

# Schoharie Central School District

## School Lunch Operations

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Schoharie Central School District

### Audit Objective

Determine whether District officials properly managed school lunch operations.

### Key Findings

- Over the last three years, the school lunch fund incurred operating deficits totaling over \$151,500 (excluding general fund transfers).
- No one at the District performed a cost-per-meal equivalent (ME) or meals-per-labor-hour analyses (MPLH).
- District officials could have saved almost \$2,000 in three months if they purchased milk from the New York State Office of General Services (OGS) cooperative bid.

### Key Recommendations

- Periodically complete cost-per-ME and MPLH analyses.
- Ensure the District obtains the best price when making purchases.

District officials agreed with our recommendations and indicated they planned to take corrective action.

### Background

The Schoharie Central School District (District) serves eight towns in four counties.

The District is governed by the seven-member elected Board of Education (Board). The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board. The District contracts with the Hamilton Fulton Montgomery Board of Cooperative Education Services (BOCES) for a Food Service Director who oversees the two cafeterias.

#### Quick Facts

|   |                |
|---|----------------|
| <b>2016-17 Enrollment</b>                       | 870            |
| <b>2018-19 General Fund Appropriations</b>      | \$23.8 million |
| <b>2018-19 School Lunch Fund Appropriations</b> | \$520,150      |

### Audit Period

July 1, 2017 - October 1, 2018

We extended our audit period back to July 1, 2015 to analyze financial trends.

# School Lunch Operations

## How Should District Officials Manage School Lunch Operations?

District officials are responsible for managing school lunch operations. This includes ensuring there are sufficient revenues to meet current expenditures. District officials should analyze operations to identify inefficiencies and determine if the price structure meets current cost needs. For example, calculating the cost-per-ME<sup>1</sup> and performing an MPLH<sup>2</sup> analysis helps officials set appropriate meal prices and provides officials with a measurable figure to gauge productivity. Additionally, officials should work to increase average daily participation (ADP) and à la carte sales, while controlling expenditures. To reduce costs, officials should seek to obtain cafeteria goods at the best possible price. When meal costs, employee productivity, ADP, revenues and expenditures are properly monitored, district officials may be able to reduce the school lunch fund's reliance on subsidies from other district funds.

## District Officials Have Improved School Lunch Fund Operations.

Over the last three years, the school lunch fund incurred operating deficits totaling over \$151,500, excluding transfers from the general fund totaling \$166,000. Furthermore, because of interfund loans, the school lunch fund owed the general fund almost \$376,000 as of June 30, 2018, which is unlikely to be paid back. As of June 30, 2018, unrestricted, unappropriated fund balance was approximately (\$330,800).

**Figure 1: Operating Surpluses (Deficits)**

|   | 2015-16     | 2016-17     | 2017-18     |
|---|-------------|-------------|-------------|
| Revenues <sup>a</sup>                     | \$375,073   | \$395,274   | \$419,452   |
| Expenditures                              | \$430,702   | \$459,146   | \$451,457   |
| Operating Surplus (Deficit)               | (\$55,629)  | (\$63,872)  | (\$32,005)  |
| Unrestricted, Unappropriated Fund Balance | (\$372,969) | (\$398,841) | (\$330,846) |

<sup>a</sup> This excludes interfund transfers from the general fund.

From 2015-16 through 2017-18, the cost-per-ME increased over 4 percent while revenue-per-ME increased 11 percent, excluding transfers from the general fund; however the costs continue to exceed the revenues by 27 cents per ME as of 2017-18.

1 An ME includes a conversion of the number of breakfasts and à la carte revenues into an equivalent number of lunches. A single lunch is the standard by which any measures are calculated.

2 MPLH is the number of meals produced divided by the staffing hours to produce those meals. It is an industry-accepted standard to determine the adequacy of staffing levels in school food service operations.

**Figure 2: Profit/(Loss) per ME**

|  | 2015-16         | 2016-17         | 2017-18         |
|--|-----------------|-----------------|-----------------|
| Sales and Other per ME                   | \$1.24          | \$1.10          | \$1.08          |
| State and Federal Aid per ME             | \$1.87          | \$2.13          | \$2.39          |
| <b>Total Revenues per ME<sup>a</sup></b> | <b>\$3.11</b>   | <b>\$3.23</b>   | <b>\$3.47</b>   |
| Cost of Labor and Benefits per ME        | \$1.72          | \$1.62          | \$1.53          |
| Cost of Food and Materials per ME        | \$1.86          | \$2.13          | \$2.21          |
| <b>Total Cost per ME</b>                 | <b>\$3.58</b>   | <b>\$3.75</b>   | <b>\$3.74</b>   |
| <b>Profit/(Loss) per ME</b>              | <b>(\$0.47)</b> | <b>(\$0.52)</b> | <b>(\$0.27)</b> |

<sup>a</sup> This excludes interfund transfers from the general fund.

