

Roanoke City Public Schools

Audit Committee Meeting

February 18, 2022 at 11:00 AM

School Administration Building - Media Center

40 Douglas Ave, NW, Roanoke, VA 24012

1. Call To Order

The Committee Chair will call the meeting to order.

2. Food Services Follow Up Audit

Documents:

[ITEM 2 FOOD SERVICES FOLLOW UP AUDIT .PDF](#)

3. Purchasing Follow Up Audit

Documents:

[ITEM 3 PURCHASING FOLLOW UP AUDIT.PDF](#)

4. Preliminary Discussion - FY23 Audit Plan

Documents:

[ITEM 4 AUDIT HISTORY - RCPS FY22.PDF](#)

5. Other Business

The Committee Chair will ask members of the Committee and staff if they have any other business for discussion.

6. Adjournment

The Committee Chair will adjourn the meeting.

MUNICIPAL AUDITING REPORT CITY OF ROANOKE



School Food Services Follow-up

October 22, 2021

Report Number: 22-008
Audit Plan Number: 21-107

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AUDIT OBJECTIVES & CONCLUSIONS

1. Did Food Services Management conduct audits and develop procedures to ensure costs billed by Sodexo were appropriate and accurate?

No – Quarterly monitoring procedures to evaluate payroll costs, observe inventory, and monitor other significant or unusual costs billed by Sodexo were not performed as planned, largely due to time and effort required to adapt operations during the pandemic.

Monthly procedures to recalculate management and administrative fees were implemented in FY 2021. Food Services Management also performed vendor confirmations over costs during the follow-up showing Sodexo's records for vendor purchases were comparable to vendor sales records.

2. Did Sodexo provide a timely annual budget with detail sufficient for Food Services Management to evaluate planned operations?

No – Budgets for FY 2021 and FY 2022 were provided by Sodexo after the December 15th due date outlined in the food service contract. Management stated that they did not request the FY 2021 budget due to the contract having to go out for bid in 2020. The Virginia Department of Education allowed Divisions to extend contracts due to the pandemic, which RCPS opted to do for FY 2021. Another extension was granted for FY 2022.

The budgets that were provided did not include comparisons to prior year costs or key assumptions that would enable RCPS to effectively evaluate changes and estimates.

3. Were parents, teachers, and students included as part of the RCPS Food Services Committee to assist in menu planning?

Yes with Qualifications – The Food Services Committee in FY 2020 and FY 2021 had two (2) meetings each year with the required members outlined in 7 *CFR* 210.16(a)(8) part of the committee. Principals served in the place of teachers on the advisory board.

4. Were on-site accountability reviews conducted by RCPS in a timely manner with accurate documentation supporting reviews?

Yes with Qualifications – Reviews performed during FY 2020 (not applicable during FY 2021 due to operational changes with the COVID-19 pandemic) were documented as being completed by the statutory February 1st deadline. A review form for one (1) site was not on-

file for our review. Follow-up on an issue at one (1) site was performed late based on federal regulations basing timeliness on calendar days instead of school days.

5. Were analytical procedures to evaluate inventory consumption at individual schools performed?

No – Sodexo provided monthly reports for purchased food and supplies along with commodity goods inventory on-hand during FY 2021. Due to the ongoing COVID-19 pandemic during this timeframe, Food Services management did not analyze these reports.

The reports provided were not sufficient to evaluate consumption as they did not list deliveries in or out, only ending balances. Sodexo's periodic inventory system does not distinguish how goods and supplies are used. Other strong control processes to prevent or detect improper product and supply consumption are not present.

6. Did RCPS compare commodity goods received and used for accuracy with the activity reported by Sodexo in their monthly operating statement?

No – RCPS designed a process to review various source documents for commodity good receipts, distributions, and ending inventory on a monthly basis. Calculation errors were present in their reconciliation though that resulted in comparison figures inconsistent with commodity good receipts reported by the Virginia Department of Agricultural and Consumer Services (VDACS).

End of Audit Objectives and Conclusions

BACKGROUND

Roanoke City Public Schools (RCPS) Department of Food and Nutrition is responsible for administering daily aspects of school food service. Their mission is to “fuel students for success by providing high quality, nutritious meals to students.” They operate the following programs to meet this mission:

- National School Lunch Program (NSLP)
- School Breakfast Program (SBP)
- Summer Food Service Program (SFSP)
- Child and Adult Care Food Program (CACFP)
- Fresh Fruit & Vegetable Program (FFVP)

Each program listed above is administered federally by the United States Department of Agriculture (USDA). The Virginia Department of Education’s Office of School Nutrition provides oversight over program functions while the Virginia Department of Agriculture and Consumer Services (VDACS) oversees the distribution of USDA commodity goods to public schools and other recipient agencies.

The NSLP and SBP have traditionally been the largest programs administered by RCPS. During the COVID-19 pandemic, meal service shifted from traditional cafeteria-based delivery to remote distribution. The meals distributed during FY 2021 were served under the SFSP (breakfast, lunches, and suppers) and CACFP (after-school snacks). Despite the challenges posed from shifting operations during the pandemic, RCPS was able to serve 2,181,510 meals and 289,241 snacks during FY 2021.

The COVID-19 pandemic significantly impacted daily food services operations for RCPS and Sodexo.

These shifts also impacted Food Service Management’s ability to carry-out action plans designed following the original audit.

All RCPS schools were covered under the Community Eligibility Provision (CEP) in FY 2021, providing free meals to all students enrolled in the Division. CEP was authorized through the Healthy, Hunger-Free Kids Act of 2010 without the need to process eligibility applications for students. RCPS is in turn federally reimbursed at rates established annually for meals served. Due to the pandemic, schools nationwide are operating under a USDA waiver to operate Seamless Summer Option and provide meals at no cost to students in FY 2022.

Outsourced Food Services with Sodexo

RCPS contracted with SodexoMAGIC (“Sodexo”) in April 2016 to manage its food services operations. The contract runs annually but includes up to five (5) automatic renewal options, each of which has been accepted by RCPS and Sodexo. The VDOE allowed the Division to extend the contract in FY 2021 and FY 2022 due to the ongoing COVID-19 pandemic.

The contract operates on a cost-reimbursement basis for goods and services. Sodexo invoices RCPS monthly for all costs the company incurs to operate food services. The monthly bill also includes a management and administrative fee based on meal equivalents served. Meal equivalents are contractually set annually to align with USDA approved reimbursement rates. Contract requirements also specify that Sodexo generates a minimum annual financial return (\$483,927 in FY 2021) that, if not met, results in a reduction of Sodexo’s management and administrative fee. The financial return for RCPS is necessary to fund the Division’s administrative costs such as utilities, maintenance, and capital equipment replacements.

RCPS continues to employ two (2) primary personnel, the Director and Assistant Director of Food Services, to monitor contractor performance, complete required reporting, and satisfy other regulatory tasks. A Food Service Technician was hired in FY 2020 to help coordinate the replacement and repair of equipment in school cafeterias, all of which is owned by RCPS. An additional part-time position, the Food & Nutrition Program Monitor, was also added before the start of FY 2022 to assist with on-site accountability reviews and other on-site monitoring activities.

Original Audit Results

We performed the initial food services audit in FY 2019, approximately three (3) years after RCPS outsourced food services to Sodexo. Given the shift from in-house to outsourced operations, our planning focused significantly on understanding the regulatory requirements for oversight of food service management companies (7 CFR 210.16) along with the contractual requirements between RCPS and Sodexo. Our original audit identified the following issues during planning:

- RCPS was not conducting internal audit procedures over costs billed as outlined in the contract with Sodexo in section 2.17(G)
- Sodexo did not provide budgets by December 15th as required by contract section 2.4 and lacked detail on significant year-over-year changes and assumptions.
- The Food Services Committee that was created to provide input on menu planning as specified by 7 CFR 210.16(a)(8) did not include required student representatives.

