indirect costs represent costs incurred by one department or fund for the benefit of another, such as utilities or waste removal. Table 8 lists common costs that may be classified as either direct or indirect in the SNP. The USDA and TEA provide guidance to District personnel to help identify applicable indirect costs.

Table 8. General Classification of Costs in the School nutrition program

Direct Costs	Indirect Costs
<ul style="list-style-type: none"> ▪ Wages and salaries of food service workers ▪ Cost of purchased food ▪ Food service supplies ▪ Media/promotional materials relating to SNP ▪ Food Service ▪ Capital expenditures relating to food service (e.g. food service equipment purchases) 	<ul style="list-style-type: none"> ▪ Payroll services ▪ Human resources ▪ Workers’ compensation ▪ Procurement ▪ Gas ▪ Electricity ▪ Sewer ▪ Water ▪ Trash ▪ Superintendent’s Office

Source: USDA Indirect Cost Guidance, SP60-2016a.pdf.

Many indirect costs are incurred by a school district’s General Fund. Federal and state regulations allow school districts to allocate certain indirect costs to the School Nutrition Fund, and these regulations may vary from state to state within the boundaries of federal law. In Texas, the TEA calculates two types of indirect cost rates for school districts – a restricted rate and an unrestricted rate. The restricted rate is a narrower definition of indirect costs, and primarily includes administration costs such as human resources and accounting. The unrestricted rate is broader and includes operational indirect costs such as utilities and waste removal. Both rates are posted on TEA’s website. According to the regulations, the higher unrestricted rate can be applied to the direct cost base of the CND to determine an amount that can be allocated from the District’s General Fund.

Until 2017-18, school districts were allowed to use only the restricted rate, but could also allocate operational indirect costs if they were eligible indirect costs and there was a reasonable basis for allocation. Starting in 2018-19, TEA is allowing the use of the unrestricted rate, with a few stipulations. This will simplify the allocation of indirect costs for Texas school districts. The unrestricted rate for Fort Bend ISD in 2018-19 is 11.564 percent.⁸

⁸ TEA web site, Indirect Cost Rates
https://tea.texas.gov/Finance_and_Grants/Grants/Federal_Fiscal_Compliance_and_Reporting/Indirect_Cost_Rates/Indirect_Cost_Rates/

Internal Controls

Internal controls are an important aspect of processes and records that ensure the integrity of financial information and minimize the risk of theft or fraud. In addition, internal controls ensure the safety of food and help prevent foodborne illness.

Historically, SNPs have involved the receipt and handling of cash, increasing the potential for theft. Over the past decade, more districts – including Fort Bend ISD – have moved to credit card or other online accounts to pay for student meals, thus limiting the amount of cash received. Furthermore, there is little cash involved for student meals eligible for federal reimbursement. Internal controls over cash handling surrounding an SNP are still important, but technological advances have lessened the risk.

The following sections address specific areas of internal control for the Fort Bend ISD CND.

Cash Handling and Deposits at Schools

The CND has developed and implemented cash handling and deposit procedures within its Standard Operating Procedures guidebook (SOP).

Under the title *Accounting Policies and Procedures* as well as *Payment Procedures*, the SOP guidelines provide a process for cash handling and accurate deposits. The cash handling procedure involves the Point of Service computer as well as the *PeopleSoft* system, and is the process used to account for cash provided to the nonprofit school food service account (NSFSA). Cash is used for two primary purposes: payment for a meal received and deposits made on an account. In the case of the second, customers – be they students or adults – may use money on an account to pay for goods received during meal service. The POS tracks all cash and checks received then attributes those funds directly to a student or adult account, as appropriate. At the end of the day, each cashier follows a *drawer close* process to ensure the cash and checks received are fully accounted for prior to the deposit being completed. Once tallied and confirmed, the Cafeteria Manager is designated to count all monies, and confirm that it corresponds to all reporting. The Cafeteria Manager also signs the bank deposit slip.

The final steps of the day-end process are completed and recorded in *WebSMARTT*. Copies of the final report are printed for the CND and the Cafeteria Manager. The deposit is brought to the designated school official who places the deposit in the safe for later pickup and/or the monies are placed in a safe in the kitchen. If requested, the Cafeteria Manager may provide copies of paperwork to the designated school official, to accompany the deposit.

Deposits are regularly retrieved by the Fort Bend ISD police department assigned courier. The courier maintains a written record of deposits collected from each site. The amount of the deposits are confirmed by the courier and a final verification is conducted by the bank. The assigned courier maintains the written record of deposits picked up from each site.

During visits to schools, audit team members observed the processes of:

- Receiving money in CNL designated locked wooden boxes located in each cafeteria
- Receiving money during a non-service time for deposit to a student account
- Receiving money at the register for payment in return for food received
- Closing and counting the drawer for end of day processes

Because many District schools work with minimal cash, deposits may be completed bi-weekly. In this case, each days' paperwork and cash/checks are kept in a locked safe for finalization of the process. Only designated individuals have access to the safe, and monies are re-confirmed prior to a deposit slip being finalized. In the experience of the auditors, this process is acceptable and comparable to other similar school districts.

Non-Payment of Student Accounts

Separate from cash-handling risks, there are also additional risks related to non-payment of student accounts. Many of these balances are due to students in the application process, but not yet approved, for the free or reduced-price meal program.

- Students whose household submitted an application for free or reduced-price meals who were eventually approved for such within the allowable determination window (10 days), incurred account balances during this 10-day window.
- Once a student is approved as eligible for free meals it becomes challenging to collect unpaid balances. After approval, the buildup of account charges decreases (only paying for a portion of cost), but the charges for reduced-price meals can still add up to an allowable amount under the District's charge policy.

USDA guidelines do not allow the payment of outstanding account balances from the federal food service account. Therefore, the collection of outstanding balances is a process that must be monitored and managed by the District. At the end of 2016-17 Fort Bend ISD had outstanding account balances totaling \$55,114.72. By the end of 2017-18, Fort Bend ISD had successfully reduced this amount by 19.4 percent, or \$10,699.50, for a total of \$44,415.22. Efforts to reduce negative balances included additional cashier training and stronger adherence to the written charge policy with more consistent follow-up when students incurred negative balances.

Segregation of Duties

Within school kitchen teams, duties and responsibilities overlap. Given that there are just three distinct roles for school-based employees (i.e., Cafeteria Manager, Cafeteria Specialist, and Cashier), team members are trained in multiple skills and must be able to perform each duty within the kitchen. Cafeteria Managers have the most distinct set of duties and responsibilities, but they will work other positions

within the kitchen to varying degrees. In smaller schools, the flexibility of employees is more pronounced, as there are fewer people to do the work. In larger schools, such as a high school, duties are more segregated and lines between responsibilities are clearer. However, interviews and school visits revealed that many CND Cafeteria Managers use a process of rotation to ensure work is done with accuracy and consistency, while keeping each team member trained and familiar with all aspects of what must be accomplished in the kitchen.

Food Safety

All SNP operations are required to maintain processes and documentation that prevent the spread of foodborne illness, ensuring that food served is safe to consume. These food safety internal controls are referred to as Hazard Analysis and Critical Control Points (HACCP). Within the SOP documentation, as well as in the daily documentation observed by the audit team, were examples of controls used by site-level staff to ensure food is received, stored, warmed, cooked, held, and served at appropriate temperatures. Observations by auditors found that temperatures were taken by site staff regularly, were recorded on appropriate forms, and were kept on file as required by written procedures. All food observed, throughout its food process lifecycle from storage to service, was handled within nationally established guidelines.

Data Validation Procedures – Reimbursement Reports

Each CND kitchen uses an industry-standard meal count method (termed the “method of exchange”) which is conducted using the *WebSMARTT* POS system. Food Production Records are used to track food produced and served relative to meal counts. Industry standard Edit Checks are applied to ensure meal counts served do not exceed student enrollment nor what is termed the ‘Adjusted Attendance Factor’ or ‘Adjusted Daily Attendance’ (ADA). These Edit Checks are conducted both daily and monthly with meal count reports printed after meal service each day from the POS system and at the end of the month for the final Edit Check prior to claim submission.

The ADA is a statistical computation (percentage of students enrolled) performed on the enrollment figures of Free-eligible, Reduced-eligible, and Paid-eligible students at each school. This factor is sometimes obtained from the USDA, but it may also come from the state or be developed locally. It provides a ‘best case’ attendance figure against which claimed meals for each category may be compared. For example, a USDA attendance factor of 93.8 percent (most common) applied against an enrollment of 100 Reduced-eligible students, produces an ADA of 94. This means the school could realistically serve 94 reduced-eligible students before additional documentation would need to be obtained to show any students beyond the 94 anticipated in attendance, were actually in attendance.

Testing

The audit team conducted several tests to validate the existence and effectiveness of internal controls over meal reimbursement and personnel assignments. Below are descriptions and results of the audit testing:

TEST 1. The audit team analyzed 23 FPRs, 12 breakfast FPRs, and 11 lunch FPRs. Records completed on the day of observation are a gauge to determine if Cafeteria Managers regularly:

- ☐ Forecast quantities of food to prepare;
- ☐ Document recipes used;
- ☐ Document amounts of food used in production;
- ☐ Document quantities of food served and left over, as well as any waste;
- ☐ Document any unique circumstances that may have occurred, impacting the day's service;
- ☐ Record any required HACCP details; and
- ☐ Record meals served and compare the values to figures on the FPRs.

There were no findings determined from this audit test. All FPRs reviewed were completed as required, properly documented all specific requirements, and showed sufficient food was prepared and served to account for all reimbursable meals served.

TEST 2. The audit team analyzed 23 Edit Checks, one at each school observed. Edit Checks provide data regarding meals served, and thus to be claimed, for both breakfast and lunch. Records available on the day of observation help ensure daily meal counting and claiming processes:

- ☐ Accurately tally the total number of meals served by category (Free, Reduced-price, and Paid).
- ☐ Produce valid ADA and enrollment figures against which the number of meals served by category can be checked to verify meals are not over-claimed.

There were no findings determined from this audit test. All Edit Checks were accurate and contained the required information for proper documentation of meals to be claimed. With the exception of production records, which take an excessive time to complete (see discussion in *Chapter 4 – Operations and Staffing*), reviewed paperwork was completed by Cafeteria Managers in a reasonable timeframe on the day of review.

Test 3. The audit team analyzed the personnel assignments of 16 sites compared to the CND list of employees assigned to each site. Cafeteria Managers were interviewed and asked to describe the makeup of their site roster including: total number of personnel present, daily work hours assigned by employee, and whether there were vacancies, subs, or other nuances.

Related to the issues described regarding the *Kronos* time-keeping system later in this chapter, discrepancies were observed between the CND personnel report assignments and the actual workers on-site during site observation, as follows:

- Of 16 audited sites, four had the same number of staff onsite as recorded as active in the CND personnel worksheet.
- Of the 116 assigned positions reported for the 16 sites audited, 127 employees were observed working. A total of 11 employees, or 9.48 percent, did not match their reported assignment locations.
- Of the 12 sites with variances between actual and reported labor, each was either short or over by 1 employee (some as short as 4 employees, and over by as many as 3 employees).

Community Eligibility Provision

The CEP is described by the USDA as:

A non-pricing meal service option for schools and school districts in low-income areas. CEP allows the nation's highest poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students without collecting household applications. Instead, schools that adopt CEP are reimbursed using a formula based on the percentage of students categorically eligible for free meals based on their participation in other specific means-tested programs, such as the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF).

The Texas Department of Agriculture has identified a minimum of 31⁹ Fort Bend ISD sites as CEP-qualified, meaning the District may partially participate in the CEP program in the 2019-20 school year with at least 39 percent of the District's schools on the program.

Qualification to participate is based on an annually determined *Identified Student Percentage* (ISP) calculated by TDA that reflects the number of students certified for free meals without the use of household applications. TDA calculates the ISP for each school in the District. If a school, a group of schools, or an entire district has an ISP that is equal to or greater than 40 percent, the school, group of schools, or district may participate in the CEP program. Different groupings of schools may also be considered, enabling a district to group near-eligible schools (those with an ISP of 30 to 40) with eligible schools (ISP \geq 40) to increase the total number of schools participating in the program, thereby increasing overall student access to meals at no charge.

Reimbursement ratios do need to be considered in order to determine the financial viability of various groupings because rates of reimbursement for CEP are determined by a multiplier of 1.6 times the ISP.

⁹ <http://www.squaremeals.org/Programs/NationalSchoolLunchProgram/SpecialProvisions.aspx>

For example, if a qualifying entity (which can be a school, group of schools, or a district) has an ISP of 61.48 percent, this is multiplied by 1.6, resulting in their claimed meals being reimbursed at a rate of 98.37 percent free while the remainder of their claimed meals (1.63%) will be reimbursed at the paid rate. Different groupings or individual participation by site can vary, thus reimbursement rates can also vary.

Furthermore, participation in CEP means each qualifying, participating entity will serve all meals at no cost. Thus, any percentage of meals claimed at the paid rate will no longer receive payment from students at the register since all meals at that qualifying, participating entity are being served at no cost. While there are widely acknowledged benefits as well as drawbacks to partially participating in the program, strong consideration should be given to the prospect due to the following benefits:

- Eliminates the burden of collecting household applications to determine eligibility for school meal programs within the schools participating.
- Provides students with access to free nutritious meals for all students in the site(s) participating without the stigma attached to the free and reduced-price meal application process, along with less time spent in cashier lines and more time to eat nutritious meals.
- For parents with students enrolled in participating sites, no household application is required, lessening annual paperwork and eliminating the demands associated with managing lunch accounts.
- For school staff, the CEP brings streamlined meal service operations and more time for students to consume their food.
- For administrators, the CEP lessens paperwork and administrative costs, with no need to track unpaid meal charges, improved program integrity, and more nourished students ready to learn and grow.

