



Norfolk Juvenile Detention Center Food Services Program

Report Date: March 13, 2023

► OFFICE OF THE CITY AUDITOR

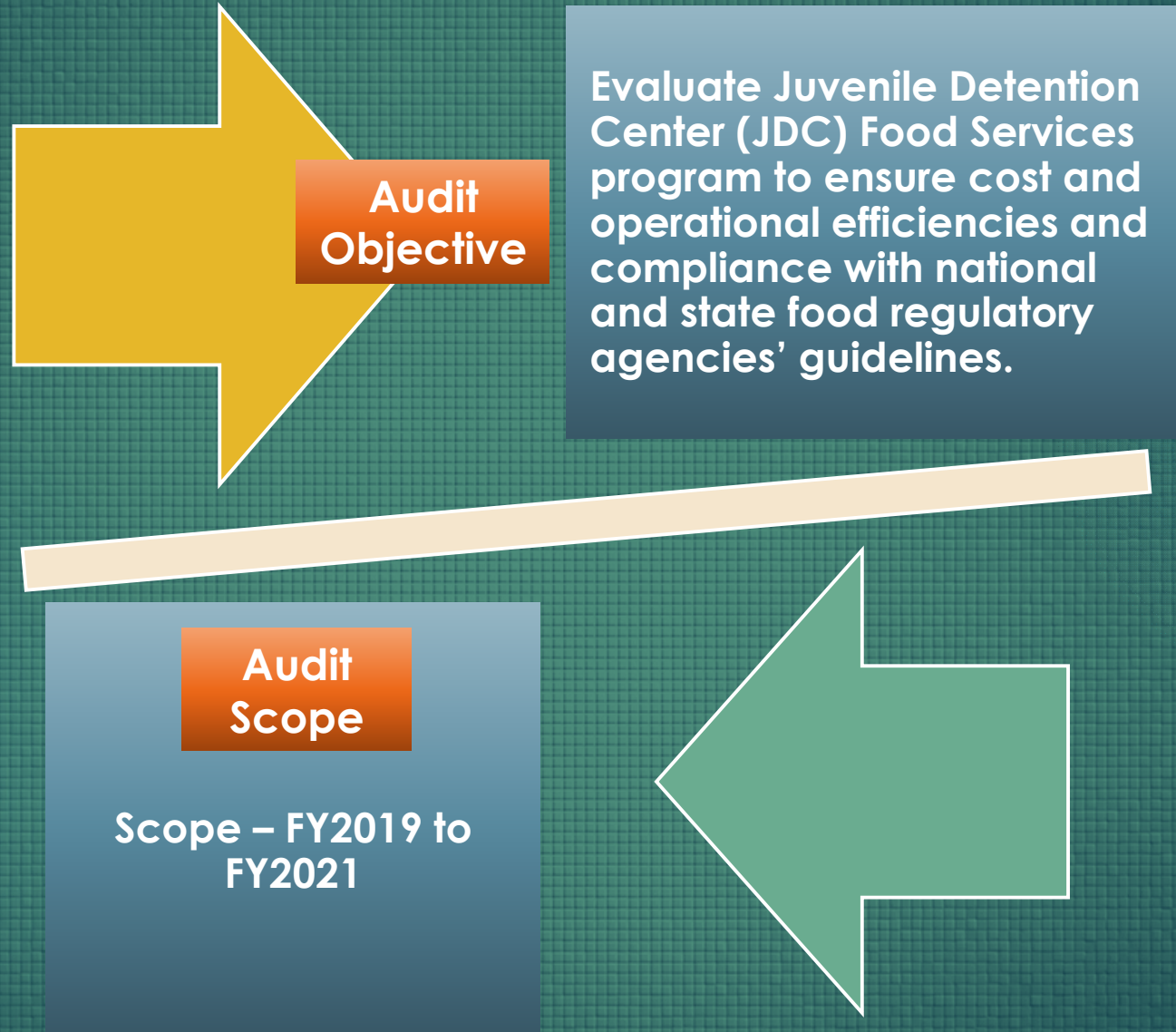
► REPORT NO. 22-01