The audit objectives were as follows:

<u>Objective</u>	<u>Result</u>
<p>1 Was there any impact on student participation, financial viability, or the utilization of local suppliers associated with outsourcing food services?</p>	<p>Student participation under Sodexo was comparable to participation levels prior to outsourcing. Participation increased when RCPS began participating in the CEP in FY 2016.</p> <p>The food services fund continued to generate year-end surplus and to be fiscally sound.</p> <p>Local supplier utilization was substantially the same or greater after outsourcing.</p>
<p>2 Did Sodexo bill RCPS in accordance with the terms and conditions of the contract (in FY 2018)?</p>	<p>Costs were materially correct though we did identify \$8,158 in credits mistakenly entered as charges. Sodexo posted adjustments in February 2019 to correct the identified error.</p> <p>Recommended that RCPS strengthen their processes for monitoring contract compliance by conducting internal audits and by requiring reports from Sodexo that provide more detailed information on cost components.</p>
<p>3 Did RCPS accurately report meal equivalents (in FY 2018)?</p>	<p>Appropriate controls were in place to help ensure meal count data was accurately reported.</p> <p>Annual site accountability reviews should be completed more timely, no later than February 1st.</p>
<p>4 Does Sodexo have appropriate inventory procedures in place for both purchased and USDA donated foods (as of 9/1/2018)?</p>	<p>Existing inventory system and processes were reasonably sound to ensure food and supplies were accounted for and stored consistent with USDA requirements.</p> <p>Processes were not designed to identify issues related to inventory shrinkage.</p>

End of Background

Objective 1: Internal Audits

The contract between RCPS Food Services and Sodexo stipulates that RCPS will conduct quarterly internal audits of food, labor, and other large expense items as well as random audits of smaller expense categories. As the contract is on a cost reimbursement basis, this clause exists to ensure RCPS retains oversight of the costs incurred in food services operations.

During the original audit, we found internal audits were not conducted, and RCPS had not developed procedures to ensure costs were appropriate or accurate. We evaluated the costs billed by Sodexo in FY 2018 for two (2) months and found the charges were materially accurate. RCPS developed an action plan establishing goals for routine monitoring procedures throughout the year.

- Monthly: Request the Client Revenue & Expense Report and Ending Inventory from Sodexo. Re-calculate Management & Administrative Fees.
- Quarterly: Request the Accounts Payable (AP) Detail and Depreciation Schedule from Sodexo. Review for significant/unusual items.

Furthermore, in alternating quarters, RCPS planned to do the following:

- Review payroll registers
 - Observe inventory counting processes
 - Review Primero Edge (production) reports
 - Analyze vendor discount volumes
- Annually: Request a summary of vendor expenditures from Sodexo's accounts payable detail report. Using the detail, conduct independent vendor sales confirmations to compare with Sodexo's reported expenditures with those vendors. RCPS planned to follow-up on any significant variances.

Action Completed / Issues Resolved – No

Follow Up – September 2021

Scope: We reviewed RCPS monitoring activities present during the FY 2021 school year.

Results:*Monthly Monitoring*

RCPS used a monthly *Close-out* sheet to verify the accuracy of Management & Administrative fees charged by Sodexo. We reviewed a sample of four (4) months close outs and supporting documents:

- The charges on the monthly invoice agreed to Sodexo's Operating Statement and *Client Revenue & Expense Detail*.

We scanned the *Client Revenue & Expense Detail* report for unusual postings. Charges in general were consistent with the expectations we developed in the original audit. We requested supporting documentation for \$14,143 of "Vehicle Operating Costs" based on the posting source varying from our expectation. Sodexo's support showed these charges were for rental vehicles and the associated fuel costs. Sodexo had utilized delivery vans during the pandemic to help with meal distribution.

- The number of meals served in Sodexo's operating statement substantially agreed with RCPS meal counts, after adjusting for timing differences.

We verified meal counts and fees invoiced by Sodexo agreed to totals reported in their operating statement. Meal counts independently calculated and reported by RCPS to the Summer Food Service Program and the Child and Adult Care Food Program materially agreed with Sodexo's reports. There were timing differences in monthly meal comparisons as Sodexo closes each month within five (5) business days while RCPS takes additional time to verify all meals served have supporting documentation before submitting their reimbursement claim. Food Service reported 6,340 more meals served in FY 2021 than Sodexo on a meal equivalent basis, a **0.3%** difference equating to ~ \$1,560 in under-billings by Sodexo for management and administrative fees.

À la Carte sales were supported by monthly cashier reports from Café Enterprise and catering event revenues were supported by invoices provided by Sodexo.

- Management & Administrative Fees were properly recalculated to ensure appropriate billings based on meal equivalents served.

Meal equivalents are a function of the meals served as defined by a formula outlined in the Food Services contract between RCPS and Sodexo. Each of the following equates to one (1) meal equivalent:

- 1 Lunch Meal
- 2 Breakfast Meals
- 4 After School Snacks
- 1 Supper Meal
- \$3.7193 of a la carte and catering sales (agrees with approved USDA and Virginia lunch meal reimbursement rates)

We verified RCPS correctly calculated the monthly management & administrative fees owed to Sodexo. Fees charged by Sodexo were in accordance with the contract.

Quarterly Monitoring

RCPS management was unable to perform quarterly monitoring procedures in FY 2021 due to time needed for routine operational assessments and to address changes stemming from the COVID-19 pandemic. However, RCPS did request the two (2) reports they thought would be needed for quarterly monitoring, which Sodexo did provide:

- Accounts Payable Detail for quarters ending September 2020 and March 2021

Sodexo provided this report in Adobe PDF format, which cannot be readily sorted or filtered to identify patterns and anomalies. RCPS should ask Sodexo to provide the same data in Excel so that it can be more easily analyzed.

Vendor confirmations would also be an effective way to validate expenses invoiced by Sodexo.

- Depreciation Schedules for quarter ending March 2021

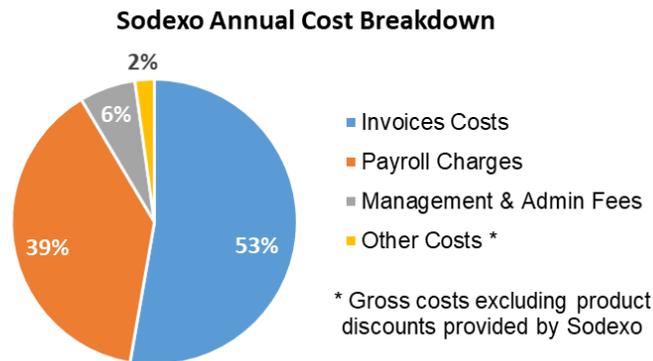
Sodexo has the option to bill expenses for higher cost items, small equipment, and prepaid charges over a number of months rather than in the month purchased, to avoid large fluctuations in monthly invoices. A periodic review of the depreciation schedules used by Sodexo to spread these costs ensures items are appropriate and are billed over a reasonable period.

All items appearing on Sodexo's March 2021 *Depreciation Schedule* were consistent with things required for the Division's food services operations. The charges allocated on the *Depreciation Schedule* agreed to the expenses listed in the *Client Revenue & Expense Detail* for March 2021. Furthermore, in analyzing depreciation charges for the other months sampled, we determined the charges were reasonable.

RCPS did not review payroll registers or observe inventory counts in FY 2021. There were also no production reports from Primero Edge made available for our review.

Annual Confirmations

Sodexo’s *Accounts Payable Detail* for FY 2021 and the June 2021 Operating Statement (year-to-date costs) showed 53% of charges billed to RCPS originated as invoices that can be subject to vendor sales confirmations:



The confirmation process allows RCPS to corroborate amounts billed by Sodexo against independently provided sales information from primary vendors. If charges have been appropriately billed by Sodexo, confirmations should show sales figures that agree with Sodexo’s record of purchases from vendors. We utilized vendor confirmations in the original audit to validate costs billed by Sodexo.