Audit Findings and Recommendations

Finding 7: The CND does not compile or analyze financial information by school.

Individual financial information for each school is not tracked or monitored by the CND. Profitability, though not the only measure of success, is a good indicator for the performance of an individual site. Tracking financial information by school has many benefits for management. First, management could periodically scan school information to highlight sites that are not performing well. This gives management a stronger factual basis for suggesting corrective action at a particular location. Second, management could identify best practices in place at campuses and quantify their financial impact. Through reviewing financial information for multiple campuses, outliers would appear, prompting investigation by management. In instances of positive performance, management could investigate and isolate what is causing better performance at that location compared to others. Finally, tracking financial

information by campus would allow for the development of campus-based financial goals, strengthening accountability for campus performance.

Recommendation 8: Track and analyze financial information by school.

The CND should periodically monitor and analyze the financial performance of each campus. The audit team understands that the new information system to be implemented by the CND will have the capability for generating this financial information by campus. Prior to this system implementation, management can perform the necessary steps to formalize the monitoring process, including:

- ☐ Determining the reporting frequency of the financial information
- ☐ Assigning responsibility for report generation and review
- ☐ Defining financial targets for each campus
- ☐ Documenting expected actions when targets are not met

Management Response:

Management agrees with the recommendation. The current software program does not allow the department to create financial results by campus without significant manual intervention. The new Child Nutrition software to be implemented in SY 19-20 will allow the department to compile P&Ls by campus.

Finding 8: The District has not assessed the feasibility of partially or totally outsourcing the SNP.

Some school systems outsource their food service operations. Usually this is done after conducting a feasibility analysis to weigh the potential advantages and disadvantage of such an approach. One of two options are generally employed in an SNP outsourcing arrangement – outsourcing management only and keeping the school-based staff, or outsourcing the entire operation and staffing to a third party.

If a school system is able to achieve its objectives for the SNP – including financial objectives – through an in-house approach, then there may not be a compelling reason to outsource. However, it is a best practice to evaluate the feasibility of doing so periodically, usually every five years. Fort Bend ISD has not conducted such an evaluation.

Recommendation 9: Perform outsourcing feasibility studies and cost-benefit analyses periodically.

The District should perform a feasibility study and cost-benefit analysis every five years to determine if the SNP should be partially or completely outsourced to a third-party. Because the District does not currently track Key Performance Measures (KPIs) to compare to an outsourcing approach, CND management, with assistance from the Fort Bend ISD Business Office, should implement and evaluate KPIs first (see Recommendation 1 in *Chapter 3 – Organization and Management* of this report) before conducting an outsourcing feasibility study.

Management Response:

Management agrees with the recommendation if the self-operated Child Nutrition operation is not performing well and is in need of continuous financial support from the general fund. Fort Bend ISD Administration performed a comprehensive review outside management companies in the spring of 2018, including receiving presentations and proposals, and determined that it was not beneficial for the district to outsource SNP. Further, the leadership team needs to be given ample time to implement the new software, the proposed recommendations, initiatives to increase participation, and other steps to be more efficient. Mandating a timeframe for ongoing review for potential outsourcing will impact the district's ability to attract and retain the quality of staff needed to manage the CND program.

Finding 9: Fort Bend ISD is not maximizing its General Fund allocation of indirect costs to the CND.

Based on interviews and review of recent Comprehensive Annual Financial Reports, the audit team learned that the District does not allocate the maximum amount of indirect costs to the CND. Currently, Fort Bend ISD allocates expenditures incurred by the General Fund to the CND for expenditures such as utilities and other contracted services incurred on the CND's behalf. In 2017-18, these allocations were \$551,151.¹⁰

In 2018, the Texas Department of Agriculture's Administrator's Review Manual (ARM) published updated guidance regarding indirect cost allocations, allowing school districts to apply their state-approved unrestricted indirect cost rates when allocating indirect costs to food service operations. Previously, only the restricted rate was allowed. The restricted rate, a lower rate intended to minimize the amount of program funds used for indirect costs, includes organizational costs, such as general management costs like accounting, payroll, human resources, audit and procurement, and fixed costs such as contributions to fringe benefits associated with wages and salaries that are charged as indirect costs.

The higher unrestricted rate, intended to maximize the allowed amount of program funds used for indirect costs, includes the sum of allowable indirect costs in what is termed a *cost pool*, not to include costs for a contract or purchase beyond \$25,000, equipment purchases and other capital expenses, food costs, renovations or alterations to facilities and fines, penalties, or bad debt. The new regulations allow school systems to apply the higher unrestricted rate only if other grant programs (e.g., Title I) are allocated the maximum allowed for those respective programs.

Recommendation 10: Allocate General Fund indirect costs based on the District's unrestricted rate.

Upon implementing the recommendations in this audit report, the CND should be able to generate sufficient profits to absorb all costs related to the program, including allowable indirect costs under the new guidelines. By 2020-21 the District should allocate indirect costs to the CND based on the unrestricted rate now allowed by the TEA, and ensure that it is allocating the maximum amount for other grant

¹⁰ Fort Bend ISD Comprehensive Annual Financial Report, 2017-18, page 106

programs. The CND fund balance should be able to absorb the 2019-20 allocation; in subsequent years, increased profit levels should equal or exceed the new allocation.

Based on the new state regulations, the potential financial benefit to the General Fund is 11.564 percent¹¹ on CND direct costs of \$12.22 million¹², or approximately \$1.41 million annually. This represents an additional General Fund benefit (beyond the current allocation) of approximately \$860,000 a year. This does not include potential additional recoveries achieved through maximizing indirect cost recoveries from other applicable grant programs.

In order to take full advantage of this allocation, the CND may need to modify work duties such as those in the cafeteria, so there is no overlap of direct and indirect cost being paid for the same function. For example, were CND staff currently perform duties assignable to custodial staff, those duties would need to be assigned to custodial and no longer performed by CND staff to ensure CND funds are not allocated twice; once to CND staff performing custodial duties, and again to indirect costs for custodians that should be performing those duties.

Management Response:

Management does agree that the CND should pay indirect costs for a portion of the District's services rendered. However, management disagrees that the District should automatically use the full amount allowable under the unrestricted rate until the CND fund has reached the fund balance limit of 3 months of operating expenses. Management agrees to a 3 year implementation plan to get to an agreed upon amount with the CFO and Superintendent. Remembering any percentage charged to the federally funded Child Nutrition Program would also need to be charged to all other federally funded programs in Fort Bend ISD.

Finding 10: Personnel assignment reports do not accurately reflect actual assignments.

Two main components of labor tracking and reporting are used within the CND. The first tracks employee assignment on a long-term basis, and includes location ID and description, job title, hourly or salaried pay rate, job status, and job code. This report is generated from the *PeopleSoft* system. The second is reporting obtained from the *Kronos* system which tracks the number of hours actually worked by each employee via a clock-in and clock-out process.

Based on interviews and analysis, the audit team determined that reported personnel assignments in *PeopleSoft* do not always reflect the actual number of personnel working at each site or the number of vacant positions at each site.

¹¹ TEA approved unrestricted rate for Fort Bend ISD for 2018-19.

¹² Amount based on total direct costs less "distorted" costs as defined by TDA Direct and Indirect Cost Guidelines, July 30, 2018.

Recommendation 11: Develop a process to maintain accurate personnel assignments in PeopleSoft.

The CND must develop a process to ensure the *PeopleSoft* report is maintained more frequently to accurately reflect personnel assignment as this report serves as the basis for MPLH reporting. As the *Kronos* system reporting is also updated to accurately track those employees working at another site temporarily, an accurate *PeopleSoft* report can be used to indicate where there are variances, either too many labor hours assigned, or too few. Then, clearer operational decisions can be made with regard to long-term personnel assignment at each site.

In implementing this recommendation, the CND should periodically conduct its own audits of campus staffing to ensure that reported and actual staffing levels agree.

Management Response:

Management agrees with the recommendation, that at the time of this audit in the fall of 2018, personnel assignments were inaccurate. Since that time, department staffing guidelines have been established and changes are being made in PeopleSoft to accurately reflect campus staffing. New procedures will be in place by fall 2019 to maintain accuracy.

Finding 11: Fort Bend ISD does not have any schools participating in Community Eligibility Provision.

As discussed previously, 30 schools (39 percent) in Fort Bend ISD are eligible to participate in the program for the 2019-20 school year based on each having an ISP of 40 or more. Although there are challenges for the District as well as for some households when it comes to implementing partial CEP, the benefits in efficiency, meal participation, and financial outcomes outweigh the barriers. The challenges to the District are primarily in how to effectively and consistently communicate to households which schools qualify, which school do not, and how that impacts their child or children (some of whom may attend schools from each category). The challenges to the households arise when they have students in each type of meal program offered (CEP and non-CEP). These challenges can be overcome with sufficient information to the households explaining which sites are participating, what it means for their students, and how their students benefit in those sites that are participating in the CEP program.

Conversely, the benefits from CEP implementation are cost savings from reduced administrative burden and efficiencies both at the District and site level as well as increased revenue from added student participation. One Impact Study¹³ in 2013 found, on average CEP, increased both program participation levels and federal reimbursements in NSLP and SBP the following amounts:

- ☐ Average daily participation rates: NSLP +5 percent, SBP +9 percent
- ☐ Average per meal reimbursements: NSLP +6 percent SBP +2 percent

¹³ C. Logan et al. (2013). Community Eligibility Provision Evaluation Final Report.

Additional benefits were reduced overall rate of certification errors and reduced administrative burdens and generated net time savings for SNP administrative staff, site staff, and school administrators.

Recommendation 12: Implement CEP in qualifying schools.

Of the 30 currently eligible sites, the average participation rates are 21 percent for breakfast and 58 percent for lunch and total federal reimbursement for the months of August 2018 to April 2019 was approximately \$1.86 million at breakfast and \$7.64 million at lunch. If Fort Bend ISD added all 37 currently eligible sites, these sites would likely see combined participation rates as high as 23 percent at breakfast and 61 percent at lunch. Federal reimbursements would be slightly higher for breakfast (up to \$1.9 million) and considerably higher for lunch (up to \$8.1 million) for those same sites.

To participate, the District must:

- Determine if CEP is right for the District¹⁴
- Review the step-by-step process provided by TDA¹⁵
- Meet eligibility requirements, then submit required documentation as outlined by TDA.
- Serve free breakfast and lunches to all students during the 4-year cycle.
- Count total breakfast and total lunches served to students daily.
- Agree not to collect household applications for school meal programs (at participating sites).
- Determine if non-Federal funds are needed to cover costs above USDA reimbursement.

Management Response:

Management agrees that CEP should be considered for implementation. Up until the passage of HB3, the risk of changing the application process for free and reduced meals was too great because of the potential negative impact to the general fund; however, now that State compensatory funding will be based on federal numbers, implementing the CEP program may be more feasible. CND leadership would need to analyze the financial impact at each qualifying campus based on ISP percentages, as well as learn from school districts that have implemented CEP, but have stopped the program.

Finding 12: Meal participation rates vary widely across schools.

Student participation in the SNP is important for several reasons. Overall district-level participation figures can help gauge the program's effectiveness among the general student population. School-level participation rates provide more detail, allowing the CND to determine the highest performing schools versus those with the greatest opportunities for improvement. Once identified, best practices from the

¹⁴A USDA calculator is available to assist in this determination
<https://fns.usda.gov/sites/default/files/cn/CEPEstimatorSY2018-19.xlsx>.

¹⁵ <http://www.squaremeals.org/Programs/NationalSchoolLunchProgram/CEPGuide/CEPProgramApplication.aspx>

top performing schools can be applied at schools with lower participation rates. Reasons for high or low participation performance can vary widely, but the most common are shown in Table 9.

Table 9. Drivers of Meal Participation Rates

Low Participation Performance	High Participation Performance	Addressing Low Performance (may apply to multiple areas)
Poor food quality	High food quality	<ul style="list-style-type: none"> ▪ Engage students and community members with a menu committee that meets regularly. ▪ Conduct student surveys and focus groups; gather their perceptions of food quality. ▪ Conduct ratings games/activities. Get specific feedback on specific dishes. ▪ Taste-test food regularly to ensure quality. Ensure quality standards are clear; include pictures if possible.
Inconsistent food quality	Consistent food quality	<ul style="list-style-type: none"> ▪ Monitor use of recipes among staff and ensure their use. ▪ Review recipes, ensure they are clear, accurate, and produce the desired consistency for most kitchen situations. ▪ Invite top-performing school managers to review and provide feedback to schools needing improvement.
Poor student access	Strong student access	<ul style="list-style-type: none"> ▪ At Free and Reduced-price (F&R) schools, ensure access to applications is communicated to families in multiple ways. ▪ Track F&R form completion rates, enlisting the help of teachers, administrators to drive distribution and completion. ▪ Once implemented, at new CEP schools, ensure community is aware of and fully understands access to no-cost meals is available to all students at breakfast and lunch.
Poor student perceptions	Strong student perceptions	<ul style="list-style-type: none"> ▪ Use an electronic rating system that is ‘always on’. When students leave the cafeteria, they can press a button to indicate how satisfied they are, providing real-time feedback. ▪ Ensure CND field and office staff regularly visit kitchens and cafeterias, engaging staff as well as customers. Ask for input, listen intently, take notes, and develop or rework goals based off these sessions.
Poor customer service	Strong customer service	<ul style="list-style-type: none"> ▪ Engage student groups in ‘secret-shopper’ initiatives and possible tie-ins to curriculum.
Few compelling options	Many compelling options	<ul style="list-style-type: none"> ▪ CND field office staff can shop the local ‘open campus’ competitors and develop direct feedback of their experiences, using information to better tailor new and unique items to offer.