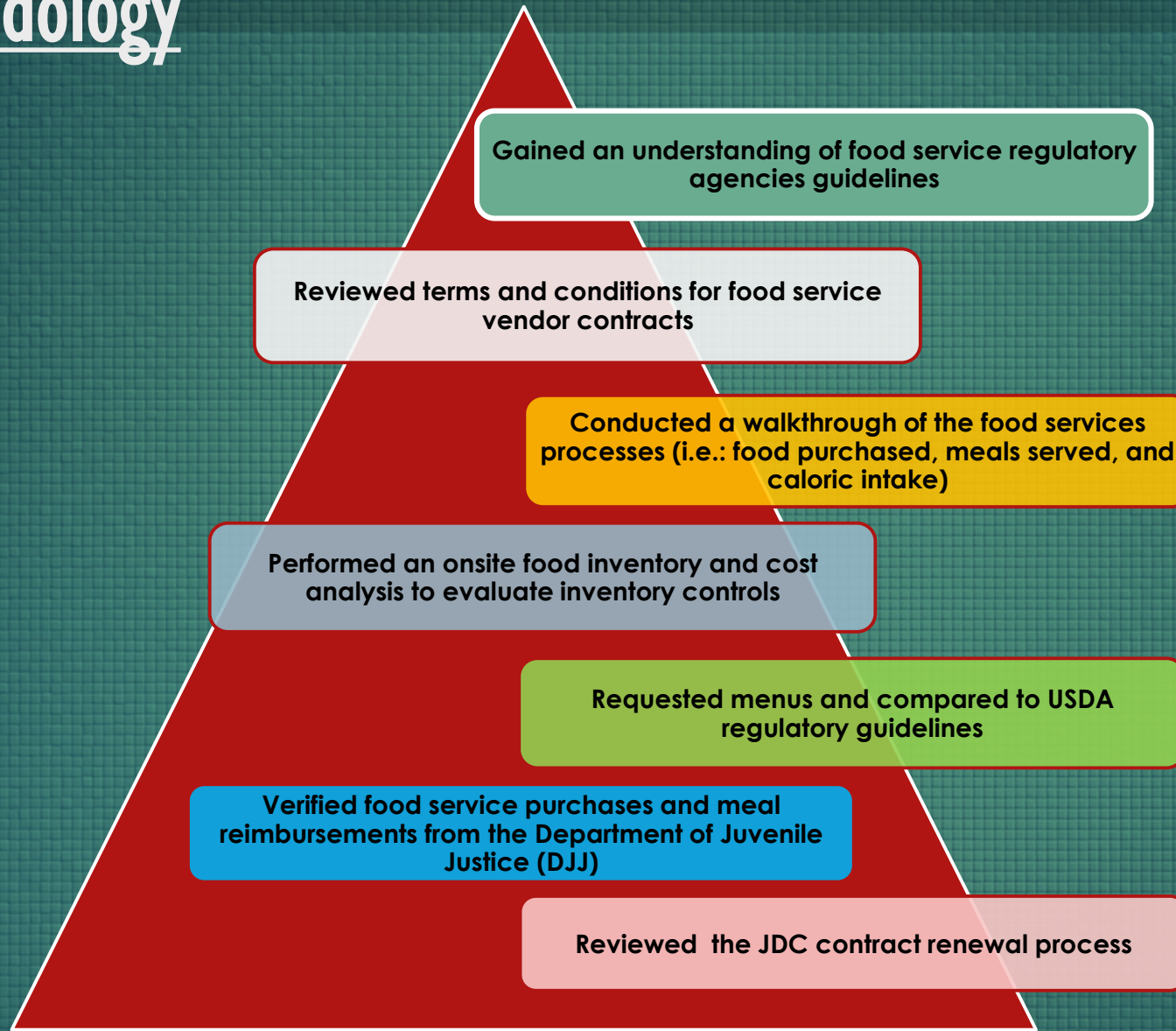
► TAMMIE DANTZLER, CIA, CFE, MBA, CITY AUDITOR

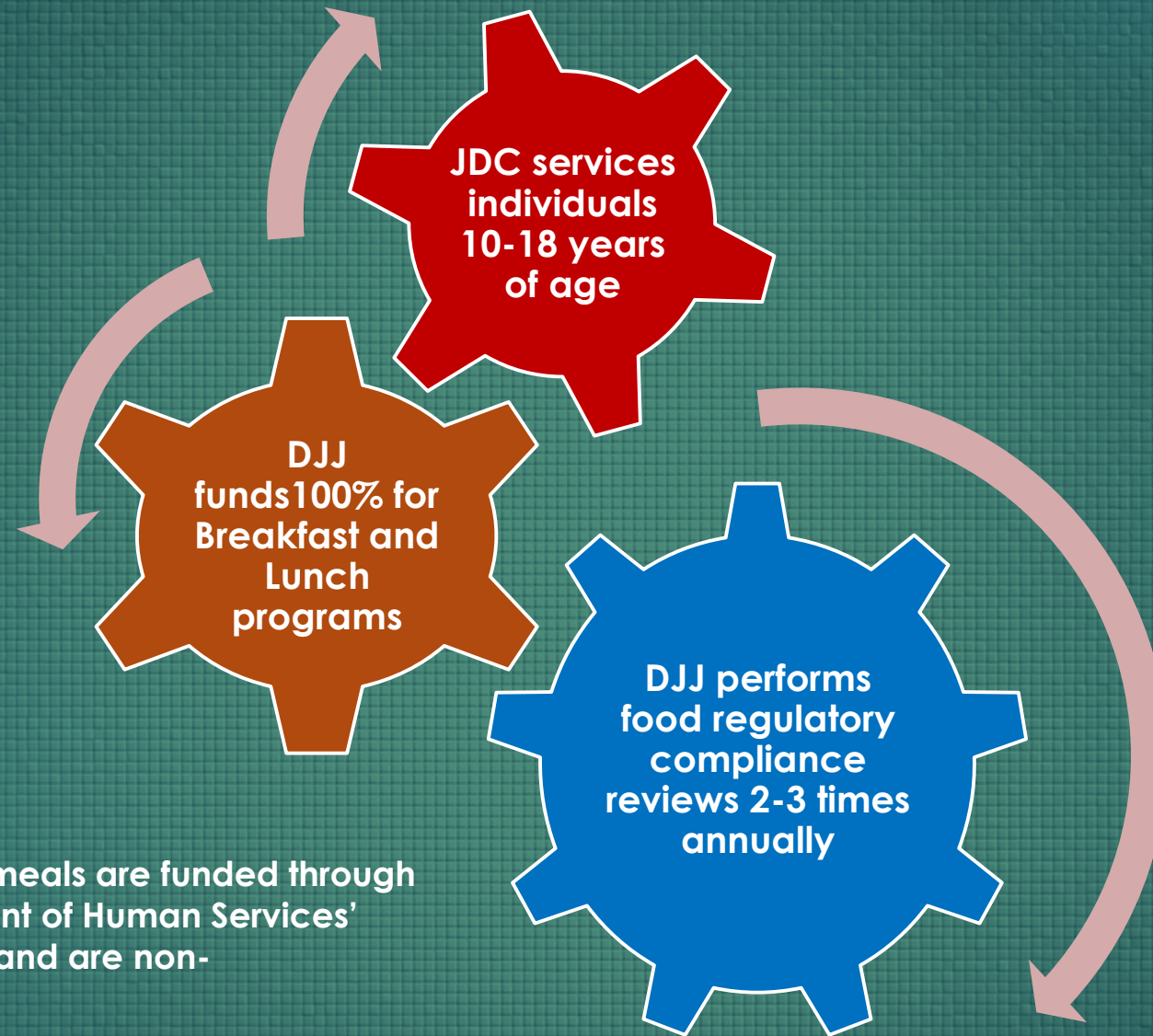
► SYLVIA MARTIN, CICA, ASSISTANT CITY AUDITOR II

JDC Audit Objective

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Note: Dinner meals are funded through the Department of Human Services' general fund and are non-reimbursable.