Due to the COVID-19 pandemic, RCPS did not perform vendor confirmations in FY 2020 and had not performed confirmations for FY 2021 when we began our follow up audit (June 2021). RCPS management decided to perform confirmations once Sodexo provided its final operating statement for FY 2021. Confirmation procedures were ultimately performed by the Director of Food Services in November 2021 with the following results:

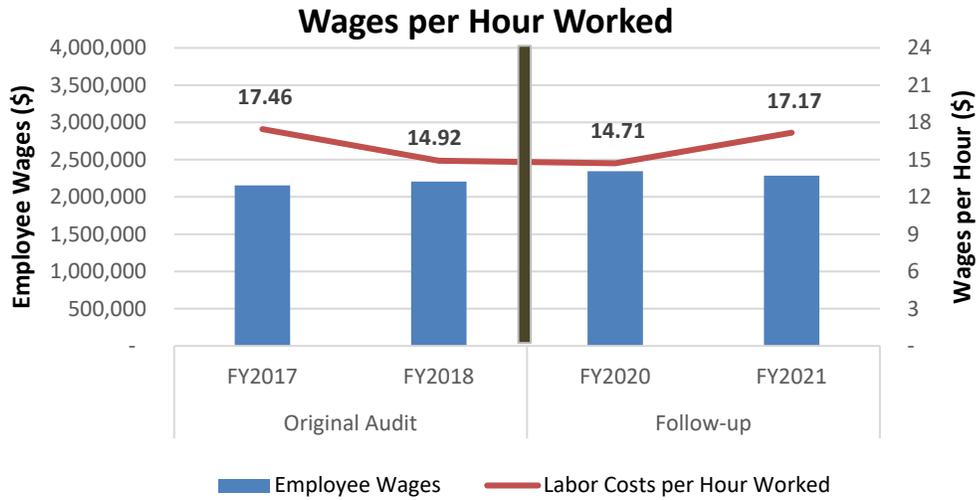
Vendor	Purchases Confirmed	Sodexo's Records	Confirmation Variance	Confirmation % Variance
United Dairy	688,953.85	691,390.37	2,436.52	0.35%
US Foods - Roanoke	2,440,522.94	2,416,453.13	(24,069.81)	-1.00%
Roanoke Fruit & Produce Co.	388,570.91	383,515.04	(5,055.87)	-1.32%
General Sales of Virginia, Inc.	91,443.48	91,048.88	(394.60)	-0.43%
Crook Brothers Produce	14,502.04	14,502.04	-	0.00%
Total	3,623,993.22	3,596,909.46	(27,083.76)	-0.75%

Annual Analytics Over Other Costs

Since planned monitoring procedures had not been completed, we performed an analytical review of labor costs, vendor rebates, and insurance costs, looking at key financial and non-financial ratios. We evaluated FY 2021 against FY 2020, as well as against metrics from our original audit covering FY 2017 through FY 2018.

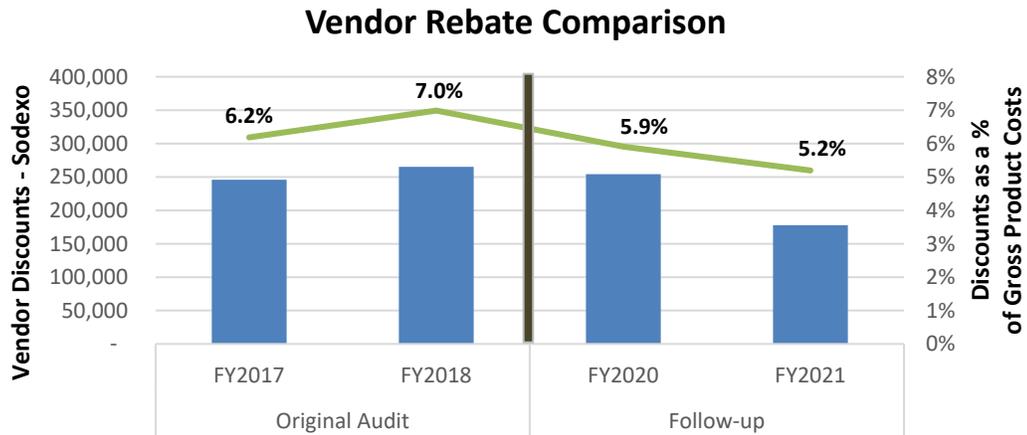
- Labor costs: Labor costs declined during FY 2021 primarily due to lower employment during the pandemic. The hours worked as reported by Sodexo in their June 2020 operating statement declined by 16%.

On a per hour basis, labor costs increased substantially from the prior year and previous levels observed in the original audit. This was expected by RCPS management though, as a \$2 pay increase, approved by the School Board, was provided to Sodexo employees during the COVID-19 pandemic.



Benefits and Payroll Taxes as a percentage of total labor costs declined slightly compared to levels in FY 2020 and the prior year audit. Given the declining costs are a positive trend, further analysis was not performed.

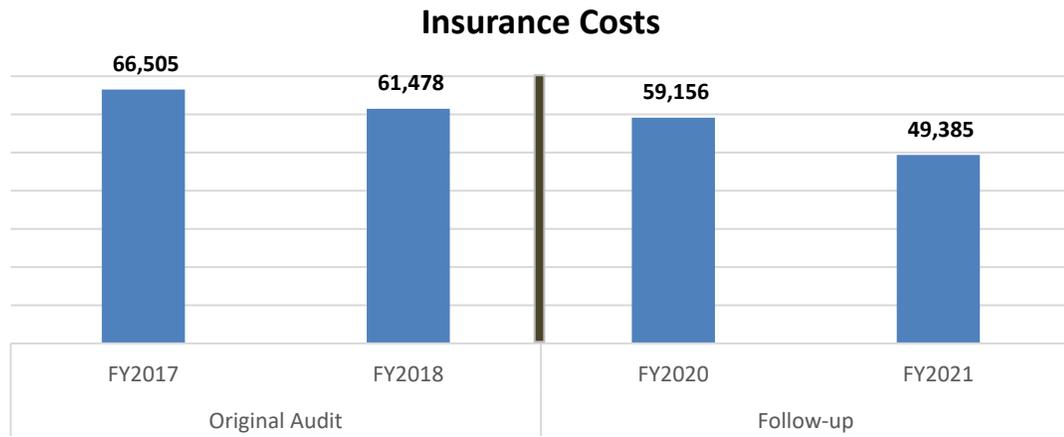
- Vendor Discounts: As part of the cost-reimbursement contract, Sodexo is obligated to pass through all discounts associated with purchased food to RCPS. We analyzed discounts as a % of gross product costs expecting discount levels to be comparable with prior years. Actual figures showed a relative decline in discount percentages in FY 2021:



This decline was likely related to the nearly 21% decline in Sodexo’s gross product costs in FY 2021. The type of meals served in FY 2021 changed from prior years due to the shift from hot meals served in the cafeteria, to meals more suited to remote distribution and storage. These factors contributed to a lower expected incentive rate.

- **Insurance Costs:** Analysis during the original audit showed Sodexo maintains a variety of insurance for operations. General liability insurance and worker’s compensation are the two primary policies maintained by Sodexo in terms of annual cost.

The cost for general liability insurance fluctuates depending on Sodexo’s revenue from operations (amount billed to RCPS). Worker’s compensation charges are based on payroll wages. Therefore, we compared overall insurance charges against Sodexo’s revenues and payroll costs. Both ratios were comparable with prior years. Overall insurance costs were down from prior years, coinciding with lower revenue and payroll levels:



End of Objective 1

Objective 2: Sodexo Budget

The food services management contract between RCPS and Sodexo contains a clause (section 2.4) requiring Sodexo to submit an annual budget by December 15 of each year, or earlier if requested. The contract outlines the need for the budget to allow RCPS to incorporate it into their annual budget and to demonstrate the food services fund's ability to be self-supporting. While Sodexo establishes prices, labor costs, and food costs in its budget, the contract specifies that RCPS retains ultimate control over these and other appropriate elements of food service.