Source: Gibson Consulting Group, Inc., 2018

Based on the results shown earlier in this chapter, it is apparent that there are opportunities in certain schools to increase meal participation. While participation rates are increasing overall, the wide gaps between schools indicate that improvements can be made to lower performing school cafeterias.

Recommendation 13: Develop a program to increase meal participation in low performing schools.

As shown in Table 9, concepts outlined in the column should be explored on a case by case basis at each low participation school, along with any specific initiatives identified as successful in improving participation at Fort Bend ISD's schools with higher participation rates. Taken together, a multi-pronged approach will help increase meal participation in lower performing schools. This, in turn, would increase the profitability of the CND and potentially customer satisfaction, as increased participation can often be tied to improved food quality and service.

Management Response:

Management agrees with the recommendation. Steps taken during SY 18-19 to improve low performing schools include: Region 4 Meal Appeal University manager attendance, student taste tests conducted, and all campuses visited by central office staff. CND will continue to work on increasing participation in low performing schools by implementing such things as Grab & Go breakfasts, social media marketing, and student and staff focus groups.

Finding 13: Cash is not properly secured at all school sites.

During visits to schools, cash was seen left on tables and desks in the kitchen at several sites. This lack of security increases the risk of misappropriation. Within the CND's SOP are two sections that loosely reference cash handling, but do not draw distinct attention to the requirement that cash not be left unattended for any reason. The first section describes general *Accounting Policies and Procedures* referencing *Starting Cash and Exchange Cash*. When cash is referenced, a note is included to "never remove cash to make a personal loan to anyone." Later in the SOPs, the section *Payment Procedures Prior to Start of School Year* references components of daily cash handling in subsection *B. Manager's Workstation - Entering payments* and also subsection *C. Manager's Workstation - End of Day*. Neither of these sections provides complete guidance for effective cash control.

Recommendation 14: Modify cash-handling procedures to ensure cash is never left unsecured.

The SOP sections discussed above do reference standard cash handling procedures. However, a statement should be included in each area stating cash shall never be left unattended. Additional training should be provided to CND personnel regarding the importance of properly securing cash. The District's activity fund support staff should also include observations of cash handling during its site visits to validate that the procedures are being followed.

Management Response:

Management agrees that cash should never be left unsecured. Management will work with supervisors to ensure that cash handling SOPs are being enforced during the 19-20 SY.

Chapter 4 – Operations and Staffing

Operations

Typical SNP operations include operating kitchens, establishing lunch schedules, and the supervision and oversight of school cafeterias by the CND. Within Fort Bend ISD, the CND activities include the operation of 77 school-based kitchens as well as a catering and concessions program for many different ‘clients’ throughout the District, all school-based as well.

CND kitchens vary significantly as far as size, design and production capabilities. Some high schools observed offered as many as 6 serving lines, spacious prep and service areas boasting 12 ovens, and large walk-in refrigerators and freezers while some elementary schools had minimal space, just enough for the necessary equipment and personnel. Functionality and design were different from site to site but the biggest challenges were observed in the older kitchens. Yet, of the kitchens visited, all seemed sufficiently staffed and equipped. In cases where available space was exceeded, creative solutions were employed to ensure students desiring to participate were able to do so with relative ease by means of mobile breakfast carts and mobile point-of-service terminals.

CND catering and concessions, in somewhat of a transition due to a leadership availability, was nonetheless active in the District averaging healthy monthly sales of \$34,891 in 2017-18. Catering activities are operated from the District training kitchen as the primary preparation and outbound delivery location. The catering program brings in an additional revenue stream, having generated approximately \$418,000 in revenue during the 2017-18 school year. Catering is ordered in advance using online forms and paid via invoice directly to the food service account.

Storage of agricultural food components is maintained at each individual site-based kitchen; there is no district warehouse for food storage and distribution. Storage observed was ample at each location.

Full-Service Kitchens

The District’s kitchens are designed to receive, store, prepare, hold, and serve the bulk of food and supplies needed for at least one week’s service plus a few additional days. This includes cold foods, both refrigerated and frozen, as well as dry goods, other room temperature foods, and all related non-food supplies.

Although typically termed ‘full-service kitchen’, full service within school nutrition programs is not analogous to what one may consider full service in restaurants. For example, full service in the restaurant industry typically means receiving, storing, preparing, holding, and serving most key ingredients from their raw, uncooked state, such as raw proteins like beef, chicken, pork, and fish. These items are then incorporated into complex recipes requiring numerous steps and other varied ingredients.

In today's school nutrition programs, full-service kitchen typically describes the ability to prepare, heat, and hold simple items like corn, beans, and mashed potatoes, as well as reheating precooked proteins – primarily beef and chicken. A full-service school kitchen can prepare, hold, and serve hot foods, while also preparing, holding, and serving cold foods for the duration of the service period. This “heat and serve” process minimizes both labor and equipment demand while maximizing product yields and minimizing waste. Until recent years, districts like Fort Bend ISD have been averse to the development of more complex recipes, especially from raw base products like beef, chicken, fish, and pork, due to staff training and level of skill complex recipes require for both the safety and quality of the final product.

The District does not employ central kitchens, or vended meals except in minimal situations, such as in the case of the Summer Food Service Program (SFSP), where there are a few more serving sites than preparation sites.

From the 18 schools visited, as well as from information obtained during interviews, the audit team observed that the Fort Bend ISD school kitchens are well equipped, with preparation, cooking, and holding and serving equipment that is more than adequate to allow for an exploration into more complex recipes and higher quality food items and ingredients. Kitchens visited by the audit team also revealed that the District's overall kitchen designs are efficient and effective, with a few exceptions related to equipment noted later in this chapter.

Principal Influence on Meal Service Times

Annually, the CND resubmits site applications with the TDA. The site applications establish key operational data points regarding the SNP at each school site, including:

- ② The specific programs the school is participating in
- ② Site contact information (SNP Manager, address, phone number)
- ② Site participation information, including lunch count details, grades enrolled, and kitchen type
- ② Site pricing information, including indication of ‘non-pricing’ if appropriate
- ② Site program-specific information which details the months of service, start and end times of each meal type served, grade levels served, whether offer-versus-serve is used, menu planning method, provisional options (like CEP), and the point of service model used

Prior to submitting this information to the TDA, districts typically confirm all details with the administrators of each school. As is usually the case, details of the site applications do not change much year-to-year, except when major enrollment or program changes occur. Once submitted, it is expected the CND will operate each site according to the agreements submitted.

Throughout the year, Fort Bend ISD principals have the authority to work within the agreed upon start and end times of their schools' site application, making adjustments with regard to how each student group proceeds to the cafeteria and at what time. Should a change to the lunch start and/or end times be

necessary, school administrators may work with CND personnel to modify the times, submit an updated site application to TDA for approval, and then the new agreement may take effect.

Supervisory Zones

Supervisory zones are used to assign school oversight responsibility to Area Supervisors. Each zone varies in size. The smallest zone has 12 high schools, the next zone has 14 middle schools, one elementary zone has 16 schools and the remaining two zones each have 17 schools for a total of five different zones.

As is the case in many food service operations, some responsibilities overlap. This is particularly apparent when an urgent request comes from a school that did not receive an expected food item, or if a Cafeteria Manager or other key employee is out sick and the school requires additional assistance.

The District's SNP is operationally arranged and managed similar to other districts of its size and scope. Difficulties observed during the site visit were not unique to the District, from the challenge of how to effectively conduct employee training during the course of the year to ensuring management presence is available while experiencing multiple, concurrent audits.

School Staffing

This section presents an assessment of the CND's approach to school staffing, scheduling, and productivity, as well as professional development programs in place to support CND employees.

Staffing Approach

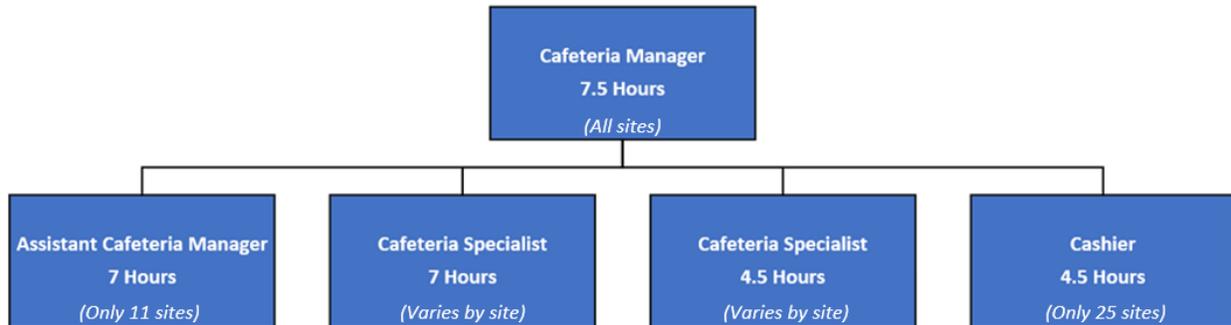
Staffing of schools within the CND is not unlike staffing approaches taken in similar districts. A hierarchical structure is used at each school, with an on-site Cafeteria Manager working among staff consisting of at least two other individuals to as many as 14 depending on the size of the school and number of meals served.

School positions include the following four role types: Cafeteria Manager, Assistant Cafeteria Manager, Cafeteria Specialist (7 hour or 4.5 hour,) and Cashier. In general, each school has one Cafeteria Manager position and one or more Cafeteria Specialist(s). Some schools also have Cashier positions and Assistant Manager positions. All employees may perform multiple, overlapping kitchen duties depending on the size of the kitchen and total number of employees. In fact, all school-based employees perform other duties as assigned.

At a global level, school-based staff in the three role types are allocated as follows: 12.8 percent are Cafeteria Managers, 4.1 percent are Assistant Cafeteria Managers, 66.3 percent are 7-Hour Cafeteria Specialist, 12.5 percent are 4.5-Hour Cafeteria Specialist and the remaining 4.3 percent are Cashiers. The total number of positions at the *school level* is 602, with 133 of the 602 positions vacant at the time of this audit.

Figure 9 presents a typical organizational chart for a school cafeteria operation, which is consistent with Fort Bend ISD's current staffing approach.

Figure 9. Typical Fort Bend ISD School-level Organizational Chart for Cafeteria Operations



Source: Gibson Consulting Group, Inc., 2018

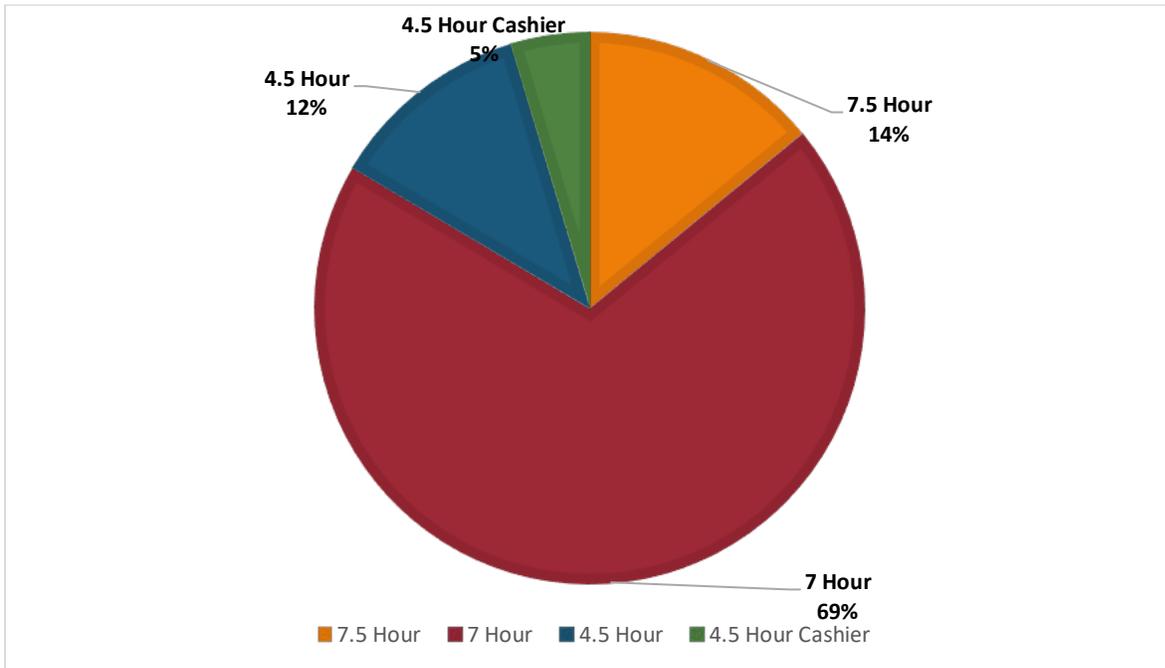
Scheduling Approach

Each CND site is staffed depending on service-level needs which take into consideration factors including:

- Student participation at breakfast and lunch
- The number of service lines running concurrently
- Menu structure, such as the number of different items presented as choices during any given meal service
- Other general needs such as sanitation and alternative service points

Scheduling of site-level staff does not generally vary for the 7.5-hour Cafeteria Managers nor for the 7-hour Assistant Cafeteria Manager positions. Each of these role types typically arrives in time to prepare and serve breakfast and leave upon the completion of lunch and clean-up. However, staffing among Cafeteria Specialist/Cashiers does vary. As a requirement of Operational Procedures within the SOPs, Cafeteria Managers post a daily work schedule for the coming week indicating food to be prepared, recipes to follow, quantities of food needed, and the individual assigned for each preparation. In addition, Cafeteria Managers also post daily and weekly cleaning schedules with employees assigned to cleaning tasks. Figure 10 shows the distribution of employees at the site-level by hours assigned, revealing that the majority of staff consist of 7 and 7.5-hour employees.