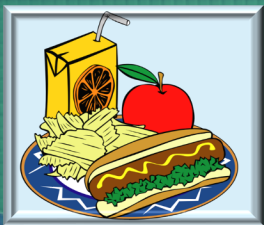
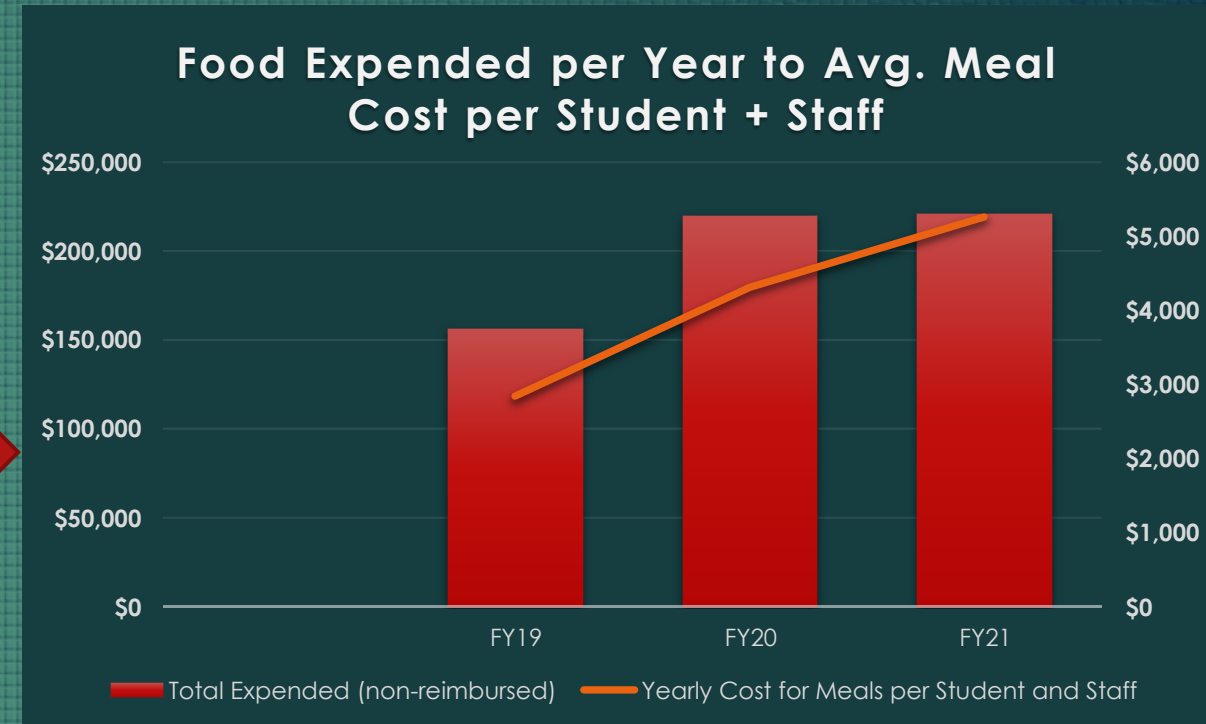
JDC Received Revenue via AFMS and DJJ

Q1-Q4	AFMS Revenue Received	DJJ Revenue Reported	Difference
2019	\$74,748.05	\$74,748.05	\$0.00
2020	\$91,433.60	\$91,433.60	\$0.00
2021	\$55,850.40	\$70,604.12	\$14,753.72*



We noted an unreconciled difference of \$14,753.72 between the amount of revenue posted in AFMS and the DJJ revenue report.

Fiscal Year	Amount Expended for Food	Revenue Received for Reimbursement	Total Expended (non-reimbursed)	Yearly Cost for Meals per Student and Staff
FY19	\$230,850.12	\$74,748.05	\$156,102.07	\$2,838.22
FY20	\$311,151.52	\$91,433.6	\$219,717.92	\$4,308.19
FY21	\$291,554.83	\$70,604.12	\$220,950.71	\$5,260.73



The Average # of Students & Staff per Year was 55, 51, and 42, respectively. Note per management, the meal cost per capita increased from FY19 to FY21 by approximately 85% due to an increased fluctuation in the price of food, product changes, availability, shipping and delivery increases, and purchasing of paper products during covid. Although our audit test confirmed management's statement, we noted an opportunity to reduce food expenses with inventory control improvements and only purchase food items based on the approved menu.