In FY 2019 we noted the budget submitted to RCPS Food and Nutrition was not provided in advance of the School Board adopting the Division-wide budget. The budget Sodexo provided contained limited details, including only one page of financial figures and was missing key elements recommended by the Government Finance Officers Association (GFOA) as part of a budget document:

- Definitions of what each line item expenditure represents / includes.
- \$ and % change from prior year budget and prior year actual.
- Explanations of the basis for significant changes in individual line items from prior year.
- Key assumptions that if not met could have significant impact.

Food and Nutrition management planned to request additional detail from Sodexo in their budget. Management indicated a formal written request would be sent to obtain a budget by December 15th. If not received timely, another formal letter would be sent requesting the budget again, informing Sodexo's General Manager and District Manager. December payment for services would be withheld until received.

Action Completed / Issues Resolved – No

Follow Up – August 2021

Scope:

We reviewed supporting documentation surrounding budgets for the FY 2021 and FY 2022 school years. Budgets were due by December 16, 2019 and December 15, 2020, respectively.

Results:

During FY 2020, RCPS and Sodexo were in the final renewal period available under the contract. Due to the renewal of the contract being subject to competitive bids in the spring 2021,

a budget was not requested. Requests for Proposals from prospective vendors would include budgeted cost projections for which service bids would be evaluated. Food and Nutrition management did not feel it would be appropriate for Sodexo to provide a budget given the contract would be open for bid as it could show a presumption of continued service.

During the RFP process, the VDOE advised school divisions that they could extend existing food service contracts for one (1) year due to the COVID-19 outbreak. RCPS and Sodexo agreed to extend services another year in order to focus on adjusting operations in response to the pandemic. Sodexo provided a budget for the FY 2021 school year to RCPS and the VDOE at their request in April 2020.

As the COVID-19 pandemic continued, the VDOE provided another extension to the procurement requirement on January 25, 2021. The VDOE requested Sodexo's budget for FY 2022 be provided by April 1, 2021, and asked that the format align with the standard RFP cost format that details projected gross costs and costs on a per meal basis.

Sodexo's FY 2021 and FY 2022 budgets were the same one-page documents cited as insufficient in our original audit. The FY 2022 budget provided to the VDOE provided additional cost detail including costs on a per-meal basis. However, it did not include the \$ and % change from prior year budget and prior year actual, or key assumptions on which the budget was based.

A stronger budget with clearly defined assumptions would promote collaboration between RCPS and Sodexo, as well as provide benchmarks for gauging performance. It can also help guide decisions during the course of a year when unexpected circumstances arise.

End of Objective 2

Objective 3: Advisory Board

For any School Division that outsources operations to a food services management company, federal regulations in 7 CFR 210.16(a)(8) require an advisory board be established. The Board should include parents, teachers, and students and should assist in menu planning. The contract with Sodexo requires that Sodexo participate in the formation, establishment, and periodic meetings of the Advisory Board.

At the time of our original audit, the RCPS Food Services Committee served as the required Advisory Board but did not include any student representatives. Food and Nutrition Services planned to do the following:

- Add a student promotion coordinator from William Fleming and Patrick Henry High Schools that would be approved by the School Board no later than November.
- Have Sodexo present proposed menus and new promotional items for taste testing to the Food Services Committee.
- Document the purpose, goals, constituent membership, support staff and frequency of meetings for the Food Services Committee.

Action Completed / Issues Resolved – Yes with qualifications

Follow Up – August 2021:

Scope: We reviewed Food Services Committee minutes for FY 2020 and FY 2021.

Results:

The Food Services Committee as reflected in the minutes:

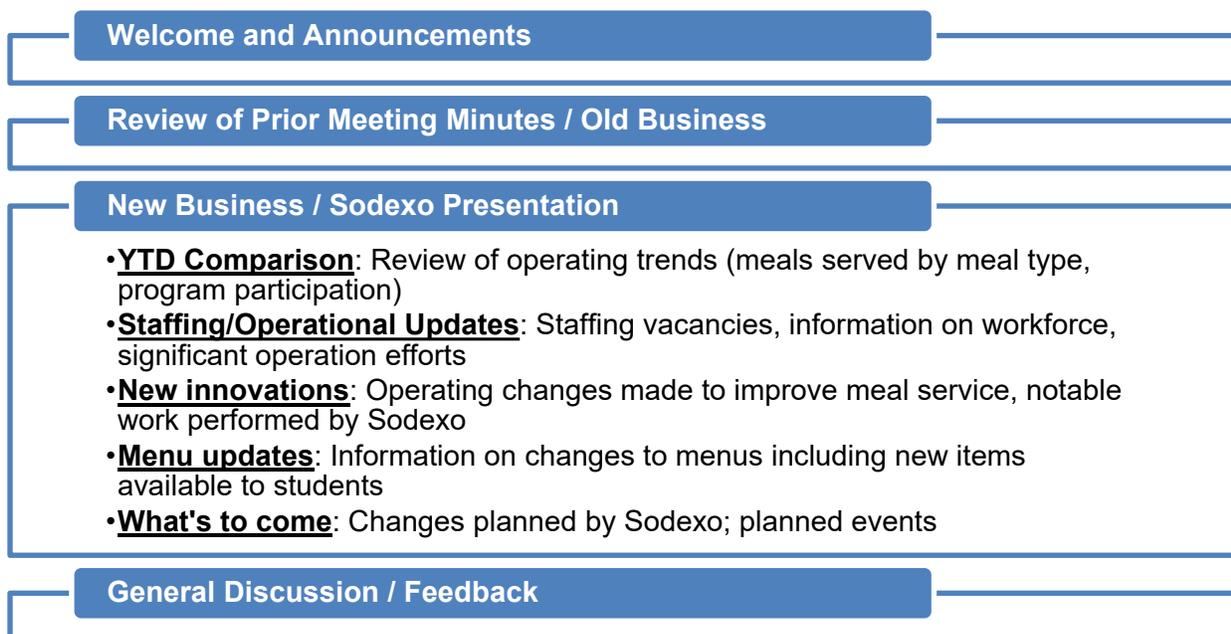
Required Stakeholders	# Members FY 2020	# Members FY 2021
Parents	1	1
Teachers *	3	3
Students	2	2
Food Services Staff	1	1
Central Administration	1	1
School Board Liaison	1	1
Community Representatives	1	1
Total Members	10	10

* RCPS appointed three (3) principals in FY 2020 and FY 2021 to satisfy the requirement for teacher representatives. Regulation 7 *CFR 210.16(a)(8)* does not indicate that principals are an appropriate proxy for teacher representation on the advisory board.

Food and Nutrition Services appointed a student promotion coordinator from both Patrick Henry and William Fleming High Schools. We verified both were enrolled as RCPS students during FY 2020 and FY 2021. There were two (2) committee meetings in both FY 2020 and FY 2021 (4 total). The Committee’s second meeting in FY 2021 was held on June 29, 2021, and was not attended by the student promotion coordinators or the parent representative. The Code of Federal regulations is silent on stakeholder attendance or frequency of meeting requirements.

Sodexo participated in each of the Food Services Committee meetings and agendas included asking for feedback on menu items. During the June 29, 2021 meeting, Committee members were offered samples of meals Sodexo planned to serve from their new food trucks beginning in August 2021.

Minutes outlined the following general structure to each meeting:



The Committee directly sought student feedback, in particular the October 2019 and January 2021 meetings. At the conclusion of every meeting, the RCPS Director of Food Services provided her contact information to participants in case they had any questions for her. The Food Services Committee substantially satisfies the Federal regulatory goals of strengthening oversight of outsourced food service operations and ensuring stakeholder input on menu planning.

End of Objective 3

Objective 4: Accountability Reviews

RCPS Food Services & Nutrition department performs on-site accountability reviews annually for each school that serves meals under the National School Breakfast Program (NSBP) and National School Lunch Programs (NSLP). Reviews are performed in accordance with federal regulations in 7 *CFR* 210.8(a)(1) as a self-monitoring tool to ensure the counting and claiming system at each site is appropriate. Compliance with other federal requirements that are readily observable at serving sites are also incorporated into these reviews.