Figure 10. School Nutrition Department Percent of Staffed Cafeteria Specialist/Cashier Positions by Hours Assigned, 2017-18



Source: Fort Bend ISD Monthly Meals per Labor Hour Report, ST 2017-18

Table 10 disaggregates the information displayed in Figure 10 above. Each kitchen staff role is included in the Table 10, along with their respective position total and vacancy information. The position with the highest vacancy rate is the Assistant Cafeteria Manager position. The Cashier position has the lowest vacancy rate. While vacancy rates vary broadly, it appears to be due to the fact that *PeopleSoft* personnel records are not updated as frequently as they should be, as discussed earlier in Finding 10 in *Chapter 3 – Financial Management*. Furthermore, MPLH as an average at each school type, Elementary, Middle and High, are underperforming on the whole at -7 percent, -28 percent, and -43 percent respectively. In other words, kitchens are not short staffed, but more likely over staffed.

Table 10. Distribution of Labor Hours by Kitchen Staff Role; Includes Filled and Vacant Positions

Role	Position Status
Cafeteria Manager (7.5-hour position)	77 total: 73 filled 4 vacant (5.2% vacancy rate)
Assistant Cafeteria Manager (7-hour position)	25 total: 11 filled 14 vacant (56.0% vacancy rate)
Cafeteria Specialist (7-hour position)	399 positions: 310 filled 89 vacant (22.3% vacancy rate)
Cafeteria Specialist (4.5-hour position)	75 positions: 50 filled 25 vacant (33.3% vacancy rate)
Cashier (4.5-hour position)	26 positions: 25 filled 1 vacant (3.9% vacancy rate)
All Cafeteria Specialists/Cashiers (including Assistant Manager)	525 total; 396 filled 129 vacant (24.6% vacancy rate)
Total School-based Roles	602: 469 filled 133 vacant (22.1% vacancy rate)

Source: Gibson Consulting Group, Inc., 2018.

Most positions, once assigned, remain assigned to a particular school until service levels change enough to require possible reassignment. Additionally, if staff shortages are deemed substantial enough the CND may send a floater or substitute to work at a school in order to fill in during the most critical part of the day, which is preparation and service for lunch. As for Cafeteria Managers and the Cashier/Cook, they typically arrive before the start of breakfast and leave upon completion of the day's clean-up and closing paperwork.

Staff Productivity

According to *School Food and Nutrition Service Management*, "The most common way to measure productivity in school foodservice (sic) is *meals per labor hour* (MPLH)."¹⁶ The productivity rate is a measure of output, enabling leadership and management to understand how many meal equivalents (MEQs) are being produced per labor hour expended. For meal reimbursement purposes, the District's CND must know the number of meals served in each of the programs in which it participates, as well as the dollar value for *non-program* meals sold. In Fort Bend ISD's case, this is breakfast, lunch, and a la carte (*non-program*) sales. Because different amounts of work are required for the different meal types produced, the equivalency rate must be established for the calculation to work. The CND made changes to their calculations during 2017-18 to align more closely with industry-standard recommendations.

¹⁶ Dorothy Pannell-Martin, Julie A. Boettger, *School Food & Nutrition Service Management*, 6th ed. (South Carolina: SFS21, 2014), 50.

Established MEQs are as follows:

- 1 Lunch = 1 MEQ
- 3 Breakfasts = 2 MEQ
- 3 Snacks = 1 MEQ
- A la carte: \$3.25= 1 MEQ

Once MEQs are established, measurements of productivity can be made and tracked. These measurements can also be compared to standards to better understand if the SNP is operating efficiently, relative to similarly structured programs. One of the best comparisons available is the *Staffing Guidelines for On-Site Production*, shown in Table 11.

Table 11. Staffing Guidelines for On-Site Production

Number of Meal Equivalents	Meals Per Labor Hour (MPLH) For Low and High Productivity Operations			
	Conventional ¹ System MPLH		Convenience ² System MPLH	
	LOW	HIGH	LOW	HIGH
Up to 100	8	10	10	12
101-150	9	11	11	13
151-200	10-11	12	12	14
201-250	12	14	14	15
251-300	13	15	15	16
301-400	14	16	16	18
401-500	14	17	18	19
501-600	15	17	18	19
601-700	16	18	19	20
701-800	17	19	20	22
801 and up	18	20	21	23

Source: School Food and Nutrition Service Management, 2014.

Notes:

1. Conventional system is preparation of some foods from raw ingredients on premises (using some bakery breads and prepared pizza and washing dishes).
2. Convenience system is using maximum amount of processed foods (e.g., using all bakery breads, precooked chicken, ready-to-serve raw fruits and vegetables, proportioned condiments, and washing only trays and using disposable dinnerware).

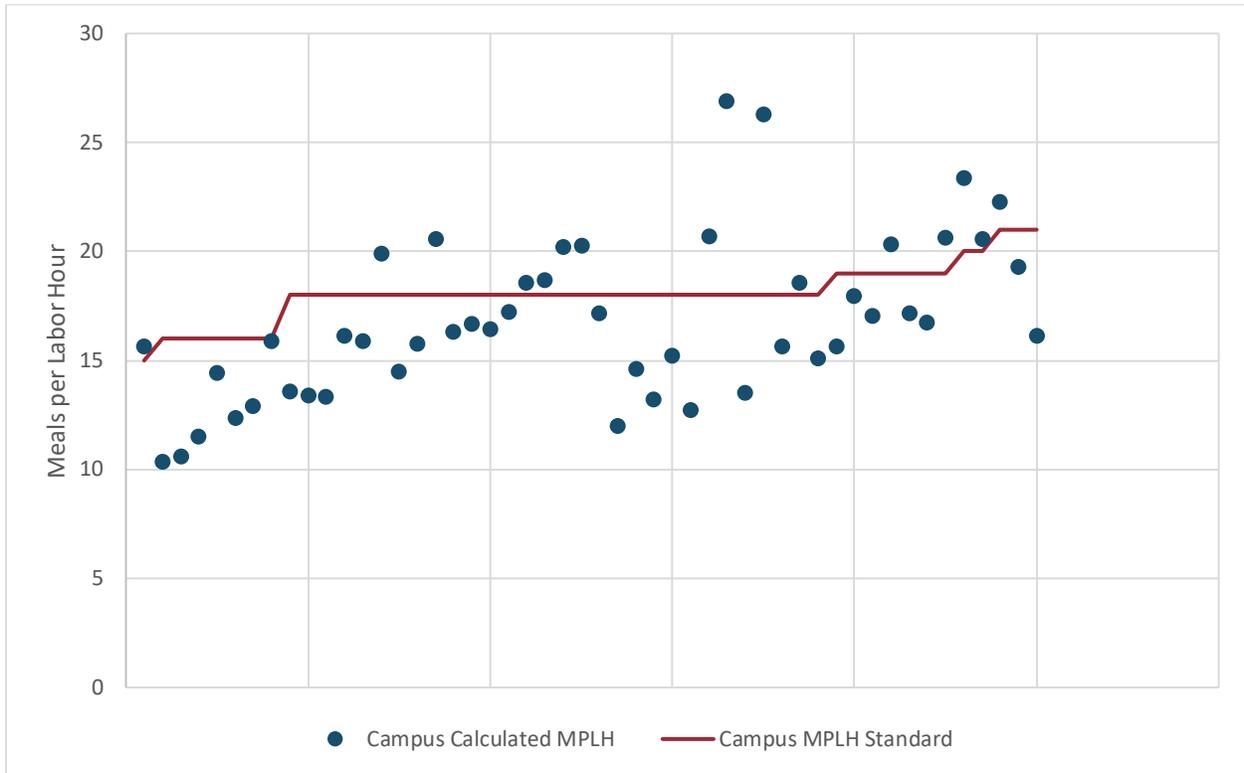
Audit Findings and Recommendations

Finding 14: Over 79 percent of Fort Bend ISD schools operate below industry staff productivity standards.

Using CND’s MPLH reports, the audit team compared current productivity by school to industry standard productivity (see Figures 11 – 13). Site MEQs were compared to industry MEQs to identify the appropriate MPLH range. Once the range was identified, the *Convenience System Low* figures were used, serving as the lowest reasonable productivity figure to compare each school’s productivity against based on the majority of recipe types used. The MPLH presented in Figures 11 – 13 use scheduled hours, not actual hours worked, as management uses this data to compile their MPLH reports. As scheduled hours are supposed to represent a realistic staffing scenario for the CND, the audit team moved forward with the analysis, highlighting that even the planned hours do not align with productivity standards as discussed immediately below.

Figure 11 provides the comparison for elementary schools. The line on the graph signifies the *Convenience System Low* figure for the individual school. The points on the graph are the calculated MPLH for an individual school.

Figure 11. Campus Calculated MPLH vs Campus MPLH Standard, Elementary Schools, April 2018



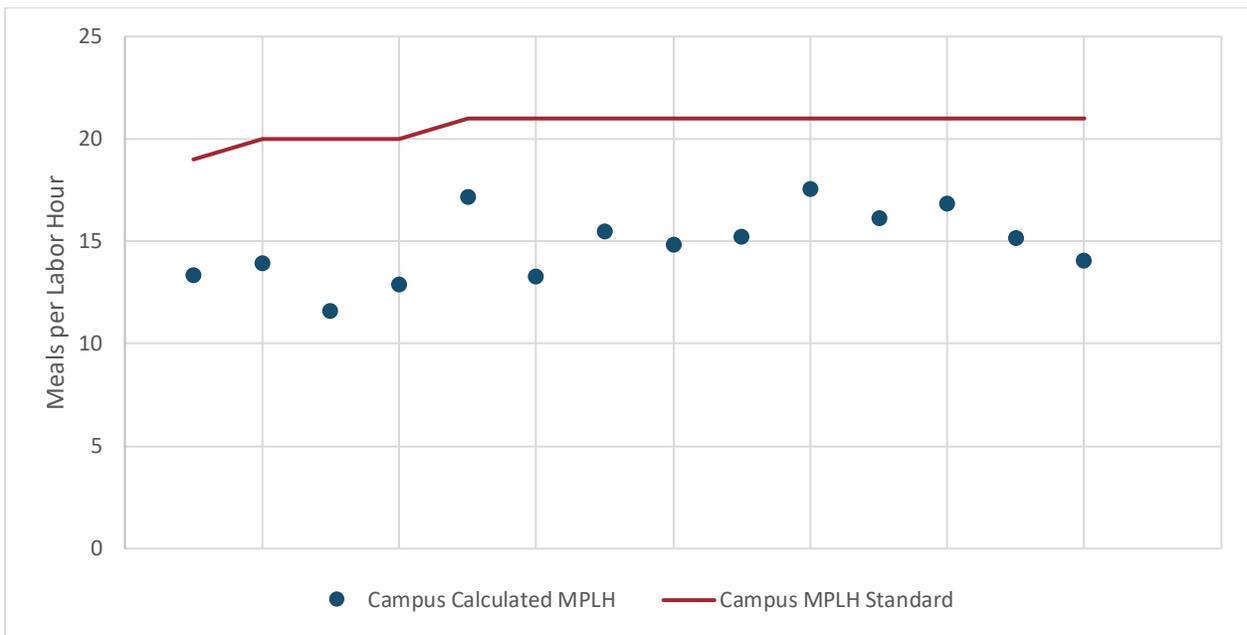
Source: Fort Bend ISD 17-18 Monthly Meals per Labor Hour, and Gibson Consulting Group

The audit team observed the following with respect to the elementary school MPLH data presented in Figure 11.

- 16 out of 50 elementary school sites have MPLH meeting the industry standard MPLH for their relative meal equivalents.
- The elementary school range of MPLH is wide, spanning from 10.3 to 26.9.
- The average performance across all elementary schools was 1.3 MPLH (7.3 percent) less than the standard.

Figure 12 provides the comparison of MPLH for middle schools. The line on the graph signifies the *Convenience System Low* figure for the individual school. The points on the graph are the calculated MPLH for an individual school.