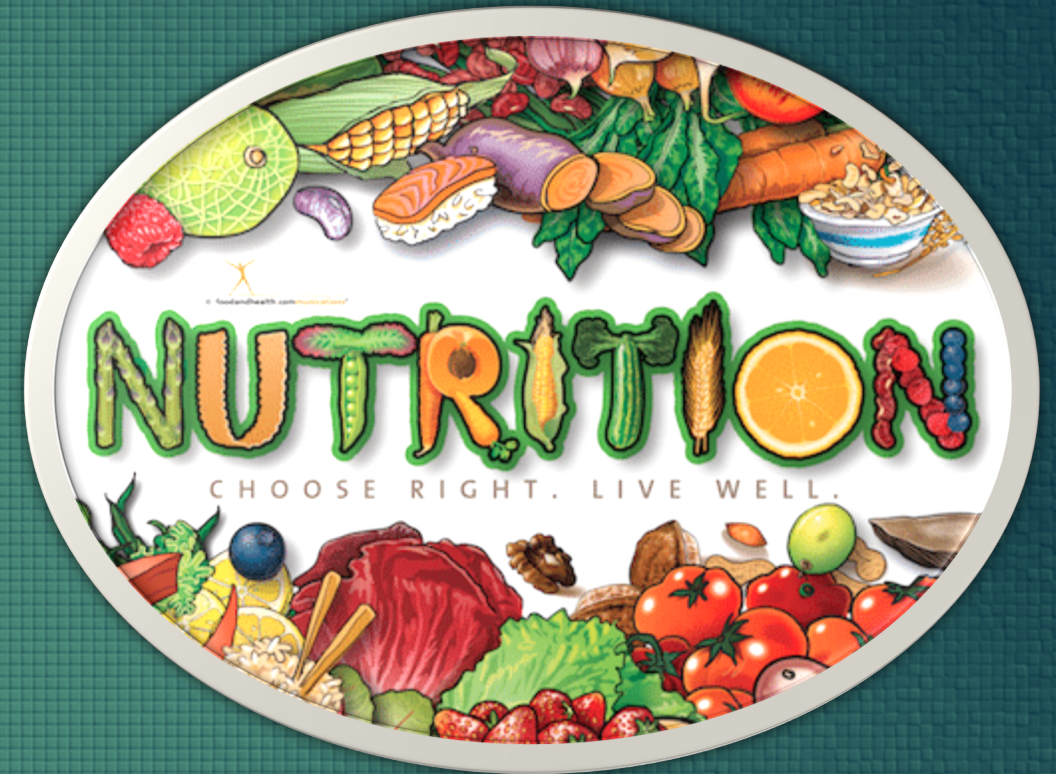
Conclusion

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The JDC Food Services program is operating as a one-person shop in need of operational and process improvements.

During walkthroughs of the food services program operations, we noted opportunities for improvement with segregation of duties, internal inventory controls, and the implementation of USDA nutritional guidelines.

Implementation of our recommendations and management corrective actions will overall improve operational efficiencies.



Audit Issues, Recommendations and Management's Response



Audit Issue 1

Issue:

The Department of Finance did not comply with the City's Financial Management Policy 10.4 for unclaimed funds deposited in the City's Corporate Account. The City received **\$14,753** in reimbursements from DJJ for FY 21 4th Quarter breakfast and lunch program. As of September 12, 2022 (**approximately 13 months**), these funds were noted as unrecorded deposits in the City's Corporate Account reconciliation but not posted to the City's financial system (AFMS).

As a result, there was a total of **\$47,831.02** (includes the approximately \$14.8K mentioned above) of unrecorded deposits in the City's Corporate Account as of the date noted above.