During the FY 2018 school year, we identified issues with conducting reviews and subsequent follow-ups in a timely manner:

- On-site reviews were not completed by February 1st (federal mandated deadline) for 11 of 26 schools [42%]
- Required follow-up to ensure issues detected in the initial review had been addressed were not completed for two (2) schools; one follow-up was not performed within 45 days.

We also noted some steps on review forms were not marked as having been completed, and some were inadvertently marked as indicative of an issue when none existed.

Food Services & Nutrition planned to assign reviews among its two (2) staff members and to use a checklist to monitor completed reviews. The goal was to complete all reviews prior to winter break. After winter break, staff planned to review each other's documentation for accuracy and completeness.

For sites that required follow-up, Food Services planned to notify Sodexo's resident General Manager and Supervisor of the 45-day window to correct issues, and to add the date for follow-up to their calendars.

Action Completed / Issues Resolved – Yes with Qualifications

Follow Up – August 2021

Scope: We reviewed Annual On-Site Accountability Review documentation for the Breakfast and Lunch Programs conducted during FY 2020. Reviews were not applicable in FY 2021 due to operational changes precipitated by the COVID-19 pandemic.

Separate on-site reviews for programs operating during FY 2021 required under the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP) were not reviewed.

Results:

The Director of Food Services & Nutrition provided a checklist showing that reviews were split between the Director and Assistant Director as planned, and that all required reviews were completed.

We audited on-site review documentation for a sample of 13 schools (50% of the 26 schools) looking at completeness, accuracy, and timeliness:

- 12 of 13 Review forms were on file
 - Virginia Heights Elementary's review form could not be located. In scanning all other completed forms available (25), this was the only school missing.
 - Minor documentation errors were noted on two (2) sites' forms
- Review forms were signed by the preparer and initialed by the reviewer
- 12 of 12 completed review forms showed on-site reviews were performed by February 1st in accordance with 7 CFR 210.8(a)(1)
- 1 of 12 sites required a follow-up review
 - Follow Up was not conducted within the required 45 calendar days
 - Food Services mistakenly thought 45 school days were allowed for follow up

Overall, Food Services & Nutrition substantially implemented their action plans as stated, resulting in more timely on-site reviews and more complete documentation. Implementation of the 45 calendar day basis for follow up should help ensure future compliance with 7 CFR 21.8(a)(1). We consider this action plan to have been sufficiently implemented.

End of Objective 4

Objective 5: Inventory Monitoring Procedures

Our review of monthly billings from Sodexo to RCPS for FY 2018 showed food and supplies costs are based on the product consumed during the month. As Sodexo operates on a periodic inventory system, the product and supplies consumed are calculated as follows:

- $(\text{Beginning Inventory} + \text{Deliveries}) - \text{Ending Inventory} = \text{Consumption}$

Commodity goods are donated through the United States Department of Agriculture (USDA) and the Department of Defense (DoD), reducing the school division's need for purchased products. These donated goods are tracked and inventoried by Sodexo in the same manner as purchased goods, under a separate periodic inventory system. A short coming of the periodic inventory approach is the inability to monitor and quantify losses due to spoilage, waste, and pilferage. RCPS in turn cannot monitor Sodexo's effectiveness at controlling these types of losses.

In response to this risk, RCPS planned to receive reports from Sodexo showing purchased food and supplies along with commodity inventory by individual school site. From these reports, RCPS would track food costs as a percentage of total expenditures and as a cost per meal. These analytical measures could serve as a detective control to identify schools with consistently higher consumption levels that could indicate inventory mismanagement.

Action Completed / Issues Resolved – No

Follow Up – September 2021

Scope:

We analyzed reports received by RCPS from Sodexo during FY 2021, selecting a sample of the following four (4) months to determine if monitoring procedures had been implemented:

- September 2020, October 2020, March 2021, April 2021

Results:

RCPS management has been receiving monthly reports from Sodexo that RCPS expected to use as a basis for the inventory monitoring process. However, the sudden operational changes that began in March 2020 due to the pandemic created new priorities superseding adoption of the new inventory monitoring process.

Purchased Food & Supplies

Sodexo's monthly summary of purchased food and supplies by school site breaks out product / supplies by categories (produce, meats, cleaning supplies, etc.). The monthly summary shows ending inventory values but does not report deliveries in or out. We confirmed the schedules were consistent with Sodexo's monthly *Client Revenue & Expense Reports*. However, without the data showing deliveries in and out, the total value of purchased goods consumed cannot be calculated for each school.

Commodity Goods

Sodexo provided two (2) separate reports showing ending inventory levels for commodity goods:

- *Consolidated Commodity Inventory Report*: Shows the division-wide commodity inventory goods by type of product held at month-end.
- *Commodity Inventory Extension by Location*: Breaks out the consolidated inventory report by each site, showing the specific product (apples, bananas, canned corn, etc.) held in inventory.

Similar to purchased goods inventory reports, these would need to include the value of deliveries in and out in order to determine commodity consumption at each site. As a result, we were unable to compare the cost of goods consumed by each school for either the purchased goods or commodities.

Sodexo's Processes to Monitor Consumption

RCPS does not believe Sodexo has any systems or processes in place to monitor for excessive spoilage, waste or pilferage. Sodexo did not respond to our direct inquiries.

The Division's contract specifies that Sodexo must generate a guaranteed level of excess funds (i.e., fund balance). If Sodexo's operational costs are not sufficiently low to provide the stated excess from federal reimbursements and cafeteria sales, the Division reduces Sodexo's management fee to cover the difference. RCPS Management believes this contract provision sufficiently incentivizes Sodexo to effectively manage inventory shrinkage risks. Given management's position on cost controls, competing priorities, and expected challenges in obtaining complete data from Sodexo, this audit observation will be cleared and will not be included in future follow up audits.

End of Objective 5

Objective 6: Commodity Inventory Reconciliations

Federal Regulation 7 CFR 250.54 requires recipient agencies (RCPS) to maintain the following records relating to the use of donated foods in its contract with a food service management company (Sodexo):

- 1) The donated foods and processed end products received and provided to the food service management company for use in the recipient agency's food service;
- 2) Documentation that the food service management company has credited it for the value of all donated foods received for use in the recipient agency's food service in the school or fiscal year, including, in accordance with the requirements in § 250.51(a), the value of donated foods contained in processed end products; and
- 3) The actual donated food values used in crediting.

RCPS must also ensure Sodexo is in compliance with the CFR requirements. This includes conducting a reconciliation, at least annually and upon termination of the contract, to ensure Sodexo has credited the Division for the value of all donated food received through federal programs.

Sodexo reports the value of federally donated food received and used in their monthly operating statements to RCPS as an operating statistic. We noted discrepancies in Sodexo's reported figures for the year ended June 30, 2018, when compared to RCPS records.

RCPS management planned to compare the commodity goods received with those reported by Sodexo monthly. RCPS also planned to obtain month-end inventory reports from Sodexo to calculate inventory consumption and evaluate Sodexo's reporting accuracy. Any variance would be recorded and discussed with management.

Action Completed / Issues Resolved – No

Follow Up – October 2021

Scope:

We reviewed Fiscal Year 2021 commodity inventory records.

Results:

RCPS receives an annual allotment of commodity food inventory to utilize in food services operations. The Virginia Department of Agriculture and Consumer Services (VDACS) operates the distribution program on behalf of the United States Department of Agriculture (USDA). Based on the availability of commodity goods and menu needs, RCPS is able to order goods at no cost for use in food service operations.

RCPS receives commodity goods through two (2) federal programs:

- USDA Commodity Goods: These are ordered by RCPS and shipped to a local warehouse distributor (Hackney) along with the goods of other recipient agencies in the region. RCPS completes a *Commodity Delivery Notice*, typically twice per month during the school year, informing Hackney which schools to send commodity goods.
- USDA Department of Defense (DoD) Fresh Fruit and Vegetable Program: RCPS is able to divert a portion of the USDA Foods entitlement dollars to buy fresh produce. These goods are ordered through a separate vendor and shipped directly to schools in the City. Orders are placed through the DoD's Fresh Fruits and Vegetables Order Receipt System (FFAVORS). Reports can be generated from FFAVORS to show order history.