Figure 12. Campus Calculated MPLH vs Campus MPLH Standard, Middle Schools, April 2018



Source: Fort Bend ISD 17-18 Monthly Meals per Labor Hour, and Gibson Consulting Group

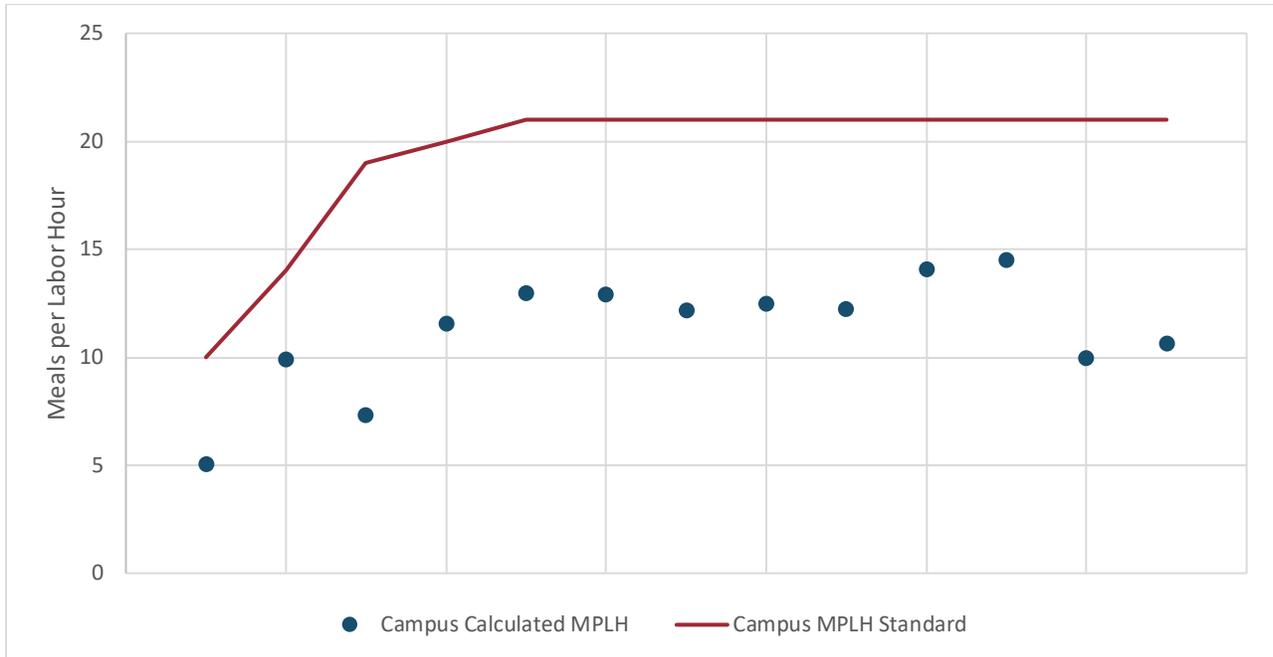
The audit team observed the following with respect to the middle school MPLH data presented in Figure 12.

- 0 out of 14 middle school sites have MPLH meeting the industry standard MPLH for their relative meal equivalents.
- The middle school range of MPLH is narrower than the elementary school range due to a smaller variation in enrollment per campus. The range is from 11.6 MPLH to 17.6 MPLH.

- The average performance across all middle schools was 5.8 MPLH (28.3 percent) less than the standard.

Figure 13 provides the comparison of MPLH for high schools. The audit team included the Fort Henry Center for Learning within the high school category for this analysis. The line on the graph signifies the *Convenience System Low* figure for the individual school. The points on the graph are the calculated MPLH for an individual school.

Figure 13. Campus Calculated MPLH vs Campus MPLH Standard, High Schools, April 2018



Source: Fort Bend ISD 2017-18 Monthly Meals per Labor Hour, and Gibson Consulting Group

The audit team observed the following with respect to the high school MPLH data presented above in Figure 13.

- 0 out of 13 high school sites have MPLH meeting the industry standard MPLH for their relative meal equivalents.
- The high school range of MPLH is narrower than the elementary school range, but wider than the middle school range, going from 5.1 to 14.5 MPLH.
- The average performance across all high schools was 8.2 MPLH (42.2 percent) less than the standard.

Overall, most schools are underperforming with regard to labor efficiency based on hours worked.

Recommendation 15: Increase campus staff productivity (meals per labor hour) to industry standards.

Over the next three to five years, every school should be able to achieve the low industry standard for productivity. The CND should establish short-term and long-term targets for MPLH, by school and districtwide, in connection with the recommendation in *Chapter 1 – Organization and Management* to develop measurable targets/objectives. These MPLH targets should then be used to assign staff to schools.

Additionally, several opportunities exist for the CND to achieve a higher productivity level. Through collaboration with site principals, the CND should evaluate the impact of lunch schedules and the number of lunch periods on productivity. Too many lunch periods can result in extended shifts for kitchen staff, where a more efficient lunch schedule could allow for the consolidation of shifts, serving more students in a smaller amount of time.

Other implementation strategies should also be considered:

- ☐ Analyzing the impact of the number of serving lines and workflow on productivity.
 - Each serving line requires staffing during service, but also during preparation. The number of serving lines used for each menu should be analyzed to look for consolidation opportunities.
- ☐ Analyzing the impact of menu offerings on productivity
 - Similar to the number of serving lines, the amount of menu offerings directly relates to labor hours required to prepare and serve.
- ☐ Identifying best practices from those Fort Bend ISD schools with higher productivity levels.
 - For example, at the high-performing sites observed by the audit team, the following best practices were observed:
 - Students moved very quickly through the serving lines because they had a solid understanding of what constitutes a reimbursable meal and could make appropriate food choices more quickly.
 - Poster-sized menus were hung in multiple high-performing schools making it easy to see and understand what was being served each day.
 - Multiple points of service were available in high-performing schools; some hallway serving carts were in use, expanding service beyond just the standard serving lines and the dining area beyond just the cafeteria by allowing students to eat in classrooms

- Meals were presented in a very appealing manner and food was batch-cooked to ensure freshness.

② Visiting other school districts with high CND staff productivity to identify best practices.

Position eliminations should be carefully planned so that food quality and customer service are not sacrificed during the transition.

Ultimately, the District should seek to achieve the high level of industry standard productivity.

Management Response:

Management agrees with this recommendation regarding meal services, but these are solely determined by site principals. CND has no authority over campus meal periods. Principal based decisions, such as Mega Lunch (block scheduling), have negative outcomes influencing meal participation and income.

As the new Child Nutrition software is implemented during SY 19-20, Meals per Labor Hour by campus reports will be generated and reviewed monthly to assist with staffing productivity. Once established, the department will utilize MPLH to identify and establish best practices for the campuses with higher productivities. Once best practices are identified, they will be implemented in the campuses with lower productivities by the SY 21-22.

Finding 15: The data for MPLH does not accurately reflect labor assignments.

The current MPLH tracking tool is based on scheduled hours from the *PeopleSoft* personnel report and total work hours tracked by site from the *Kronos* timekeeping system. Actual hours worked vary on average of 1 hour each day for every site compared to scheduled hours due to employees being moved from sites as needed and can range from -2.6 hours to +11.4 hours daily at some sites. While *Kronos* can track hours worked based on clock-in and clock-out times, the program lacks the ability to report hours worked by *unassigned* personnel when working at a site other than the one to which they are typically assigned. Thus, actual hours worked at each school are not properly reflected in the MPLH report, making it impossible to evaluate true labor needs at each school with complete accuracy.

Recommendation 16: Develop custom reporting to track employees by site worked.

Accurate labor data is critical for managing resource allocation across schools. A new report (within *Kronos* or outside *Kronos* if necessary) should enable the tracking of hours worked by site for each employee, whether permanently or temporarily assigned. This would allow for meaningful analysis of labor needs at each site.

Management Response:

Management agrees with this recommendation. At the time of the initial audit, labor hours were not reflective of the actual location worked by floating staff. This has been corrected by creating new transfer keys in Kronos which will charge the labor hours to the actual campus worked. This was implemented in the spring of 2019.

Training and Professional Development

In March of 2015, the final rule *Professional Standards for School Nutrition Programs Personnel* was published. This rule established training and development requirements for all employees in the SNP, not just at the school and district levels, but at the state level as well. Whether an employee is part-time staff at a school or a full-time director of a large organization, certain standards apply. As part of the requirements, employees must receive a minimum number of training hours per year and the training received must be job-specific. The rule also established minimum hiring standards for new program directors. Table 12 presents the minimum training hours required for each employee type based on their assigned job hours.

Table 12. USDA Professional Standards for All School Nutrition Program Employees

Role and Assigned Work Hours	Required Training Hours
All Directors	12 hours
All Managers	10 hours
All Other Staff (averaging 20 hours or more per week)	6 hours
Part-Time Staff (working less than 20 hours weekly)	4 hours

Source: USDA Professional Standards Website, 2018.

In addition to training standards and requirements, required tracking of completed training is also specified. Documentation of training may include agendas, sign-in sheets, and certificates of completion. Tracking must include at a minimum:

- Annual training hours completed by each program employee
- Key area training covered
- Training topics with learning objectives as listed in the *Professional Standards Learning Objectives*
- Topics with codes (available on the USDA Professional Standards Website)

Training topics are numerous and address many technical and management areas for school-based employees. HACCP training is broken up into weekly topics throughout the school district and documented at the site on a food safety training record.

Following is a list of training topics offered through the CND and District training programs:

- A la Carte / Sales
- Billing & Invoice
- Civil Rights Training
- Conflict Resolution
- Customer Service
- Financials
- Food and Supplies Orders/Pick Ticket & Receiving
- Freshloc & Equipment Maintenance
- Grocery Orders
- Health Department Training
- Kitchen Escape Room
- Mandatory Annual Trainings
- Marketing II
- National Food Groups
- Payroll
- PreK Participation
- Safety
- Team Building @ Campus
- Time keeping Training
- Alpha Pizza Training
- Chemical Safety
- Communication Skills/Skit Practice
- Counting & Claiming
- ESC Training and Password Information
- FMLA/Leave
- Free and Reduced Applications/HARP
- Fundraising/Smart Snacks
- HACCP
- Inventory
- Manager/Cashier Training
- Marketing
- Menus/Allergies
- Offer vs Serve/Cashiering
- Portion Control
- Production Records & Recipes
- Team Building
- Team Building/Training

Audit Finding and Recommendations

Finding 16: There is no formal training program for administrative and office staff.

A training program for site-based employees is in place; however, district-level roles and employees new to those roles are not supported through structured training or job-specific documentation. Instead, employees new to the Department rely primarily upon on-the-job training to become acclimated to new responsibilities. While on-the-job training can be useful, it does not provide a new employee with the depth of knowledge, skills, and information necessary to quickly acclimate and become proficient in their role nor to efficiently and effectively support food service site-based staff in child nutrition requirements. Lack of formal training can also result in employees missing the total number of required annual training hours prescribed by USDA. When a district does not meet employee training requirements, it can result in an Administrative Review finding.

Recommendation 17: Implement a CND administrative staff training program.

Administrative staff should be trained on both District specific responsibilities and State expectations. District-level responsibilities should first be documented by role and outlined in job-specific how-to guides. These job-specific guides should detail the daily, weekly, monthly, and annually recurring tasks and responsibilities specific to the CND's operations and each assigned role. Training courses using the newly created guides should be formed and taken by each CND administrative staff member.

In addition to job-specific guides, the CND should identify and assign to each district employee online and in-person training courses available from resources such as the State Agency (TDA), the local Education Service Center – Region 4 (ESC-4), the School Nutrition Association, and The Institute of Child Nutrition (The ICN). Hundreds of resources exist that can assist employees in their responsibilities as they related to the Child Nutrition Programs.

- TDA Resources: <http://www.squaremeals.org/FandNResources/Training.aspx>
- ESC-4: <https://www.esc4.net/nutrition/snp>
- SNA: <https://schoolnutrition.org/news-publications/news/2018/sna-has-a-new-hub-for-training-and-resources/>
- The ICN: <https://theicn.org/training/>

Management Response:

Management agrees with this recommendation. Implementation of processes started in the spring of 2019 with new hires including new hire checklist and some formal and informal training. The department will continue to work on developing a more formalized training for new hires by SY 21-22.

Finding 17: Insufficient training data is tracked to monitor training needs.

The current manual approach to tracking training hours greatly hinders the CND's ability to quickly determine which employees require additional annual training to conform to USDA standards, ensure staff are meeting requirements, and ensure staff are sufficiently trained to perform the job assigned. Manually tracking the information required by *Professional Standards for School Nutrition Programs Personnel*, which includes all employee training hours completed, training hours remaining, Key Area trained, Key Topic Code covered, and the date training occurred, is inefficient, using valuable management time when an electronic tracking system could facilitate a much quicker tracking and review process.

Recommendation 18: Implement a more efficient method of tracking training hours.

The CND should update their manual method of tracking and monitoring employee training hours. By implementing a tracking tool that is easily reviewed by management and employees, the following benefits would be achieved:

- **Reduce the risk of training related non-compliance** – Each employee, by hours worked weekly, must achieve specific USDA Professional Standards training hours annually. Lack of achievement can result in Administrative Review Findings and potential Fiscal Action.
- **Improve productivity and efficiency**
 - Employees who understand and can monitor their training requirements and achievements are more likely to participate and engage in the training opportunities offered.
 - Managers and supervisors who can monitor their employees' training requirements and achievement are better equipped to ensure their staff members are attending trainings as required and can thus put into practice the necessary skills and competencies for the job performed.
- **Enhance employee engagement and reduce turnover** – One of the most frequent drivers of employee turnover is lack of engagement in professional development. Without monitoring training needs, the program is risking staff discontentment with professional development. Staff that understand their training requirements and gaps are better engaged and tend to stay in their roles for longer periods of time.

