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## Bethlehem Central School District

<http://bethlehemschools.org>

Date: January 4<sup>th</sup>, 2018

To: Jody Monroe, BCSD Superintendent  
BCSD BOE Audit Committee

Copy: Judith Kehoe, CBFO  
Phyllis Albano, Treasurer/Business Administrator

Re: Corrective Action Plan based on Internal Audit of Food Service Inventory

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**Recommendation #1:** The District should consider implementing an integrated perpetual inventory accountability database (i.e. Nutrikids Inventory Module). The transition would require training all necessary staff on using this software and limiting access to responsible individuals. Food Services should also create a formal daily withdrawal form and provide it to all staff responsible for inventory. Additionally, the daily withdrawal forms should be kept on record. This information would be necessary for updating inventory used in the inventory database. The form should include the following information:

- Description of item removed for production
- Location – i.e. walk-in-freezer, walk-in-cooler; dry storage room; paper/chemical room
- Quantity removed and returned (it should indicate whether it is a case or a unit)
- Employee initials
- Date

**Corrective Action Plan #1:** Due to the small amount of storage capacity we have for inventory storage, our food service department does not ever carry an inventory worth over \$50,000. We also do not have a separate warehouse where we store food/supplies for the program. For these two reasons, I would urge the district to continue with the monthly inventory tracking system we currently have in place. While perpetual inventory systems are the gold standard, they are expensive. A perpetual inventory system requires a purchased software as well as increased staffing to manage a large amount of data input on a daily basis. In addition, I have spoken with a couple of school districts in our area who are attempting to run with a perpetual inventory system and they are struggling with accuracy on the daily pull sheets (withdrawal form) and, therefore, their current inventory has many errors. This leads to difficulty maintaining an accurate inventory record and may result in more frequent under or over ordering for the menu, product loss and menu inconsistencies.

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Our current method is what many school district successfully use to manage inventory and ordering for menu planning. We have made many improvements to the system to be more accurate as well as account for inventory values in the financial reports for the food service program. These improvements have assisted in our department's ability to control inventory successfully as evidenced by a strengthened financial status in recent years.

**Recommendation #2:** The District should contact any vendors to receive credits where the billed rate exceeded the awarded bid price. This process should be followed for future invoice payment reviews. In addition, food services should continue to maintain documentation for any items that are not specifically identified on the approved bids. Food Service should also consider attaching supporting documentation that describe the reason for why items have been purchased outside of the approved bid documents. This would provide a sufficient audit trail for items that are not on the awarded bid documents.

**Corrective Action Plan #2:** During the receiving process the District will review invoices and identify any prices in which the billed rates exceed the awarded bid pricing. Then we will contact the vendor to receive a revised/corrected invoice prior to submitting it for payment. We will document items that are not on a bid award and add supporting documentation with reasoning for the purchase as well as price quotes and/or comparisons to ensure the District is receiving the lowest price or best value and a sufficient audit trail is being maintained.

**Recommendation #3:** The District should provide additional safeguarding of food inventory by installing video surveillance cameras at all receiving areas, storage areas, and where food is prepared. This would not only assist with safeguarding inventory, but would also provide liability insurance support in case a vendor or employee gets injured on school property.

**Corrective Action Plan #2:** The District will assess camera placement and install cameras where we feel they are appropriate to provide protection from potential liabilities in the areas specified.

Overall, I would like to mention that significant time has been spent improving our inventory practices and ensuring that we are sourcing the lowest/best price for food and supplies. The systems in place for ordering are such that we very rarely have issues with over or under supply. This saves us both money and time, allowing us to improve our program in other ways which benefit the students and staff at our District's schools.

If you have any follow-up questions, please let me know.

Allissa Eiser, FSD, RD