VDACS records show RCPS received commodities valued at \$344,657 during FY 2021. This is slightly more than 10% of the total product costs charged by Sodexo during the year, providing a substantial offset of product costs.

RCPS calculates the commodities used on a monthly basis for comparison to Sodexo's operating statements (*FMS Monthly Commodity Usage* spreadsheet). The following source documents serve as the basis for comparisons:

- Receipts: *Value of Commodities Received Report* (USDA goods), *FFAVORS Summary Usage Report* (DoD goods), and *Commodity Delivery Notices* showing the movement of goods from Hackney warehouses to RCPS cafeterias (prepared internally).
- Inventory Levels: *Remaining Commodity Allocation Report* (Hackney inventory) and *Sodexo's Consolidated Commodity Inventory Report*

Upon close inspection, we noted errors in the *FMS Monthly Commodity Usage* spreadsheet prepared by RCPS using the documents mentioned above. As a result, the spreadsheet reported a substantially higher value of donated foods than VDACS:

RCPS Received	VDACS	Variance	% Variance
\$ 407,566	\$ 344,657	\$ 62,909	18.2%

RCPS's calculation included *Commodity Delivery Notices*, which effectively double counted those goods as they represent transfers of goods already received by Sodexo. Annual reporting totals also contained errors, as the formula excluded July, August and September activity from the fiscal year totals.

Total USDA and DoD donated goods receipts recorded by RCPS were comparable to the VDACS records (slightly more than 1% variance), providing indications the source document information was appropriate:

	RCPS	VDACS	Variance
Total Commodities Received	\$ 341,023	\$ 344,657	\$ 3,634

Other keying and formula errors were noted. RCPS calculation of October 2020 inventory held at Hackney had incorrect per-unit costs entered for two products and excluded one product from the on-hand inventory calculation. Their *Commodity Delivery Notices* in the same month did not include all products in the value calculation.

While these errors do not impact annual reporting figures, they do impact RCPS's monthly reconciliation. The reconciliation should be able to detect these calculation errors as it verifies the ending inventory reported in Hackey's *Remaining Commodity Allocation Report* is consistent with the inventory calculated by RCPS based on VDACS deliveries to Hackney and *Commodity Delivery Notices*.

Sodexo's reporting on donated goods closely mirrored the incorrect numbers computed by RCPS, indicating Sodexo relied on RCPS provided numbers in lieu of source documents:

	Received	VDACS	Variance	% Variance
RCPS	\$ 407,566	\$ 344,657	\$ 62,909	18.2%
Sodexo	\$ 411,645	\$ 344,657	\$ 66,988	19.4%

	Used	VDACS *	Variance	% Variance
RCPS	\$ 583,034	\$ 315,530	\$ 267,504	84.8%
Sodexo	\$ 583,411	\$ 315,530	\$ 267,881	84.9%

* Calculated as the commodities held in inventory by Sodexo at 6/30/2020 + VDACS receipts (above) – commodities held in inventory by Sodexo at 6/30/2021

Based on a periodic inventory methodology, we believe RCPS should revise its formula for calculating commodity usage as follows:

$$\begin{aligned} & \text{Sodexo Beginning Inventory} \\ & + \text{Inventory Received by Sodexo} \\ & - \text{Sodexo Ending Inventory} \\ & = \text{Commodity Goods Used} \end{aligned}$$

In order to effectively monitor commodity inventory activity, RCPS should update the inventory calculation, and separately track inventory held by Hackney on behalf of RCPS from inventory provided to and maintained by Sodexo. Sodexo should independently track receipts; RCPS can use the monthly reconciliation to ensure Sodexo is accountable for goods.

End of Objective 6

SUMMARY OF MANAGEMENT ACTION PLANS

Management Action Plan – Sodexo Budget	
<p>In the RFP for Food Service Management for the 2022-2023 school year RCPS will request a preliminary budget by December 15th from the Food Service Management Company (FSMC) with assumptions and comparisons to prior year actual results. The preliminary budget will be requested by December 15th in rollover years 2, 3, and 4. Additionally, the RFP will include language requiring that the FSMC submit their final budget to RCPS by April 1st on the budget template provided by VDOE- Appendix B in roll over years 2, 3, and 4.</p>	
Assigned To	Target Date
Ellen Craddock, Director of Food Services	7/01/2022

Management Action Plan – Internal Audits	
<p>Food Services will continue to utilize monthly close-out sheets to verify the accuracy of management and administrative fees. In addition, Food Services will request that the FSMC state in its monthly Child Nutrition Briefing if purchases were made in that operating month that are going to be allocated over time.</p> <p>Food Services will observe monthly inventory count procedures at random sites at least twice yearly to verify FSMC personnel are knowledgeable of the inventory count procedures and food safety storage procedures.</p> <p>Food Services will request supporting documentation of FSMC payroll costs for 1 month from each quarter. Food services will inquire about variances or discrepancies.</p> <p>Food Services will request a report of Vendor Discount Allowances semi-annually based on purchases July 1-December 31 and January 1- June 30.</p> <p>Food Services will request a vendor expenditure summary from full A/P detail from the FSMC. In addition, Food Services will obtain independent external sales information from vendor contacts and compare totals, investigate any significant variances by comparing vendor support and the FSMC’s A/P detail.</p>	
Assigned To	Target Date
Ellen Craddock, Director of Food Services	11/15/2021

Management Action Plan – Commodity Inventory Reconciliations	
<p>Food Services will use the revised tracking spreadsheet with updated formulas to track inventory received, distributed, and held by the FSMC for food service operations.</p>	
Assigned To	Target Date
Ellen Craddock, Director of Food Services	10/31/21

End of Summary of Management Action Plans

MANAGEMENT COMMENTS

On the afternoon of March 13, 2020, our world was turned upside down. President Donald Trump announced a national emergency. Nationwide, historic school closures were taken as a precaution to control the spread of COVID-19. In a 72-hour period the Department of Food and Nutrition in partnership with SodexoMAGIC and collaboration of administration, school board members, teachers, bus drivers, bus aids, maintenance workers and operation workers transitioned its entire food service operation from serving lines to bus routes. We all worked around the clock for the biggest pivot of our careers.

The enactment of the Families First Coronavirus Act allowed the USDA Food and Nutrition Service to release multiple waivers for school nutrition programs to respond to the national emergency. We adapted and worked together to insure no child went hungry. We worked from 4 central kitchens- Fallon Park, Round Hill, William Fleming, and Patrick Henry. Sodexo worked with local vendors to source food that could be packed and distributed by bus. They contacted suppliers for t-shirt bags and bagging systems. The milk crate became essential in all our packing. We stacked prepared meals in crates and loaded them on the buses. RCPS began with over 150 bus routes—no stop was missed. We ran routes daily. Then we streamlined the routes and stops by half to make the process more efficient. Next, we reduced the delivery days to three days a week and packed multiple meals at a time. Then, we learned that we could send meals for weekends, so we added more meals. What we never would have anticipated was the need for refrigerated trailers and trucks. We procured 2 refrigerated trailers and 2 refrigerated box trucks. US Foods also loaned us 3 refrigerated trailers. We were packed to the gills with food. For the first time in our career, we had to think about the coordination of moving trucks and trailers from school to school based on need. We coordinated with the Grounds Department to keep them fueled, until we ultimately hired a local vendor to fuel the trucks and trailers. The trucks and trailers had to have temperature monitoring systems installed to ensure the food stayed safe. We sourced a temperature monitoring system and installed it. We continued this process through the summer of 2020 with nagging wonder of what the new school year would look like.