The USDA Professional Standards Tracking Tool 2.0 is provided directly by the USDA for free and is widely used by CNDs across the country.

Management Response:

Management agrees that the CND should compare the tracking tools available and utilize the system that is best for our department. Primero could be the best option once we are fully implemented, estimated to be January 2020.

The department implemented a professional standards tracking spreadsheet in the SY 18-19 to track all CND employees training hours. This tracking form was developed based on TDA's state approved prototype. Since the time of the audit this recommendation has been fully implemented. We currently do a progress check on employees in November and April.

There is a "new" tool available with Primero that will be reviewed as soon as we successfully implement our new Primero software package. The Child Nutrition Department will determine if it makes sense to utilize the Primero tracking piece or stick with what we are doing today.

Finding 18: The CND lacks a leadership development program.

The CND does not currently have a method to identify and prepare site-based and district-level staff demonstrating leadership capabilities for specific growth opportunities. Without an identified leadership pipeline, the organization will be left to draw from external candidates that possess job-specific knowledge while at the same time lacking Fort Bend ISD-specific experience and knowledge. This can increase onboarding time when filling positions. This finding is related to Finding 6 in *Chapter 2 – Organization and Management*, which revealed the lack of any mechanism with which to identify high-performing employees at the school-level.

Recommendation 19: Develop a structured leadership development program to identify, grow, and retain effective future-leaders of the Department.

A structured leadership program should be developed to help the CND identify internal candidates who are experienced with the nuances of Fort Bend ISD; individuals who have proven themselves valuable to the organization for their verifiable skills and competencies. Developing staff from within reduces employee turnover and fosters an environment of continuous learning and growth. According to a recent Harvard Business School report on the state of leadership development in 2018, research found the following¹⁷:

- 66 percent of organizations that see learning and development as critical to success had a stronger market position than their peers.
- 48 percent of managers from such organizations agreed that their completion of such programs had paid big dividends in their ability to excel in their role.

¹⁷ http://www.harvardbusiness.org/sites/default/files/20853_CL_StateOfLeadership_Report_2018_6.pdf

- 57 percent of respondents from such organizations reported that learning and development has a major, positive impact on their organization's ability to promote leaders from within.

A leadership development program can incorporate many different types of content, developmental experiences, and approaches to identify and grow high-potential, high-performing employees. The creation of a leadership development program will require specific expertise in the areas of adult learning theory and instructional design, among other disciplines. A formalized project management approach is typically recommended to take a project of this nature from start to finish and it should involve other departments within the District who can bring their expertise and experience to the table to augment the strengths and experience that individuals within the CND may already possess. The CND should collaborate with the District Professional Development team who may be able to, at a minimum, provide guidance and information to the CND, perhaps engaging CND learners in some of the developmental opportunities already taking place within the District.

While the development of a home-grown solution will take time, other development opportunities exist to assist in the development of employees immediately:

- Education Service Center Region 4 offers Child Nutrition Training classes on a periodic basis, some of which is oriented toward the area of leadership development
- The Institute of Child Nutrition, part of the School of Applied Sciences at The University of Mississippi, offers education, training and technical assistance for child nutrition programs, much of it free and available online

Management Response:

Management agrees with this recommendation. The department implemented a new leadership academy in the spring of 2019 to identify, grow, and retain new leaders in the department. This includes the information meeting, application process, screening, and selection. The training is a collaboration between central office staff and select training cafeteria managers. During the 18-19 SY, managers have attended Manager's Academy training at ESC Region 4 (with three more managers accepted for SY 19-20), Meal Appeal University at ESC Region 4, Supervisors and managers are attending summer workshops at ESC Region 4, and ICN provided training during the 18-19 SY for all Central Office staff, managers and assistant managers.

Food and Nutrition Management

Because reimbursable meal program requirements are driven by federal law, districts throughout the country typically use the same or very similar products in order to meet requirements. Therefore, it benefits a district to master the variables available to it, executing those practices consistently and exceptionally in order to keep costs as low as reasonably possible while still providing a high-quality meal experience to students and adults alike. Of all the available variables, food cost is one of the most

frequently leveraged, often at the expense of quality. Following is a discussion of the variables available to District to provide high quality meals at reasonable prices.

Food Offerings

Menu choices allow students to select from several options, with a desired effect of attracting more students to the SNP. More options may also mean additional cost since more types of food are being prepared. Accordingly, it is important to balance these considerations when deciding on the number, variety, and frequency of meals provided to students. At the Fort Bend ISD CND, district menus follow a 3-week cycle. This means that every fourth week, the three-week menu repeats.

District and CND leadership have a desire to specifically address the varied cultural tastes present at each school, particularly at the middle and high schools where students generally display a much broader palette and affinity for different flavors. Due to the level of system work required to implement broad and varied menus with a greater variety of textures, smells and flavors appealing to a wider audience's diverse tastes, the process of designing and costing new menus that meet numerous cultural tastes is on hold until a new child nutrition system is implemented. The CND is planning to address the need for ethnically diverse menus after implementing the new system.

Food Cost

Evaluation of available District food cost data for 2016-17 shows a theoretical food cost of 46.4 percent for the CND. According to *School Food & Nutrition Service Management*, food cost should be managed to 40 percent of total CND revenues.¹⁸ For purposes of this analysis, items that are specifically categorized as *food* (Object Code 6341) and *commodities* (Object Code 6344) were used to determine the percentage of *food-related* expenditures to revenue. Typically, food used should also take into account the prior year's inventory available for use while subtracting out the evaluated year's inventory at the end of the year in order to arrive at a calculation of food used. This food used figure is then divided by revenue to arrive at a food cost percentage. However, at the time of the audit current year inventory (Object Code 3410) was not available, thus figures are based strictly off of food purchases plus commodity food. Table 13 presents the calculations of food cost as a percentage of total revenue for the past four years. This analysis shows that the percentage has fluctuated since 2014-15, with a three-point dip in 2015-16, leveling back to approximately 46 percent in 2016-17. Food costs then decreased in 2017-18, dropping 3.99 percentage points, however still remaining above the industry target of 40 percent.

¹⁸ Dorothy Pannell-Martin, Julie A. Boettger, *School Food & Nutrition Service Management*, 6th ed. (South Carolina: SFS21, 2014), 364.

Table 13. Food Cost Percent for 2014-15 through 2017-18

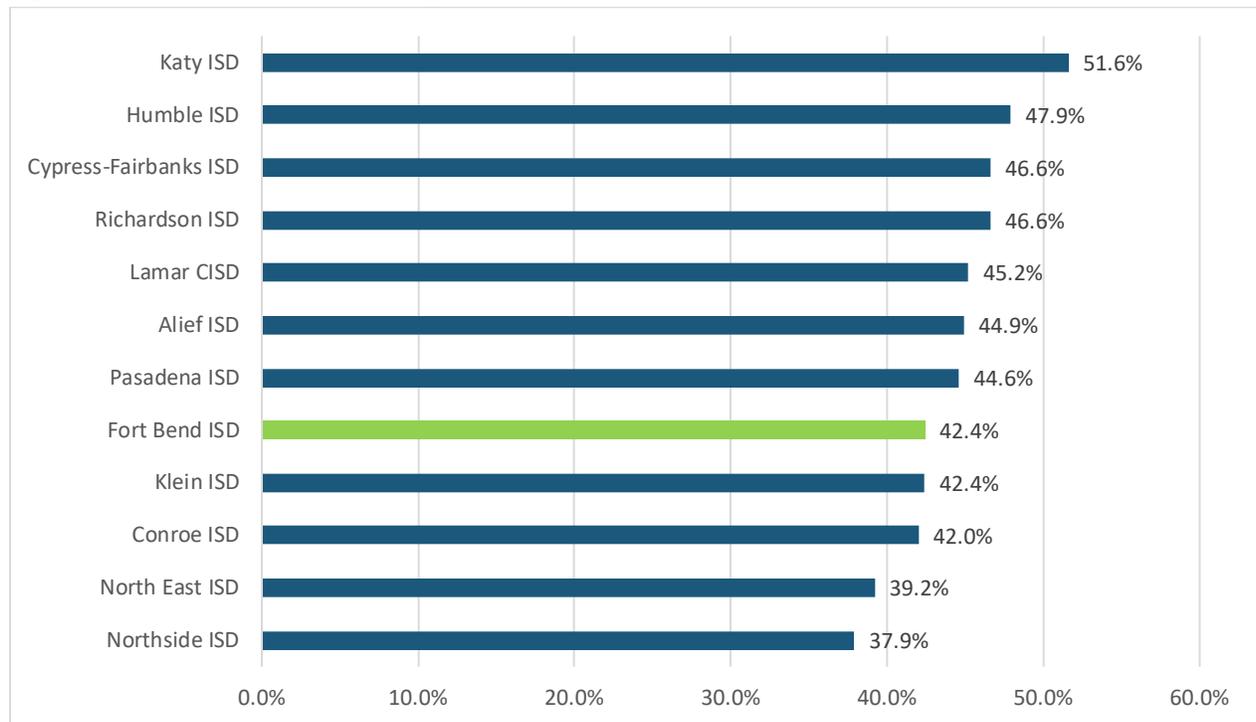
Item	2014-15	2015-16	2016-17	2017-18
Value of Food <i>(including commodities)</i>	\$11,597,579	\$10,558,339	\$11,770,455	\$10,791,857
Program Revenue <i>(including commodities)</i>	\$24,906,503	\$24,238,864	\$25,390,825	\$25,470,022
Food Cost % of Total Revenue	46.56%	43.56%	46.36%	42.37%

Source: TEA PEIMS District Financial Actual Reports

Note: Includes annual USDA Foods Values both as a source of Revenue and a Food Expense, which is how they are categorized in the PEIMS data.

Figure 14 compares Fort Bend ISD’s food cost percentage in 2017-18 to its peer districts. Four of eleven peers achieved a lower food cost percentage, while seven peers were higher than Fort Bend ISD. It is important to note that out of twelve districts, only two were at or below the industry target of 40 percent.

Figure 14. Food Cost as a Percentage of Total Revenues, 2017-18



Source: TEA PEIMS District Financial Actual Reports

Food Production

Food production within the District’s program is primarily heat-and-serve, with a few items that require the preparation, mixing, heating, and cooling of ingredients. Most recipes used are *same day* or *no cook*, with few that are considered *complex*. This approach reduces the number of steps, labor, time and cost of ingredients used to produce meals, but it also affects overall quality, reducing it to exactly what was provided by the manufacturer. Lower quality can occur when products are not stored, prepared, and/or held according to manufacturer specifications. Pre-cooked products do not leave much room for error. Small errors in storage, preparation and holding can degrade taste and texture, leading to reduced customer satisfaction and eventual impacts on participation.

Analysis of the most complex menu offered, the High School menu, showed that 14 percent of the items in the three-week cycle could be considered complex, while approximately 80 percent were *same day* and 5 percent were *no cook*. The High School menu offers 31 entree choices on a daily basis. Menu choices vary by school types, as shown in Table 14.

Table 14. Fort Bend ISD, Menu Mix of Three-Week Cycle Menus

Menu Item	Elementary (K-5 Grade)	Middle (6-8 Grade)	High School (9-12 Grade)
Main Entree Choices	31 Unique	29 Unique	56 Unique
Percent an Item Appears Only Once (Mix Variety; Higher is Better)	61.0%	51.7 %	19.6%
Hamburger / Cheeseburger Appears	9.6%	10.3%	100%
Pizza Appears	19.4%	6.9%	100%
Sandwiches Appear	25.8%	65.5%	100%
Chicken Appears	38.7%	41.3%	44.6%
Complex Recipes	32.2%	20.6%	14.2%
Same Day Recipes	58.1%	65.5%	80.3%
No Cook Recipes	9.7%	10.3%	5.3%

Source: Fort Bend ISD K-5, 6-8 and 9-12 Cycle Menus – Lunch

Food Security, Sanitation, and Safety

Food security at Fort Bend ISD is sufficient. Refrigerators and freezers can be locked, and non-CND staff are not permitted in food production or storage areas. However, while sanitation at some schools visited was passable, other schools raised concerns primarily due to dirty floors. Floors at numerous locations visited were in need of deep cleaning. However, most preparation, cooking, and serving equipment appeared to be clean and functional. As mentioned previously, Cafeteria Managers are required to post weekly cleaning schedules, assigning staff to specific cleaning duties, and these schedules were visible during the audit team’s visits.

The CND job descriptions outline cleaning responsibilities and duties. Each CND site-level job description has five such references; the SOPs contain 51 references to cleaning duties and responsibilities, and each site had a HACCP binder describing sanitation of all key operational items, although they referenced an older version of the food codes.

Production Records

Food production records are one of the most crucial documents completed and maintained by child nutrition employees. They include the daily quantities of foods prepared and served, necessary to demonstrate compliance with federal program requirements. Cafeteria Managers use production records for daily inventory tracking as well as food safety time and temperature control. Production records are completed daily by employees for each food item or recipe served. Each production record includes the quantity prepared and leftover, as well as food handling codes and temperatures. The Cafeteria Manager typically completes the record after running the end of day reports including any a la carte sales of items served.

Audit Finding and Recommendations

Finding 19: The CND is not accurately costing the impact of menu changes.