Recommendation:

We recommend the Department of Finance comply with the Financial Management Policy for unrecorded deposits in the City's Corporate Account and ensure unrecorded deposits researched and posted to the appropriate department's account in AFMS.

Management's Response (Finance):

Management does not agree with this finding and takes exception with what is presented as the cause.

The policy does not, and was not intended to, prescribe a deadline for the recording of unclaimed deposits. The 365-day window referenced is for departments to be able to make a claim on a deposit. Once that period has elapsed, departments are no longer able to claim a deposit without providing additional substantiation. The timeline for recording any unclaimed deposits will always involve judgment, factor in materiality, and ultimately be at management's discretion. Also, as explained, the deposit in question was claimed by another department, so this was not one that management would have considered under the Unclaimed Funds policy.

Management's Response (continued):

While the City Auditor appears to disagree with management's determination of how materiality should impact our task prioritization, management would assert that risk assessment and materiality are the pillars upon which our internal controls are established and upon how we allocate limited resources in protection of the City. In addition to contending with departmental vacancies, management is also tasked with covering vacancies experienced by other departments within financial positions. Resources and capacity are real issues, especially in the current labor market, and management must make difficult decisions every day as to how to deploy them most effectively. In this case, the \$47,831.02 effect referenced, when considered in comparison to the City's approximately \$1.5B annual budget, equates to 0.0032%. This amount is immaterial for any level of financial reporting performed by the City and would not impact a prudent user of the City's financial statements decision-making. The City already received the funds referenced and the fact that this **immaterial amount** was not recorded did not create any risk to the City's assets or operations.

Management has communicated that the deposit processes at the City are in need of modernization, automation, and enhancement. To this end, management has recently completed a request for a proposal for banking services. Management will begin the transition of banking services in the next several weeks, and the expected timeline for completion is 12-18 months. Management's current priorities, in addition to the major task of transitioning the City's banking, include other major critical tasks such as finalizing the annual financial reports in compliance with state and federal deadlines, and preparing to upgrade the financial system. Given this landscape, management believes that it is prioritizing tasks and deploying resources appropriately.

City Auditor's Comments:

We agree that the unrecorded revenue noted during the audit did not impact the City's decision-making process on a financial reporting level. However, the audit's objective and scope included evaluating internal controls and procedures for the Juvenile Detention Center, a Department of Human Services division. The City receives reimbursement for the JDC's Breakfast and Lunch program from DJJ. We noted that the reimbursement (revenue) the City received remained unposted to the Division's account for 13 months. The unavailable funds could adversely impact the decision-making process at the division level, the operations of the food service program, and potentially general fund allocations. Therefore, the City Auditor's role considers materiality from an internal control and process perspective rather than from a financial statement approach. We also do not consider materiality during the overall compliance assessment with internal policies and procedures. Although management disagrees with the unrecorded revenue finding, the finding remains a reported issue.

Issue:

The Department of Human Services Fiscal Monitoring unit does not have an internal control process to monitor, reconcile, and track quarterly reimbursements that the City receives from the DJJ for the breakfast and lunch program.

Recommendation:

We recommend the Department of Human Services fiscal monitoring unit establish an internal control process to ensure reimbursements are received and posted to the department's financials.

Management Response:

The Norfolk Department of Human Services (NDHS) agrees with the above recommendation and appreciates this concern being brought to our attention by the Auditor's office. There was confusion between NDHS and the City's finance office regarding the crediting of the \$14,753.72 from the United States Department of Agriculture (USDA) to the Juvenile Detention Center (JDC) as there was no formalized internal tracking system regarding USDA funds. NDHS Finance Programs Manager worked closely with city finance staff to establish required accounts, identify the location of FY2021 funds, and ensure that the funds were appropriately deposited from the city's corporate account into the FY2021 USDA revenue account under Secure Detention. Since being made aware of this issue, NDHS has requested (and will continue to do so) that the Department of Juvenile Justice (DJJ) provides a breakdown of the quarterly deposits sent to the City. In addition, the JDC Food Services Manager shall copy NDHS finance on all Quarterly Food reports sent to DJJ. NDHS finance will utilize this knowledge to anticipate when USDA funds should arrive. NDHS finance shall notify city finance to be on the lookout for the funds. If there is a delay in receiving the funds, the NDHS finance team shall contact DJJ directly.