The new school year brought many more pivots as our instructional model changed each nine weeks to get more students on site to learn while mitigating COVID-19. We learned how to deliver breakfast and lunch to classrooms while packing up bulk meals for weekly pick-up at 10 locations. Weekly bulk pick-up included 7 breakfast meals, 7 lunches, 7 snacks and 7 suppers. Every time we changed our service model, we had to update our USDA Summer Food Service Program application and USDA waivers. We had to consider our new counting and claiming methods, models, and “tick sheets”. In addition, we worked with local day cares, virtual learning centers and Goodwill to provide meals to children under 18. For every site we sponsored the USDA Summer Food Service Program and Child and Adult Care Program we had to monitor it twice. The third visit was waived.

The Department of Food and Nutrition worked with Sodexo and Administration to plan 3 successful large curbside distributions. Before leaving for the Thanksgiving Holiday, we provided 110,000 combined meals at curbside distribution. Families even received turkey, potatoes, green beans, gravy, and rolls. Before Christmas break, we provided 333,000 combined meals at curbside distribution. By Spring Break, we had large curbside distributions figured out and planned for 3 car lines at each high school. We provided more than 68,000 combined meals for Spring Break. With the support of teachers and administration the Department of Food and Nutrition in partnership with Sodexo served more than 3 million meals from March 17, 2020, through June 30, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (CARES) brought additional relief to RCPS families through funding for Pandemic EBT (PEBT). Students who were learning virtually and who were eligible for free or reduced lunch would receive SNAP benefits monthly. RCPS participates in the Community Eligibility Provision division wide, meaning that all students were eligible for free lunch. The Virginia Department of Education (VDOE) requested school nutrition programs to send lists of eligible students monthly. VDOE sent these lists to VDSS (Virginia Department of Social Services). While VDSS distributed benefits, RCPS was inundated with phone calls about PEBT benefits. There were 7 rounds of PEBT benefits from May 2020-August 2021.

RCPS Food and Nutrition operates multiple USDA federal meal programs including NSLP, SBP, FFVP, SFSP, and CACFP with a stream of over 8M. These programs are administered and monitored by the Virginia Department of Education. In addition, RCPS receives and manages over \$585,000 of entitlement commodities under the supervision of the Virginia Department of Agriculture. During 2020-2021 the Department of Food and Nutrition responded to the following audits: VDACS annual, USDA procurement, USDA SFSP (19-20), USDA CACFP (20-21), Brown & Edwards, and Roanoke City Municipal Audit).

Many people will say 2020 was a year like no other. My greatest fear in that year was that there was a child that we couldn't get to and insure they had access to food. Above all, it is our hope that we did our best to reach as many children as possible during the first national crisis this generation can remember.

End of Management Comments

ACKNOWLEDGMENTS

We would like to thank Ellen Craddock and Denise Siv, Director and Assistant Director for Food Services and Nutrition (respectively) for their cooperation and assistance throughout the follow-up.

Brian Pendleton, Senior Auditor was the lead on this follow-up audit. He took another position outside of the City prior to the issuance of this report. We would like to thank Brian for his hard work and diligence in completing this follow-up audit.



Cari Spichek, CIA
Senior Auditor



Drew Harmon, CPA, CIA
Municipal Auditor

MUNICIPAL AUDITING REPORT CITY OF ROANOKE



RCPS Purchasing Follow-Up

November 15, 2021

Report Number: 22-009
Audit Plan Number: 22-103

*Municipal Auditing Department
Chartered 1974*

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AUDIT OBJECTIVES & CONCLUSIONS

Audit Objectives:

1. Did the Purchasing Department implement and communicate procedures for disclosing vendor assistance with specifications for purchases above the small purchasing threshold of \$10,000?

Yes – Purchasing implemented a new procedure, “*Disclosure of Vendor Assistance in Specification Preparation – Purchases over \$10,000*” that includes a form employees must complete explicitly acknowledging any vendor involvement in specifications (see **Exhibit 1**). Purchasing has posted the procedure and form on the Division’s intranet where all employees can access it.

2. Did the Purchasing Department develop and communicate procedures requiring departments to document their assumptions and cost estimates in advance of publishing an “Invitation for Bid” (IFB) or “Request for Proposal” (RFP)?

Yes – Purchasing developed, and posted to the RCPS Intranet, *Project Cost Procedures* which require cost estimates as part of an IFB / RFP request and provides examples of how estimated costs can be determined.

3. Did the Purchasing Department implement a process to monitor compliance with the Division’s small purchase procedures, which require departments to obtain four (4) quotes to help ensure competitive pricing?

Yes – Purchasing implemented the *RFQ Monitoring Process* in which Purchasing staff review quotes and contact vendors in specified situations to ensure vendors were given a fair opportunity to submit a competitive bid or proposal, and to verify that the quotes on file accurately reflect what the vendor submitted.

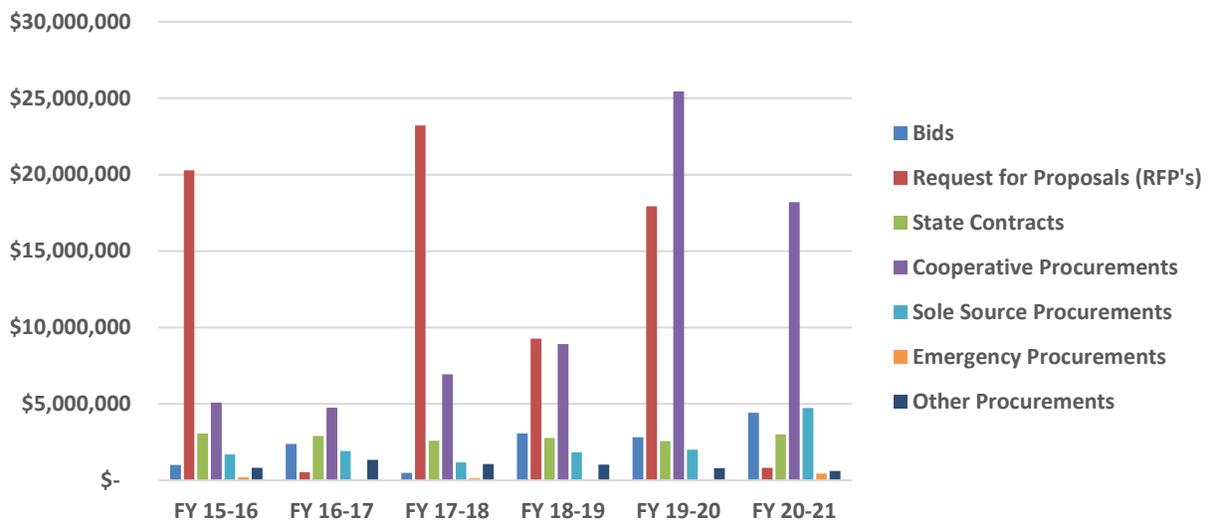
END OF AUDIT OBJECTIVES & CONCLUSIONS

BACKGROUND

The Purchasing Department's primary objective is to help schools and departments procure goods and services in compliance with all applicable laws, regulations, and policies. These legal requirements incorporate the concepts of price, quality and best value.

Every quarter, the Purchasing Department prepares a "Procurement Analysis," which is presented to the School Board by the Chief Financial Officer along with the "Financial Overview and Statements." The analysis shows the method used to procure goods and services and compares the mix in the current fiscal year with the previous one.

Procurement Analysis FY 16 - FY 21



Some of the more significant procurements in the most recent years reviewed represented in the chart above are due to the following:

- FY 21 Cooperative Procurements: \$3,513,889 for Trane Energy Performance Contract; \$1,577,007 for Trane Campus Wide HVAC Air Quality Improvements; \$1,428,067 and \$1,086,549 for Technology Supplies (CDW Government); \$1,000,000 S4Teachers for Substitute Teaching/Staffing
- FY 20 RFP's: \$17,000,000 for procurement of the Energy Performance Contract Financing with TD Equipment Finance, Inc.

- FY 20 Cooperative Procurements: \$16,492,371 for the Energy Performance Contract with Trane
- FY 18 RFP's: \$21,640,000 for procurement of Construction Manager at Risk – Fallon Park Elementary School with Avis Construction Company, Inc.