Across the contiguous United States, all reimbursable meal programs operate from the same Federal reimbursement rate structure with only minor variations in the reimbursement rates received. Lunch reimbursements consist of two primary components: 1) the reimbursement paid for the meal itself, and 2) the performance-based reimbursement which is an additional \$0.06 per lunch paid when a district's menus have been certified by the State Agency as being in compliance with all Health Hunger Free Kids Act requirements. The overwhelming majority of districts have their menus certified when they become a new sponsor under the authority of a State Agency. The only other variation that can occur is when a district has consistently high participation rates year after year, eventually earning them very minor increases in overall reimbursement.

At a minimum, in 2018-19 a district without performance-based reimbursement receives \$3.31 in total reimbursement per free lunch served, while a district with the highest level of participation would receive reimbursement of \$3.54 per lunch, the increase due to performance-based incentives. Breakfast reimbursements operate similarly although there is no performance-based reimbursement associated, and the rates received per meal are significantly lower.

A reimbursable meal program is required by law to be self-supporting, thus all operational costs, i.e. food, labor, paper, chemicals and any other costs, must be borne by the reimbursement received for all reimbursable meals claimed, plus any additional sales the district has beyond reimbursable meals, which are usually negligible by comparison. Accordingly, monitoring the cost of each meal is necessary to effectively manage a SNP.

An industry-standard goal is for overall food cost to average 40 percent or less. This means for every \$1.00 in food revenue, the food itself should cost approximately \$0.40. Because each meal on the menu differs in types and amounts of ingredients, none of which are exactly the same, per-meal cost will vary. Furthermore, some menu items will be more popular, and some less. If the more popular items average 48 percent food cost while the less popular items average 39 percent food cost, there will be a disparity and the overall cost for meals served will rise well above the desired 40 percent average. Thus, these costs should be monitored at the menu item level to ensure daily, weekly, and monthly menus do not average greater than 40 percent overall. Currently, cost at the specific foods and menu item level is not tracked. Because Fort Bend ISD tracks total overall food cost but does not track food cost at the menu item level, CND management cannot ensure the menu as designed will achieve the desired financial result.

Recommendation 20: Enhance recipes to include a food cost methodology.

Fort Bend ISD should implement a menu-item costing approach, enabling the tracking of menu cost by menu item, as well as menu cost per day, week, and month. In order to accomplish this, software should be implemented that will enable the tracking of inventory items and their prices, as well as menu items built with ingredients based on standardized recipes. The new food services information system selected by the District should accomplish this goal and should be implemented as quickly and efficiently as possible.

Upon successful completion of system integration, all inventory items and their prices should be entered, along with all standardized recipes used by the District. Once these are created the District can build daily and weekly compliant menus that meet all USDA regulations while also tracking the cost of each menu. From this basis, the District can then implement theoretical costing measures based on historical and projected sales of each menu item available. This would allow the CND to both measure the food cost as it occurs, and to better plan future food costs, with a goal to reduce food costs as a percentage of total revenue to 40 percent, the industry standard, or lower.

Management Response:

Management agrees with the recommendation. The implementation of the new Child Nutrition software will allow the department to accurately cost recipes and menu changes by SY 20-21.

Finding 20: The HACCP training manual is outdated.

The current HACCP training manual was last revised in 2014-15 and references the 2001 Food Code. There have been updated recommendations and most recent 2017 Food Code that include changes necessary for CND operations.

Recommendation 21: Update Standard Operating Procedures (SOP) and the Hazard Analysis and Critical Control Points (HACCP) manuals.

The CND should review and revise SOPs and HACCP training manuals to better align with current operation and local regulations. The most common SOPs can be downloaded from The Institute of Child Nutrition

from their website and include all required components of a compliant SOP. Each site manual should include only those SOPs that pertain to the operation at that site, while the CND manual should reflect all site SOPs.

Management Response:

Management agrees with this recommendation. Two sections of the HACCP manual were updated during SY 18-19. Both the HACCP and the SOPs are currently being revised with completion by SY 20-21.

Finding 21: The process for creating daily production records is manual and inefficient.

All nutrition programs nationwide must complete daily production records for each meal period served in order to sufficiently document food produced, used and left over such that enough meal components are shown to have been provided for each reimbursable meal claimed. Industry-wide, typical production records per meal period span one to two pages in length, but never dozens as do the Fort Bend ISD CND's versions. Because CND's production records consist of dozens of pages to be completed daily, they are time-consuming to complete. When sized appropriately, the production record tool not only supports the number of meals claimed, but it also serves as a production tool to ensure staff are aware of priorities in food preparation for the day, which job duties should be distributed to whom and at what times, orders can be efficiently planned, and so on.

During site visits the production records were observed to be very time consuming due to the complexity and manual process of entering and calculating amounts, taking up to 4 hours daily for one manager. In other districts visited by the audit team, these records take no longer than 10 to 15 minutes to complete. This impacts the school operationally and financially when the schools are unable to forecast and control inventory. The amount of time needed to complete production records also diminishes their usefulness as a management tool.

Recommendation 22: Automate food production records so they can be used as an efficient meal planning and preparation tool.

During the course of the audit, the CND selected Primero Edge as their new software system, which includes an electronic production record process and system. This is the recommended long-term solution. Until the system is fully implemented, the CND should adopt a much simpler paper-based production record template no more than a few pages in length per meal period. TDA has such a record available from their *NSLP Administration & Forms* website, the title of which is *Daily Food Production Record for Central Kitchen, Receiving Kitchen, and Onsite Kitchen*, downloadable in Excel format.

Management Response:

Management agrees with the recommendation. The implementation of the new Child Nutrition software will allow the department to implement electronic food production records for the 20-21 SY. During December 2018, Child Nutrition did implement a simpler, paper-based production record template. This was based on TDA's state approved Food Production Record form.

Finding 22: The CND does not have a formal food quality and compliance monitoring process.

In 2010 the School Nutrition Association (SNA) published the results of a school nutrition-related project, a formalized list of “Competencies, Knowledge, and Skills for District-Level School Nutrition Professionals.”¹⁹ Within this document are numerous items specifically addressing all major areas of program operations and compliance. Specifically, the topics of Quality and Compliance are addressed throughout the resource. A major driver of program success is the ability to effectively observe, assess, and direct program components in quantitative ways to ensure all requirements are met and quality objectives are achieved. In order to do this, quality and compliance activities must be articulated, defined and tied to job responsibilities at all levels.

After a review of all CND-provided documentation, site visits, and personnel interviews the audit team did not find evidence of a structured process to regularly review, assess, and address food quality and compliance-related performance. While food quality can mean quality from a safety standpoint, the audit team is referring to food quality from a taste, texture, and desirability standpoint, as well as to the quality of preparation in a manner that meets compliance requirements. Program participation usually suffers when food is not regularly checked for visual appeal and great, consistent taste. There are many reasons why this occurs, but primarily staff must know that taste and visual appeal are monitored and checked regularly otherwise quality tends to suffer.

Furthermore, monitoring how food is produced is important because simple mistakes or employee short-cuts can impact not just the quality, but the reimbursement potential of the meal. For example, if an employee mistakenly utilizes a scoop that is not big enough for the beef that is filling each enchilada, each enchilada will no longer credit for the meat component it was designed for according to the recipe. If that occurs, meals with components not meeting requirements can result in claims being disallowed by the state agency. Thus, quality impacts multiple facets of the organization and its ability to retain and grow both participation and revenues.

Recommendation 23: Implement formal food quality and compliance monitoring procedures.

The audit team suggests that the following information from the SNA serve as a starting point to help Fort Bend ISD move forward with a structured, program-specific approach to addressing the need to review, assess, and address both food quality and compliance-related performance. First, the functional area listed is in bold followed by the competency statement which is underlined, and finally each knowledge or skill statement associated is in italics. It is recommended this list be the basis to enhance current job descriptions at all levels as appropriate to facilitate quality and compliance observation, assessment, and direction toward greater achievement of child nutrition goals.

¹⁹ <https://theicn.org/resources/347/technical-reports/106593/cks-for-district-level-school-nutrition-professionals-in-the-21st-century.pdf>

I. Food Production and Operation Management**a. Develops a management system to ensure high standards for quality food production**

- i. Knows importance of, evaluates and improves methods for producing cost-effective, high quality food and beverages*
- ii. Knows, evaluates and continuously improves standards of food quality*
- iii. Develops food quality standards to assist SN staff in evaluating menu items prior to service*

II. Menu and Nutrition Management**a. Develops guidelines for planning menus that comply with nutrition standards and support operational goals of the SN program**

- i. Plans nutritionally sound menus that comply with federal, state, and local regulations*
- ii. Knows, evaluates and ensures effective communication of federal, state, and local regulations governing food and beverage sales*
- iii. Ensures all menu items served are consistent with nutrition standards and contribute to the development of healthy eating habits*

III. Program Management and Accountability**a. Establishes a system to ensure nutritional, financial, and regulatory accountability of the SN program**

- i. Knows, evaluates and effectively communicates federal, state, and local regulations and policies governing the SN program*
- ii. Knows current government standards, laws, and regulations to comply with nutrition objectives for meals/snacks served in the SN program*
- iii. Knows the records that are required for federal, state, and local compliance and the importance of accuracy and timeliness*
- iv. Knows the importance of following USDA guidelines when planning menus*
- v. Performs internal reviews/audits on all aspects of the program to identify and control problem areas*

- b. Provides leadership to position the SN program as an integral component of the school district
 - i. *Conducts regular meetings with SN managers to evaluate program performance, facilitate problem solving, and encourage information sharing*
 - ii. *Knows, communicates and effectively demonstrates fundamentals of continuous quality improvement processes*

After enhancements to job descriptions are made, the changes should then be reflected in the impacted SOPs, to ensure that a consistent approach is taken across locations.

Management Response:

Management agrees with this recommendation. A formal food quality and compliance monitoring procedure will be implemented by SY 22-23.

Procurement

Procurement standards have been a part of USDA regulations for some time. More recently, the Procurement Review (PR) process, similar to the AR process, has brought renewed attention to this aspect of program oversight. The District's CNP will be underwnt their first Procurement Review in spring 2019 and are waiting for the results of the review. Within proper procurement as defined by USDA are three tiers of purchase procedures, beginning at the federal level down to the District level. The USDA procurement types and thresholds are summarized as follows, taken from a State Agency "Quick Tips Guide":

1. Formal Purchase Procedures
 - a. In this tier of purchase procedures, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsive bidder whose bid, confirming with all the material terms and conditions of the invitation for bids, is the lowest price.
 - b. Public and Charter Sponsors have a Federally defined Formal Purchase threshold of \geq \$50,000.
 - c. Typically, Invitations to Bid (ITB) or Requests for Proposal (RFP) are used.
 - d. At the District level,
2. Small Purchase Procedures

- a. In this tier of purchase procedures are small purchases made via a relatively simple and informal procurement method for securing such things as services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold.
 - b. Public and Charter Sponsors have a Federally defined Informal Small Purchase threshold of \geq \$10,000 but less than \$50,000.
 - c. Typically, three qualified vendors are contacted, prices are quoted and documented, and the lowest responsive and responsible bidder is selected.
3. Micro-Purchase Procedures
- a. In this tier of purchase procedures are micro-purchases made for the purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold.
 - b. The Micro-Purchase threshold for Child Nutrition Program related items is less than \$10,000, and all sponsors must ensure either a single transaction purchase was under \$10,000 or if aggregate purchases were made, the total of these did not exceed \$10,000.
 - c. Additionally, purchases must be spread equitably among all qualified sources, while the purchase prices be considered reasonable.

The audit team observed proper procurement procedures for micro-purchases, small purchases, and formal procurements throughout the site visits and interviews. Documentation examples provided were thorough, included all required language, and demonstrated proper competitive procurement, as documented by the TDA PR process.

Another substantial procurement regulation impacting SNPs is known as the “Buy American” provision. Section 104(d) of the William F. Goodling Child Nutrition Reauthorization Act of 1998 (Public Law 105-336) added a provision, Section 12(n) to the National School Lunch Act (NSLA) (42 USC 1760(n)), requiring school food authorities to purchase, to the maximum extent practicable, domestic commodities or products. This Buy American provision supports the mission of the Child Nutrition Programs, which is to serve children nutritious meals and support American agriculture.

Equipment and Facilities Management

The CND purchases its own equipment. Certain aspects of equipment management and maintenance fall within guidelines articulated at the District level, such as the work order process for facilities and equipment repair. Overall CND equipment responsibility begins with the Child Nutrition Director who oversees all purchases, provides leadership regarding equipment needs, coordinates with the Construction and Design Department, as well as with the Maintenance Department. The Assistant Director CND Operations supervises kitchen equipment personnel, coordinating with the Supervisor Technical Kitchen Equipment to ensure equipment is repaired or replaced in a timely manner. The Supervisor

Technical Kitchen Equipment ensures all equipment is maintained, all repairs are completed in a timely manner, coordinates all work orders, installations, repairs, parts purchases and equipment purchases, overseeing any preventive maintenance activities that do occur; oversees kitchen and refrigeration repairmen.

When equipment or facilities need repair, CND staff at the school level are directed to work through the school office in order to get a work order placed. Beyond this, if an emergency situation arises, staff are directed to call maintenance, rather than input a work order.

Capital Equipment Replacement Program

With regard to capital equipment, the SNP typically maintains and repairs equipment until it is no longer fiscally prudent to do so. In many cases, kitchen equipment can last for decades with proper care and maintenance. Therefore, the CND replaces equipment if and when it is necessary. When necessity is determined, the CND follows written Board policies. All equipment purchases must follow local, state, and federal guidelines depending on the purchase amount.

