

# New Roots Charter School

## Lunch Operations

**MAY 2019**



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

# Contents

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- Report Highlights . . . . . 1**
  
- Lunch Operations . . . . . 2**
  - How Do Officials Provide Meals in a Cost Effective Manner? . . . . . 2
  - Officials Could Improve Lunch Operations. . . . . 2
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From School Officials . . . . . 5**
  
- Appendix B – Audit Methodology and Standards . . . . . 6**
  
- Appendix C – Resources and Services. . . . . 8**

# Report Highlights

## New Roots Charter School

### Audit Objective

Determine whether School officials provided school meals in a cost effective manner.

### Key Findings

- Over the last two years, lunch operations have incurred operating deficits totaling \$150,000.
- Officials did not perform meals-per-labor-hour (MPLH) or cost-per-meal equivalent (ME) analyses.
- Officials could have saved money if they purchased from the New York State Office of General Services (OGS) cooperative bid.

### Key Recommendations

- Periodically complete MPLH and cost-per-ME analyses.
- Continue to increase revenues by increasing average-daily-participation (ADP) and participating in available State or federal programs.
- Ensure the School is obtaining the best price when making purchases.

School officials agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The New Roots Charter School (School) is located in the Town of Ithaca in Tompkins County. The School was founded in 2009 and is a tuition-free high school with grades 9 through 12. Any student who is eligible to attend a public high school in New York State (NYS) is eligible to attend regardless of district of residency.

The School has an eight-member board (Board) that is responsible for the School's general oversight. The Board appoints a Superintendent who is responsible, along with other administrative staff, for the School's day-to-day management. The Operations Manager is responsible for the day-to-day management of the lunch program.

#### Quick Facts

2018-19 Enrollment	147
2018-19 Budget	\$2,394,689
2018-19 Lunch Allocation	\$94,871

### Audit Period

July 1, 2017 – January 22, 2019.  
We extended our audit period back to July 1, 2015 and forward to June 30, 2019 to analyze financial trends.

# Lunch Operations

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A charter school is a public school that is financed by local, State and federal resources and is governed under New York State (NYS) Education Law Article 56.<sup>1</sup> Generally, charter schools have fewer legal operational requirements than traditional public schools.

The School rents kitchen and storage space for the lunch program in a building near the School. All menu items are made in-house using as many NYS grown and produced food items as practical. Furthermore, per the School's charter, there are four educational programs that teach students about sustainable food sources with support from the lunch program. In 2016-17, the School joined the Federal Community of Eligible Provision of the National Lunch Program (CEP) whereby all students receive a breakfast and lunch meal free of charge. Additionally, all staff receive free lunch meals as an employee benefit.

## How Do Officials Provide Meals in a Cost Effective Manner?

Officials are responsible for managing lunch operations to ensure that meals are provided in a cost-effective manner while complying with federally established nutritional guidelines. This includes ensuring there are sufficient current revenues to meet current expenditures while monitoring and analyzing operations to identify potential inefficiencies. For example, comparing the costs-per-meal equivalent (ME)<sup>2</sup> helps officials evaluate program costs compared to program revenues. Additionally, a meals-per-labor-hour (MPLH)<sup>3</sup> analysis provides officials with a measureable figure to gauge the productivity of the operations. Officials should also work to increase ADP and a la carte sales while controlling expenditures. Officials should also review the NYS Office of General Services (OGS) cooperative bid prices to determine whether comparable food items and supplies could be purchased for lower prices than other vendors.

## Officials Could Improve Lunch Operations

Officials were aware that the lunch operation was not self-supporting. However, because they did not include staff salaries and rent for kitchen space in the costs, they did not realize the extent that other school revenues were being used to support the program. While the operations manager calculates the cost of producing meals annually for menu planning, no one has performed a cost-per-ME or MPLH analyses to help identify potential inefficiencies.

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1 New York State (NYS) Education Law, Section 2856

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

3 MPLH is the number of meals produced divided by the staffing hours to produce those meals. It is an industry-accepted standard used to determine the adequacy of staffing levels in a school lunch operation.

Officials develop the overall budget each year and include lunch revenues and appropriations. However, the budgets do not itemize all lunch expenditures, such as rent and salaries. Because of this, officials could not monitor the entire lunch budget, and only compared revenues from aid and sales to the supplies expenditures. Over the last two years, the lunch expenditures have exceeded revenues causing operational deficits totaling over \$150,000. Furthermore, we project that fiscal year 2018-19 will end with an operational deficit of \$47,000.

**Figure 1: Lunch Operational Surplus (Deficit)**

	2016-17	2017-18	2018-19 <sup>a</sup>
<b>Revenues</b>	\$51,933	\$51,403	\$51,830
<b>Expenditures</b>	\$125,244	\$131,003	\$99,067
<b>Operational Surplus (Deficit)</b>	(\$73,311)	(\$79,600)	(\$47,237)

<sup>a</sup> The year-end 2018-19 figures are projected numbers as of January 31, 2019.

We performed an MPLH analysis and found that the lunch operations performed efficiently compared to industry standards. In addition, joining the CEP increased student participation by 38 percent resulting in an increase in revenues of \$2,700 between 2015-16 and 2016-17. However, the total revenue-per-ME decreased by 6 percent after staff began receiving free lunches. We project that revenues-per-ME will increase by 1 percent for 2018-19 due to budgeted aid increases.