Sole Source procurements increased by \$2,729,247 from FY20 to FY21. There were over 80 sole source contracts awarded in FY21 totaling \$4,781,852. The Director of Purchasing noted that the Division purchased significantly more sole source instructional materials than would have normally been possible had it not been for federal pandemic relief funds.

We completed our original audit of the Purchasing function in 2017. The audit primarily focused on: 1) the use of RFPs and IFBs to encourage competition for large purchases, 2) ensuring competitive pricing for goods and services costing \$5,000 to \$100,000 procured directly by departments, and 3) the effectiveness of the purchasing card program for purchases costing less than \$5,000. Our recommendations addressed the following:

- Formal acknowledgement by employees with purchasing responsibilities of the Virginia Public Procurement Act regarding conflicts of interest
- Disclosure of the use of vendor representatives and / or vendor marketing materials to develop specifications for any purchase expected to exceed \$5,000
- Documentation and communication of formal procedures and guidelines for the use of the Fifth Third purchasing card
- Implementation of a Purchasing Card Program Employee Agreement
- Documentation of procedures to address all vendor protests
- Requirement of specific assumptions and computations to support the cost of each Invitation for Bid or Request for Proposal
- Establishment of screening criteria for small purchases that prompt additional evaluation by Purchasing staff

We followed up on these action plans in 2020, noting that most had been satisfactorily completed. Management focused on addressing what they viewed as the most significant action plans immediately after the original audit. Due to the Keystone system implementation

and other job responsibilities taking precedence, the Purchasing Department had not fully implemented the following procedures as anticipated:

- Procedures for disclosing vendor assistance with specification preparation for purchases above the small purchasing threshold of \$10,000
- Procedure requiring departments to specify their assumptions and certain cost computations when publishing an “Invitation for Bid” (IFB) or “Request for Proposal” (RFP)
- Procedure to outline the Purchasing Department’s approach to monitoring Requests for Quotes (RFQ) received from departments

END OF BACKGROUND

OBJECTIVE 1: Vendor Assistance Disclosure

In the prior follow-up audit, the Purchasing Department had not implemented procedures for disclosing vendor assistance with specifications for goods and services expected to exceed \$5,000. This increased the risk of inadvertently violating one or more of the provisions of the conflict of interest act.

The Purchasing Department planned to finalize the disclosure procedures for purchases expected to exceed \$5,000, to include a disclosure form requiring employees to affirm if vendor assistance was received in developing specifications. Once finalized, the procedures would be posted on the RCPS intranet for access and download by employees.

Action Completed / Issues Resolved – Yes**Follow Up – November 2021:**

Since the prior follow-up audit, RCPS raised the threshold for purchases designated as “small” from \$5,000 to \$10,000. We reviewed Purchasing’s new procedure, “*Disclosure of Vendor Assistance in Specification Preparation – Purchases over \$10,000*” and confirmed the procedure has been posted to the RCPS intranet where all employees can access it. The procedure includes a well-designed disclosure form that employees must complete and send to the Purchasing Department documenting any assistance received from vendors or vendor marketing materials (see **Exhibit 1**). The disclosure form requires the employee’s printed name, signature and date. As designed, we believe the procedures and form effectively address the risks identified in the original audit.

END OF OBJECTIVE 1

OBJECTIVE 2: Project Costs Procedures

In our prior follow-up audit, the Purchasing Department had not yet created written procedures requiring departments to develop cost projections when publishing an “Invitation for Bid” (IFB) or “Request for Proposal” (RFP). Absent cost projections, management may not have an adequate basis for evaluating the reasonableness of bids and proposals, particularly when only one (1) vendor responds.

The Purchasing Department planned to develop procedures requiring departments to specify their assumptions and certain cost computations for requested IFBs and RFPs. Purchasing planned to include these costs projections in the IFB and RFP files. Once finalized, Purchasing planned to send the procedures to all employees typically involved in developing IFBs and RFPs, and planned to post the procedures on the RCPS intranet accessible to all Division employees.

Action Completed / Issues Resolved – Yes**Follow Up – November 2021:**

Purchasing developed the procedures as planned, effective July 2020. The *Project Cost Procedures* require cost estimates as part of an IFB / RFP request and provides examples of how estimated costs can be determined. We confirmed that the procedure has been posted to the RCPS intranet and is accessible to all Division employees. As designed, we believe the procedure effectively addresses the risks identified in the original audit.

END OF OBJECTIVE 2

OBJECTIVE 3: RFQ Monitoring

The Purchasing Department had not been documenting its efforts to spot check vendor quotes reported by Departments procuring goods and services expected to cost between \$5,000 and \$100,000. Without documentation, we were unable to verify the process was in place and effectively functioning during the last follow up audit. Documentation is also necessary for the Director of Purchasing to be able to review his staff's findings and ask follow-up questions.

The Purchasing Department planned to develop a written procedure to outline their approach to monitoring the small purchases RFQ monitoring process. The procedure was expected to outline the documentation to be reviewed and when to contact vendors to confirm their quote information or to ask why a quote was not submitted. Purchasing planned to create a log and file to document the requisitions reviewed and to document the actions taken as a result of such reviews. Once finalized, Purchasing planned to share the new procedure with employees typically involved in developing Requests for Quote, and to post it on the RCPS intranet making it accessible to all Division employees.

Action Completed / Issues Resolved – Yes

Follow Up – November 2021:

Purchasing implemented the RFQ Monitoring Process effective July 2020 and it is accessible to employees through the Division's intranet. The procedure states that purchasing staff will contact vendors who submit "no bid" responses and those that do not respond to a quote request. It also indicates that Purchasing will review RFQs for patterns of unresponsive vendors, and for vendors who are consistently the low bid. We noted that the procedure does not specify criteria for selecting RFQs for validation. The procedure does state that Purchasing will maintain a log and files to document its reviews of RFQs and the associated results. As designed, we believe the procedure effectively addresses the risks identified in the original audit.

END OF OBJECTIVE 3

SUMMARY OF MANAGEMENT ACTION PLANS

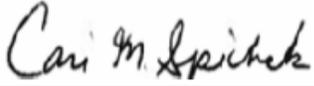
NA – all action plans have been completed

MANAGEMENT COMMENTS

None were provided.

ACKNOWLEDGMENTS

We would like to thank Eric Thornton, Director of Purchasing, for his cooperation and assistance throughout the follow-up audit.



Cari Spichek, CIA
Senior Auditor



Drew Harmon, CPA, CIA
Municipal Auditor

Exhibit 1

Disclosure Form - Vendor Assistance in Specification Preparation

IFB/RFP/RFQ/Requisition Number:

The following occurred when developing specifications (answer all questions):

- 1. Vendor developed or assisted in developing the specifications? Yes___ No___

- 2. Vendor marketing materials were used in developing the specifications? Yes___ No___

- 3. Vendor was paid to assist in developing specifications or to provide marketing materials? Yes___ No___

4. Describe the vendor assistance provided or vendor marketing materials used (write "N/A" if not applicable):

Employee Name (Print): _____

Employee Signature: _____

Date: _____

Audit History - Rolling 10 Year Visual

2/16/22

Highlighted boxes indicate audit work performed		Fiscal Year Ending									
Auditable Areas/ Functions		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
1	Data & Analysis										
2	Human Resources										
3	Employee Health Services										
4	Payroll										
5	Accounting [Debt, Grants, Budget, Accts Payable]										
6	Purchasing Services										
7	Safety & Security										
8	Transportation										
9	Operations										
10	Maintenance [Trades, Contracts, CIP]										
11	Warehouse [Fixed Assets/Transshipping]										
12	Grounds [Vehicle Maint, Athletic Fields, Landscaping]										
13	Food Services										
14	IT Support										
15	IT Infrastructure										
16	IT Security										
17	Athletics										
18	Regular Instruction										
19	Special Education										
20	Alternative Education										
21	Career & Technical Education										
22	Gifted Education										
23	Early Childhood Education										
24	Guidance & Counseling										
25	Student Services										
26	Student Health										
NA	School Activity Funds										

Blue Box = Instruction Functions