Issue:

It appears the JDC Food Services program does not have written inventory control procedures. Specifically, we performed an on-site inventory count to assess inventory management. During the review, we noted food items with no expiration date, food with an expiration date or MSD (manufactured service date) from 2019, open/closed boxes of miscellaneous items in various places, unorganized freezer (also no locking mechanism on freezer doors), and sections without labels to locate inventory in the storage room.

Criteria:

Per the **Code of Virginia 6VAC35-101-480(B)** Written procedures shall govern access to all areas where food or utensils are stored and the inventory and control of all culinary equipment to which residents may be expected to have access.

Recommendation:

1. Ensure written processes are established, adhered to, and monitored to ensure inventory is consistently maintained, organized, and accounted for appropriately.
2. Discard expired foods to safeguard the health and well-being of the Juvenile Detention Center students and staff.
3. Organize the food storage areas to increase operational efficiencies of the JDC Food Services program.

Management Response:

It is the policy and practice of NJDC to maintain a healthy and safe kitchen environment for all residents and staff. It is also the policy of NJDC to cook, utilize and serve all food items purchased, prior to the expiration date, if noted on the package or use-by date per USDA regulations. If food items are nearing an apparent expiration or use-by date and cannot be utilized as a part of prepared menus, these items will be disposed of and not served. There are instances where food items ordered and delivered do not display expiration dates, use-by dates, or sell-by dates. According to USDA food Safety and Inspection Services, this is a common occurrence and is approved by the USDA. Effective July 18, 2022, if food items lack any of those dates stamped on individual food items, a delivery date for those items will be clearly displayed on the boxes containing those items. Those food items will then be utilized per USDA regulations.

To address and improve the organization of the Juvenile Detention Center kitchen and address concerns noted in the JDC Audit Inquiry, an extensive reorganization of food storage areas, walk-in freezers, and the walk-in refrigerator began upon receiving the results of the audit. Steps being taken will maximize space, minimize the potential for supply loss, and effectively utilize a “first in/first out” date method. In addition, while some food storage shelves were labeled, additional labels have been ordered, and all shelves will be clearly labeled.

Audit Issue 4

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Issue:

We noted an absence of segregation of duties (SOD) between ordering and receiving inventory for the JDC Food Services program. During an on-site review of the inventory process, we noted that the Food Services program is a one-person shop, with this employee ordering, receiving, and documenting inventory. As such, it does not appear segregation of duties exists.

Recommendation:

Ensure written policies and procedures are established, adhered to, and monitored to ensure segregation of duties between ordering, receiving, and documenting inventory.

Management Response:

The Juvenile Detention Center kitchen operation is a small operation consisting of four full-time staff (Cooks) and the Food Service Manager. The segregation of duties between ordering and receiving inventory will consist of the Food Service Manager ordering food and designated kitchen staff verifying supplies ordered have been received upon delivery by inspecting delivered items and signing invoices. The administration will review all invoices, verifying that ordered items have been received. To ensure appropriate internal controls are in place to prevent unethical behavior and inventory misappropriations, personal vehicles of staff are prohibited in the secured rear area of the center adjacent to the kitchen. All kitchen areas are also equipped with cameras, and kitchen staff are subject to monitoring by the administration and supervisory staff whose workstations have monitors allowing them to observe kitchen areas. Staff must also exit the facility through a single exit equipped and monitored by cameras. The utilization of clear backpacks by staff entering the center as a means of reducing the possibility of inventory misappropriations will also be explored.

Issue:

The Department of Human Services Juvenile Detention Food Service Program needs a process to monitor and track food purchases to ensure the manager only purchases menu items for the residents. During the audit, we compared food purchases to meals served during a two-week cycle between June 29, 2022, to July 27, 2022. As a result, 45 items (**\$3,865.57**) did not appear on the menu the food service manager used to prepare the resident's meals. Therefore, we performed an additional test to determine if the items remained in the inventory. We located 32 of 45 (71%) items.