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

	2016-17	2017-18
<b>Sales</b>	\$0.39	\$0.06
<b>Federal and State Aid</b>	\$2.80	\$2.95
<b>Total Revenues per ME</b>	\$3.19	\$3.01
<b>Salaries</b>	\$4.67	\$4.58
<b>Rent and Supplies</b>	\$3.03	\$3.09
<b>Total Expenditures per ME</b>	<b>\$7.70</b>	<b>\$7.67</b>
<b>Profit/(Loss) per ME</b>	<b>(\$4.51)</b>	<b>(\$4.66)</b>

Additionally, the cost to produce a meal exceeded revenues per meal for each of the last two years. Officials explained that purchasing food from regional vendors was an integral part of their educational programs which may have contributed to the higher costs. Officials told us they were not aware of OGS cooperative bids as an available source for food items and supplies. We compared the prices of 10 exact matching food items purchased for three months in fiscal year 2017-18 to the OGS cooperative bid and found the OGS price was lower for two (or 20 percent) of the items. The School could have saved \$200 on these two items.

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However, we compared only exact matching items. Officials could purchase additional equivalent or similar items that would meet their needs and quantities throughout the year, which could increase savings.

Furthermore, because of the School's use of locally sourced foods, in cooperation with the NYS Farm-To-School program,<sup>4</sup> the School may be eligible to receive additional State aid in the 2019-20 fiscal year. This aid will be based on 2018-19 reimbursable lunches provided. The School may be eligible for \$2,600 in aid in 2019-20 if reimbursable meals in 2018-19 are similar to those in 2017-18.

Without reviewing results of operations, performing periodic analyses of participation and inefficiencies and ensuring that the best price is obtained for food and supplies, lunch operations will consume resources that could be used for other School purposes.

## **What Do We Recommend?**

School officials should:

1. Periodically complete cost-per-ME and MPLH analyses and explore methods for increasing revenues and further decreasing expenditures.
2. Ensure the School is obtaining the best price when making food and supply purchases.
3. Continue to develop ways to increase revenues by increasing average-daily-participation (ADP) and taking advantage of any available State or federal programs.

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<sup>4</sup> The NYS 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 NYS food products for school lunch programs. Districts that spend at least 30 percent of total food costs for the school lunch program on NYS 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.

## Appendix A: Response From School Officials

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May 17, 2019

Greetings,

Thank you for the helpful recommendations for increasing revenues and decreasing costs while maintaining a high quality lunch program for our students. Our Farm to School program is an essential dimension of the whole-school model of education for sustainability that we were chartered to provide young people in our region. Our focus is providing high-quality whole foods from local and regional suppliers prepared in ways that are appealing to high school students and that provide them with excellent nutrition. Our lunch program also provides educational opportunities for students to learn about food preparation and service, and the importance of local agriculture to community and environmental health. It also serves as a resource for other schools in our region that are making the transition to serving high quality local foods.

The cost per meal analyses prepared by our Farm to School Coordinator to date have been used exclusively for meal planning purposes to ensure that our meals are cost effective and the cost of more expensive ingredients is balanced by more cost-effective ones. In response to your recommendation, we will expand on this analysis by including the cost of facilities and labor in the manner of other NYS public schools so that we can look at program expenses through this lens.

Similarly, we were aware of all expenditures supporting the lunch program but did not explicitly include them in documentation of the lunch program budget. Making the program entirely self-supporting is not a practical goal at this point in time given the size of our student body, the scale of our operations, and degree to which the program supports other organizational goals. We do agree that this analysis will be useful in monitoring the cost efficiency of the program. Moving forward, we will document all lunch program expenditures in a separate budget and use this for purposes of tracking and analysis of cost per meal and overall program efficiency.

We appreciate knowing about the additional purchasing options available to us through OGS. We will also have expanded options for purchasing through a new local network of schools sourcing local and regional products in the 2019-20 school year. We plan to document cost comparisons so that we can assess the impact of utilizing these new purchasing options. We will also apply for the new state aid available to schools that use New York State food products. We will also seek to increase revenues by conducting an analysis of student participation in the lunch program this school year for the purpose of creating an action plan for increasing our ADP in the 2019-2020 school year.

Again, thank you for supporting our ability to maximize use of our available resources to provide our students with excellent nutrition and a learning experience that will support their wellbeing and the health of our local environment throughout their lifetimes.

Sincerely,

Tina Nilsen-Hodges  
Principal and Superintendent

New Roots Charter School • 116 North Cayuga Street • P.O. Box 936 • Ithaca, NY 14851

## 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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed School officials and staff members and reviewed Board minutes from 2015-16 through January 2019 to gain an understanding of lunch operations. We also made inquiries regarding budgeting practices to gain an understanding of how officials budgeted for lunch operations.
- We calculated the lunch results of operations for 2016-17 and 2017-18 to determine whether the program ended in an operational surplus or deficit. We also projected ending revenues and expenditures for 2018-19 and then calculated the projected results of operations to determine whether the School would experience an operational surplus or deficit.
- We calculated MEs for 2016-17 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 lunch operation's MPLH 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 calculated the costs and revenues of the lunch operations per-ME for 2016-17 through 2018-19, analyzed the results for trends in the per-ME costs and revenues and calculated the per-ME results of operations.
- We obtained and scanned all 165 lunch claims vouchers for the primary food and supply vendor (not including milk purchases) totaling \$35,000 for 2016-17 through January 22, 2019. We selected 10 food items that were purchased on a regular basis. We judgmentally selected September and November 2017 and May 2018 (out of 15 months) and compared the prices to the OGS cooperative bids to determine whether the School purchased these items at the best possible price and, if not, we calculated the amount the School could have saved.

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

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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

## 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)

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