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Commissioner of Education



August 24, 2009

Commissioner Eric J. Smith
Florida Department of Education
325 West Gaines Street, Suite 1514
Tallahassee, Florida 32399-0400

Dear Commissioner Smith:

In accordance with Section 20.055(5)(h), Florida Statutes, I am submitting the six month follow-up response concerning the Office of Program Policy Analysis and Government Accountability (OPPAGA) report number 09-05 *Providing a Free Breakfast to All Public School Students Would Be Costly for Most School Districts* for your information.

If you have any questions, please contact me at 245-9411.

Sincerely,

A handwritten signature in cursive that reads "Ed W. Jordan".

Ed W. Jordan

br

Attachment

c: OPPAGA

Florida Joint Legislative Auditing Committee

ED W. JORDAN, CIG, CFE, CIA
INSPECTOR GENERAL

JLAC
Rec'd 8/28/2009

Florida Department of Education
Office of Policy Program Analysis and Government Accountability Report No. 09-05
Providing A Free Breakfast To All Public School Students
Would Be Costly For Most School Districts
Six Month Follow-up Response August 24, 2009

Finding

To adjust for fluctuations in capital outlay expenditures from year to year, the Department developed a worksheet to determine the five-year average capital outlay cost. However, for 43 school districts, the cost reported on the worksheet was not consistent with the data included in the districts' annual financial reports. In some cases the differences were substantial (e.g., a 348% overstatement for one school district), and either over or understated student meal costs. The Department has since automated this worksheet and, therefore, should have reliable five-year average capital outlay figures beginning with the 2007-08 school year.

Management Response

Food and Nutrition Management (FNM) adjusts for fluctuations in capital outlay by using the capital outlay expenditure data collected by the Office of Funding and Financial Reporting (OFFR). FNM no longer uses self-reported data from school district food service directors.

Finding

As a means to exclude non-program expenditures such as catering from total program expenditures in the per-meal cost calculation, the Department developed a revenue ratio worksheet that estimated the proportion of these non-program revenues to total revenues. However, several (14) school districts included non-program expenditures such as catering expenses in their program expenditures thereby overstating their student meal costs.

Management Response

FNM issued guidance on revenues to be included in account number 3456, Other Food Sales, which includes catering revenues. FNM no longer completes the revenue ratio worksheet as it is not a federal requirement. The per-meal cost calculation has been automated by use of financial reporting software that uses the annual financial report data collected by OFFR. Please see the following excerpt that was emailed to all food service directors.

As you report your financial information to your finance officer, please remember that catering services should be classified in account number 3456, Other Food Sales.

Finding

The revenue ratio worksheet coded adult breakfast and lunch payments as program revenue but did not consistently include the number of such meals served in the per-meal cost calculation, which overstated student meal costs.

Management Response:

FNM no longer completes the revenue ratio worksheet as it is not a federal requirement. The per-meal cost calculation has been automated by use of financial reporting software that uses the annual financial report data collected by OFFR.

Finding

Many (29) school districts reported that their annual financial report data did not allocate any costs for general administration such as personnel, recruiting, accounting, and computer

processing to their food services programs. To help identify these costs, the Department developed a separate worksheet for school districts to complete. However, OPPAGA found an error in the worksheet design (which affected only two school districts that received cash in lieu of commodities) and several inconsistencies in the indirect cost calculations. The worksheet instructed school districts to subtract cash received in lieu of commodities, resulting in the understatement of indirect costs.

Management Response

The Indirect Cost Calculation will also be automated through the use of FUNDamentals financial reporting software (discussed below) that uses the annual financial report data collected by OFFR. Therefore, the indirect cost calculation worksheet that had been cited by OPPAGA as having design inconsistencies is no longer used.

OPPAGA Recommendations

The OPPAGA analysis identified issues with food service program financial data and worksheets used by the Department of Education to compute school district per-meal costs. To address these issues, they recommended that the Department take steps to improve data quality by automating school district food service per-meal cost calculations to ensure that reports that use this data are more reliable.

Management Response

FNM will use the annual financial report data collected by OFFR. FNM has contracted with Visual Solutions to upload the food service data collected by OFFR into the FUNDamentals software program. The FUNDamentals software is a food service financial accounting software package that was developed by a grant from the United States Department of Agriculture to the National Food Service Management Institute. FUNDamentals adheres to nationally adopted standards for measuring key elements of Child Nutrition services and with the use of food service data collected by OFFR, will result in the accurate calculation of per-meal costs.