Recommendation:

Establish a process to monitor and track food inventory purchases to ensure only menu items are purchased.

Management Response:

Although all food invoices are reviewed by administration to reasonably ensure that items purchased can be incorporated into the menus for resident's meals, desserts and/or canteen snacks, Juvenile Detention Center Administration shall develop a comprehensive tracking system that will easily assist with determining that all food purchases are being made appropriately. The Superintendent and Assistant Superintendent shall monitor and track all food purchases on a monthly basis, or more often as needed. The Superintendent or the Assistant Superintendent shall acknowledge review of food items by signing the food logs upon review. In addition, the Superintendent or Assistant Superintendent shall conduct regularly scheduled and unannounced audits of food items documented as being purchased with actual food items found in the kitchen.

Management Response (continued):

Please note that a thorough review of how the items in question were used to enhance various prepared meals was completed by NJDC Administrators and the Kitchen Supervisor. NJDC's practice was discussed with the Department of Juvenile Justice (DJJ) Auditor assigned to monitor NJDC compliance with DJJ and USDA requirements. The DJJ Auditor confirmed that the existing practice is acceptable and within DJJ and USDA guidelines.

During the review, it was noted that the purchase of coffee and creamer could not be justified as items purchased for residents' consumption; and, therefore, removed from the resident consumption plans to the administrative budget of NJDC.

Issue:

It appears the JDC Food Services program is not following USDA nutritional guidelines for tracking daily meals and caloric intake for breakfast and lunch. Specifically, we observed that the meals served daily are not the same as the cycled menu. In addition, the food service manager did not present a mechanism or process for tracking daily meals served and caloric intake for meal substitutions.

Recommendation:

Management ensures **actual** daily menus and calories are retained on file, tracked, and recorded per USDA requirements.

Management Response:

Human Services agrees with the recommendation that our Food Services Supervisor keep actual daily menus for residents of the Detention Center. This additional requirement shall be added to the Supervisor's current tracking process of the number of meals served each day and the food served for each meal, if it deviates from the actual daily menu. The Superintendent and/or the Assistant Superintendent shall immediately ensure that this additional practice is added.

Issue:

The Human Services Fiscal Monitoring division did not monitor the Sysco contract to ensure timely renewal between the City and Sysco. As a result, there were 11 outstanding invoices during FY23 for \$22,929.74 due to an expired contract.

Recommendation:

1. We recommend the Human Services Fiscal Monitoring unit periodically review the current tracking mechanism on a specified frequency to ensure the current process is functioning correctly.
2. We recommend the Human Services Fiscal Monitoring unit adhere to the City's procurement policy and promptly establish/renew contracts between vendors.

Management Response:

We fully agree with the auditor recommendations above and intend to follow them precisely. The Superintendent of Norfolk Juvenile Detention Center and the Associate Director of Administration and Operational Services will work together to develop the internal protocols required so that we may follow procurement policies at all times.

Governmental Auditing Standards

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Compliance w/ GAGAS

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

Data Reliability

We relied on data from the AFMS (Advantage Financial Management System) system for accuracy when conducting this audit. The extent of our evaluation was dependent upon the expected importance of the data to the final report, the strengths or weaknesses of any corroborating evidence, and the anticipated level of risk in using the data. We determined the information provided to be reliable and, therefore, the level of risk from using this information to be low.

Internal controls

We obtained an understanding of significant internal controls within the context of the audit objective. We assessed whether internal controls were properly designed and implemented and performed procedures to obtain enough evidence to support the effectiveness of those controls. The extent of our assessment was dependent on the JDC Food Services Program internal processes and compliance with state and federal regulations. Our results indicated some opportunities for improvements, but none of the deficiencies are considered material weaknesses.

We thank the Department of Human Services
for their cooperation and responsiveness to
requests during the audit.

If you have any questions, please contact Tammie
Dantzler at tammie.dantzler@norfolk.gov or
757-409-2518.



Thank You!