We also prepared a MPLH analysis for each cafeteria for 2017-18 and found the high school’s MPLH was within industry standards while the elementary school’s MPLH was below industry standards.

**Figure 3: MPLH**

|                   | 2017-18 Labor Hours | MPLH  | Daily MEs | Industry Standards |      |
|-------------------|---------------------|-------|-----------|--------------------|------|
|                   |                     |       |           | Low                | High |
| High School       | 81,569              | 18.96 | 453       | 18                 | 19   |
| Elementary School | 70,710              | 14.28 | 393       | 16                 | 18   |

When MPLH falls below the industry standards, adjustments to a multitude of factors can assist the operation in becoming more efficient. One such change could include increasing student participation. Although the industry standards may not always be achievable by adjusting just one factor, District officials can use the industry standards to monitor operations and work toward increasing productivity.

Officials told us no one performed cost-per-ME or MPLH analyses to help identify potential inefficiencies in meal pricing or productivity, but they were aware of the school lunch fund deficits and have taken steps to improve the fund’s financial condition. For example, the Board raised meal prices in July 2016. Also, in August 2017, the Board approved a contract with the Hamilton Fulton Montgomery BOCES for a Food Service Director who established menus offering more food options to increase food sales and participation. In fact, the ADP increased from 617 in 2015-16 to 645 in 2016-17, and remained steady at 645 in 2017-18. Additionally, in September 2018, cafeteria staff began offering breakfast from a cart near the school entrances to provide students with the option to purchase breakfast on their way to class before the school day started, which

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increased breakfast sales by 300<sup>3</sup> meals in a two-month period. The District also began participating in the Farm-To-School Program<sup>4</sup> in 2018-19. Meeting the requirements of this program will provide additional State aid for each school lunch meal sold. Based on the documentation we reviewed, the District appeared to have met the program's requirements for September 2018. However, this has not been confirmed through the New York State Education Department. If District officials meet the requirements for the full year, they can expect to receive additional State aid. Based on reimbursable meals from 2017-18, the additional aid could be approximately \$21,600<sup>5</sup> in 2019-20.

District officials purchased most of their cafeteria supplies and food through the Capital Region BOCES' cooperative bid service. However, no one at the District compared the prices offered through the BOCES cooperative bid to other options, such as OGS cooperative bid, to ensure they were getting the best possible price. We compared the prices of 10 food items purchased through BOCES cooperative bid to the OGS cooperative bid for three months and found the District generally obtained the best price. We also compared milk purchased through the Capital Region BOCES cooperative bid for three months and found that the District could have saved almost \$2,000 in those three months if the purchases were made through the OGS cooperative bid.

We commend District officials for identifying opportunities to increase revenues while simultaneously increasing participation and sales. However, without doing periodic analyses of school lunch fund operations and ensuring officials are obtaining the best price for food and supplies, the school lunch fund's current level of reliance on general fund subsidies will continue. If the need for the operational subsidies were reduced or eliminated, those resources could be used for other District purposes.

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3 We compared the September and October 2017 breakfast sales to the September and October 2018 breakfast sales.

4 The Farm-To-School program promotes the use of fresh, locally sourced foods in school meals. Chapter 56 of the Laws of 2018 provides districts with increased State reimbursement for the purchase of New York State food products for school lunch programs. Districts that spend at least 30 percent of total food costs for the school lunch program on New York State products in the preceding school year are eligible for additional State reimbursement that, combined with existing State reimbursement, will not exceed 25 cents for any school lunch meal.

5 This additional aid is an estimate based on 2017-18 reimbursable lunches sold; however, the actual additional aid will be based on 2018-19 reimbursable lunches sold.

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## What Do We Recommend?

District officials should:

1. Periodically complete cost-per-ME and MPLH analyses and use them to explore methods to increase revenues and decrease expenditures to allow the fund to reduce its reliance on the general fund.
2. Ensure the District is obtaining the best prices when making purchases.

# Appendix A: Response From District Officials

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April 8, 2019

Office of the State Comptroller  
Division of Local Government and School Accountability  
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Dear Office of the State Comptroller:

Please let this letter serve as the District's official response and corrective action plan recommendation for the School Lunch Operations audit dated July 1, 2017 – October 1, 2018.

The School Lunch Operations is run as a separate entity from the General Fund, which is the annual operating budget of a public school district in New York State.

As of the end of the 2017-2018 School year, the cumulative fund balance of the School Lunch Fund (including breakfast meals) of the Schoharie Central School District stood at a negative \$151,500 (excluding general fund transfers).