With regard to the CND, district policy requires the program to obtain verbal or written quotes, including prices found online, in catalogs, and sales flyers, for all purchases under \$50,000. The district official making the solicitation is to obtain three quotes, and details are provided as to all required documentation to obtain and retain.

Audit Finding and Recommendations

Finding 23: The CND lacks a written Buy American compliance process at the District office and site level.

There is not a current process, at the Department or site level, for reviewing purchases or products received in the kitchen to monitor compliance with the Buy American provision. Several non-compliant items were observed in on-site reviews, which were not accompanied by proper paperwork to document their acceptance. Non-compliance with the Buy American requirement during an Administrative Review may result in a finding; if subsequent ARs determine repeat findings identifying Buy American non-compliance, fiscal action can be assessed at the discretion of the State Agency.

Recommendation 24: Implement a “Buy American” process and tracking for the District and CND sites.

In order to properly monitor vendors and products with regard to Buy American requirements, the following process should be put into place:

- I. Adopt TDA’s “Buy American Checklist for Non-Domestic Food Product Purchases” available from TDA’s website²⁰:
- II. Implement the following 3-part process at the site level:

²⁰ http://www.squaremeals.org/Portals/8/FND%20Forms/Program%20Forms/BuyAmerican_Checklist_180625.pdf

1. Monitoring When Receiving Deliveries
 - i. Review products as they are received to identify any non-domestic products.
 - ii. Review any substituted products to ensure they are domestic. If the country of origin information is not identified on product packaging, contact the vendor to obtain this information.
 - iii. Implement the process for addressing the vendor's non-compliance if any non-domestic products are received.
2. Monitoring All Areas Where Food Products are Stored
 - i. Review all storage areas to identify any non-domestic products periodically. (It is suggested to monitor while conducting a monthly physical inventory.)
 - ii. Identify any non-domestic products in storage areas.
 - iii. Implement the process for addressing the vendor's non-compliance if any non-domestic products are newly identified.
3. Process to Address Vendor's Non-Compliance
 - i. If an unapproved non-domestic product is identified:
 - a. If found during delivery reject the product if the need for the product in meal production will allow a delay.
 - b. Pull the product from storage and/or indicate that the product should not be used if found while reviewing areas where food products are stored.
 - ii. Notify the vendor that an unapproved non-domestic product was received and that a replacement with a domestic product, per the contract, is required to be provided.
 - iii. Document the incidence of the vendor's non-compliance of the Buy American Provision in the contract.
 - iv. Use the penalty clause in the awarded contract to assess penalties for incidences of noncompliance with the contract provision. (Penalty clause may include fines for multiple violations.)
 - v. Use the Termination clause for termination of the contract for noncompliance of contractual requirements once the SFAs policy requirements for termination have been reached.

- vi. Consider the vendors non-compliance record when evaluating whether or not they are considered a responsible bidder to receive awards of future procurement solicitations.

Management Response:

Management agrees that at the time of the audit, there was no Buy American process in place. In December of 2018, a written Buy American procedure was implemented at both the site level and central office.

Finding 24: Inequity exists across campuses regarding the amount and status of equipment, primarily convection ovens.

Based on observations made during site visits, there was an unequal distribution of working equipment within some sites. Some equipment identified during site observations was old and in need of frequent repair, while other newer equipment observed in other sites was not in use, despite being in perfect working order. Specifically, visits to campuses identified sites with multiple double-stack ovens installed, however staff only use the top ovens. When interviewed, staff explained that the lower ovens are typically not used because of difficulties associated with bending down to place food in those units. Instead, these lower ovens were used as storage areas for extra pans, oven mitts, and other miscellaneous items. An oven used as a storage unit is an inefficient use and costly waste of program resources that should be more equitably distributed.

Although the District has an extensive list of equipment and tracking, the data are not translated down to the actual site and its daily operation, meaning the report does not describe which equipment is working, which equipment is not, nor how many items are available for use at another location.

Recommendation 25: Reallocate kitchen equipment based on school need.

To maximize the utility of CND equipment, schools should only have equipment needed to fulfill their service obligations.

Specifically, the District should perform the following tasks with regard to ovens:

1. Identify each site with lower ovens (in a double-stack unit) that are not being used for cooking.
 - i. Indicate the phase-type and voltage, or the gas type of each oven not in use.
 - ii. Indicate the make and model of each oven, and if possible, take a picture of the way in which the support legs connect to the underside of the oven. If necessary, locate each oven's manual online and determine the leg type needed to support a single oven (as opposed to the double-stack orientation in which it is currently installed).

2. Identify each site with ovens needing repair and/or not equipped with the number of ovens needed for efficient operation.
 - i. Indicate the phase-type and voltage available, or the gas type available.
 - ii. Determine if enough capacity exists to install one or more additional ovens.

3. From the sites identified with oven needs, prioritize redistribution of ovens based on the urgency of the need relative to production capacity required and the capacity to support additional ovens from those available.
 - i. Because double-stack configured ovens will be reconfigured, the specific oven legs will need to be identified and ordered for the number of ovens being reconfigured. For example, a single double-stack oven modified into two single-stack ovens will require two sets of appropriately configured legs with accompanying bolts.
 - ii. In the case of electric ovens accommodation will need to be made prior to oven transport to ensure the receiving site is setup for electrical connectivity.
 - iii. In the case of gas ovens accommodation will need to be made prior to oven transport to ensure the receiving site is setup for additional gas connectivity.
 - iv. The proper number of service personnel with appropriate experience (electrical/gas) will need to be determined and mapped out in order to:
 1. Uninstall the ovens from their current location, reconfiguring a double-stack oven into a single-stack.
 2. Transport the oven(s) from their current location to the receiving location.
 3. Install the legs and connect the formerly lower oven into a single-stack oven at the receiving site.

A similar process should be followed for all other equipment that may be inefficiently assigned to schools.

Management Response:

Management agrees with this recommendation. During SY 18-19, onsite visits were used to begin identifying unused excess kitchen equipment. In the spring of 2019, equipment moves began with the moving of a dish machine and double stack convection oven from Meadows Elementary to Sugar Mill Elementary and Dulles Middle School. By SY 22-23, the department hopes to have all unused excess kitchen equipment reallocated.

Finding 25: The age and status of some equipment is negatively impacting efficiency.

During site observations, equipment such as steamers were determined to be beyond their useful life but were still being repaired regularly because of two main reasons. First, the steamers are seen as a necessity, thus must be repaired for the kitchen to be productive. Second, the staff does not have the necessary skills to use other functioning equipment to perform the same activity. Inefficient use of CND resources to repair equipment beyond its useful life as well as the inability to ensure staff can perform their roles with working equipment already onsite produces issues in ensuring efficient meal production and service, and fosters employee resentment because employees feel they are asked to perform jobs for which they lack sufficient working equipment.

Recommendation 26: Implement a preventive maintenance monitoring plan and procedures.

Preventive maintenance is a key aspect of fixed asset management. When appropriately performed, preventive maintenance can increase the useful life of assets and reduce the overall cost to the District, as the cost spent on preventive maintenance is less than the cost of a major repair. A preventive maintenance plan should be either borrowed from a neighboring peer district or created in order to prevent the unnecessary, costly, and inefficient repair of equipment that has exceeded its useful life and is no longer efficiently operating.

Table 15 contains sample preventive maintenance activities and the frequency they need to occur. The CND should expand this list to meet its needs.

Table 15. Sample Preventive Maintenance Program Schedule

Preventive Maintenance Activity	Activity Frequency
Clean walk-in fridge and freezer condenser coils	Semi-annually
Clean upright fridge and freezer condenser coils	Annually
Clean cold-table condenser coils	Annually
Clean milk cooler condenser coils	Annually
Clean ice machine condenser coils	Every 4 months
Inspect and capacity test kitchen coolers and freezers	Annually
Change compressor oil and cores where necessary	Per manufacturer specifications
Clean grease traps	Every 3 months
Inspect and clean convection and combi-oven motors and windings	Annually
Inspect and clean steam table and steamer plumbing	Annually

Preventive Maintenance Activity	Activity Frequency
Review small-equipment cleaning with manager	Annually
Perform cost-benefit analysis of continued repair versus replacement or end-of-life and removal of unit	As necessary

Source: Gibson Consulting Group, Inc.

Management Response:

Management agrees with the recommendation. To begin assistance with this needed process, two additional kitchen technicians were hired in the spring of 2019. In addition, the department began purchasing needed replacement equipment (dish machines, combi ovens, and convection ovens) which will begin the reduction of needed service calls. This will allow a preventative maintenance schedule to be established by SY 22-23.

Recommendation 27: Provide supplemental equipment training for the kitchen staff.

Irrespective of the age of a piece of equipment or the preventative maintenance program in place, occasionally equipment will fail. In these instances of failure, the kitchen staff should be prepared to use additional methods of cooking or service to fulfill their food service responsibilities. The CND should create training guides outlining steps for kitchen staff to perform if a key piece of equipment fails and cannot be repaired before production. Additionally, training should be expanded for kitchen staff so each member knows how to properly operate every piece of equipment in the kitchen.

Management Response:

Management agrees with the recommendation. An equipment cross training schedule and process will be fully implemented by SY 23-24. This may include the development of items such as a kitchen equipment cross training manual/guide, training logs, vendor training, etc.

Appendix A – Audit Site Visit Roster

- Charles Dupre, Superintendent
- Steve Bassett, Chief Financial Officer
- Anne Strodbeck, Director of School Nutrition
- Kathleen Collins, Sr. Business Partner Human Resources
- Beth Garcia, Pablo Gomez, Tiffany Ireland, Brook Early, Kathleen Collins: Assistant Directors, School Nutrition
- Brook Early, Business Analyst
- Carol White, Donna King, Maria Gomez, Elizabeth Ramirez, Michelle Miller, Ashley Channel, Kathleen Jones-Graves: Supervisors, School Nutrition
- Carolyn Hoss, Jamie McLaggan, Stephanie Guidry-Means, Mayra Sanchez, Cristina Velasco: Specialists, School Nutrition
- Linda Ankner, Dietician
- Mary Storenski, Training Supervisor
- Charles Hickman, Kitchen Technical Supervisor
- School Nutrition Manager (Office)
- Technicians, School Nutrition
- Clerks, School Nutrition
- Principals and various administrative personnel encountered during visits at:
 - Sugar Land Middle School
 - Stephen F. Austin High School
 - Briargate Elementary School
 - Ridgemont Elementary School
 - Willowridge High School
 - Scanlan Oaks Elementary School
 - Missouri City Middle School



- Thurgood Marshall High School
 - George Bush High School
 - Hodges Bend Middle School
 - Heritage Rose Elementary School
 - Clements High School
 - Cornerstone Elementary School
 - Walker Station Elementary School
 - Sartartia Middle School
 - Dulles Middle School
 - Colony Bend Elementary School
 - Colony Meadows Elementary School
- School Staff (in groups) and the Managers from the following sites, by Manager and Site name:
- Vivian Getro - Sugar Land MS
 - Marla Rivas - Austin HS
 - Melvinia Merritt - Briargate ES
 - Rosa Salinas - Ridgemont ES
 - Lanita Arceneaux - Willowride HS
 - Yadira Lara - Scanlan Oaks ES
 - Leslie Calzadilla - Missouri City MS
 - Grace Olushola - Thurgood Marshall HS
 - Beverly Hurd - George Bush HS
 - Annie Hernandez - Hodges Bend MS
 - Isabel Guajardo - Heritage Rose ES
 - Michelle Mclean - Clements HS
 - Sylvia Calvillo - Cornerstone ES
 - Daniel Mattison - Walker Station ES
 - Tammie Marlow - Sartartia MS
 - Emily Lara- Dulles MS

Appendix B – Sample Appraisal Instrument

CHILD NUTRITION STAFF PERFORMANCE APPRAISAL			
PeopleSoft _____	Evaluation Period _____		
Name _____	Department/Campus _____		
Position _____	Evaluator _____		
Title _____			
Overall	E	Exceeds	Performance exceeds expectations
Rating Scale:	P	Proficient	Performance meets expectations
	I	Needs Improvement	Performance does not meet expectations
	N/A	Not Applicable	Performance is not expected

Directions: Use the above descriptors to rate each skill by using a check mark (✓) in the appropriate box. Determine the overall job performance by reviewing all ratings.

General Skills	E	P	I	N/A
1. Works cooperatively with others				
2. Participates in meetings, training and special events				
3. Follows oral and written instructions from supervisor				
4. Follows district policies and procedures				
5. Provides safety and security for self and others				
6. Completes assignments on time and accurately				
7. Follows attendance and punctuality rules				
8. Demonstrates appropriate job knowledge				
9. Maintains neat and orderly work area				
10. Uses, maintains and stores work material properly				
11. Identifies and responds to problems effectively				
12. Communicates effectively				

Specialized Skills	E	P	I	N/A
1. Properly accounts for cash receipts and any other food service funds				
2. Maintains high standards of food production safety and quality				
3. Maintains safety and sanitation standards for kitchen and equipment				
4. Provides effective training and supervision of assigned employees				

Performance goals:

General comments:

Employee comments:

Overall performance rating (check one)			
<input type="checkbox"/> Exceeds	<input type="checkbox"/> Proficient	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Not Applicable

<i>This evaluation has been discussed with me by my supervisor. I have read and received a copy of it.</i>			
_____	_____	_____	_____
Employee's Signature	Date	Evaluator's Signature	Date