It needs to be stated that the operating deficit for the past three years and the cumulative fund balance deficit are due to factors in spite of the best efforts of the Food Service Directors and staff to increase sales and promote cost efficiencies. The monumental task of running such an endeavor under such strict nutritional and financial guidelines has caused for turnover in the position of Food Service Director several times in the past three years. Federal guidelines restricting what can be served to students combined with low reimbursement levels per meal at both the State and Federal level has created a no-win situation. The School Lunch Operation has seen an increase in food and supplies costs while also being impacted by increases in employee benefits costs that are charged to the School Lunch Fund.

### Activities to Address Key Findings:

- Since the beginning of the 2018-2019 fiscal year, the Board of Education has raised the student and adult meal prices upon the recommendation of the administration and the State Education Department. The adult breakfast was increased to \$2.45 and adult lunch was increased to \$4.10. The High School Student lunch rate was increased by \$0.05 to \$2.55 to be in compliance with the Student Nutrition mandates.

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- All of the meal prices will be evaluated again over the summer of the 2019-2020 fiscal year when the new PLE tool is made available. By annually evaluating the meal prices to ensure that the maximum potential is being charged within regulation, the overall deficit will be decreased. This methodology coupled with the increase of additional revenue from the Farm to School program should result in an overall net zero of the School Lunch Fund within 7 years, thus, eliminating the deficit and becoming self-sustaining.
  - The District recognizes the importance of efficiencies in all areas and, as such, has begun a Cost-Per-Meal Equivalent (ME) and Meals-Per-Labor-Hour Analyses (MPLH) on a quarterly basis. The results of the calculations have been incorporated into the decision making process in regards to staffing ratios and menu planning.

As we continue to seek out the best price as well as the best quality possible, every effort will be made to seek out all available commodities bids, document the prices and purchase the most economical and best products available for our students. The District will closely monitor operational costs and, where possible, implement plans to control costs. The District agrees with the key findings of the audit.

Thank you and please don't hesitate to contact me with any questions.

Sincerely yours,



David Blanchard  
Superintendent of Schools

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed Board minutes from 2015-16 through September 2018 to gain an understanding of school lunch operations and actions District officials have taken to improve the fund's financial condition.
- We calculated the school lunch fund's results of operation and analyzed trends in unrestricted, unappropriated fund balance for 2015-16 through 2017-18.
- We reviewed the interfund transfers from the general fund to the school lunch fund and the trend in the interfund loans from the general fund to the school lunch fund for 2015-16 through 2017-18 to determine whether the general fund was subsidizing the school lunch fund and whether the school lunch fund was able to pay the general fund.
- We calculated MEs for 2015-16 through 2017-18. See the University Of Mississippi's Institute Of Child Nutrition's Financial Management for Director's Section Financial Management Information System (FMIS) Booklet, 2nd Edition at <https://theicn.org/school-nutrition-programs/>, pages 59 through 61.
- We calculated the costs and revenues of the school lunch fund per ME for 2015-16 through 2017-18, and analyzed the results for trends in the per-ME costs and revenues and calculated the per-ME results of operations.
- We calculated the District's MPLH for each cafeteria to determine whether staffing levels were within industry standards for 2017-18. See the University Of Mississippi's Institute Of Child Nutrition's Financial Management for Director's Section FMIS Booklet, 2nd Edition at <https://theicn.org/school-nutrition-programs/>, pages 70 through 72. See also the University of Mississippi's Institute of Child Nutrition's Financial Management for Director's Section's Essential KPIs for School Nutrition Success Interactive spreadsheets, MPLH Tab at <https://theicn.org/school-nutrition-programs/>) for staffing.
- We reviewed ADP trends for 2015-16 through 2017-18.
- We compared breakfast sales in September and October 2017 to sales in those same months in 2018 to determine whether breakfast sales had increased.
- We reviewed guidance on the Farm-To-School program and obtained total food costs and compared them to the food purchased from New York State vendors to determine whether the District is on track to receive additional

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State aid. Based on 2017-18 reimbursable lunch meals, we calculated the potential additional aid the District could receive in 2019-20 if it continued to meet the expectations of this program.

- We obtained and scanned all 131 school lunch fund claim vouchers for the three BOCES cooperative bidding vendors (not including milk purchases) totaling over \$223,500 for 2016-17 through September 30, 2018. We selected 10 food items that were purchased on a regular basis (whole wheat bagels, apple juice, hamburgers, ketchup packets, chicken patties, breakfast sausage patties, single serving ranch dressing cups, strawberry banana yogurt, blueberry and chocolate chip muffins, and hot dogs). We judgmentally selected a representative month from each 2016-17 through 2018-19 including: June and November 2017 and September 2018 (out of 25 months) and compared the prices to the OGS cooperative bids to determine whether the District purchased these items at the best possible price and, if not, we calculated the amount the District could have saved.
- We compared the purchase price of milk for representatively selected months from each 2016-17 through 2018-19 including: June and October 2017 and September 2018 (out 25 months) to the NYS OGS cooperative bid to determine whether the District purchased milk for the best possible price, and if not, we calculated the amount the District could have saved.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the District Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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