

Department of Community Justice:  
Juvenile Justice Food Service Operations

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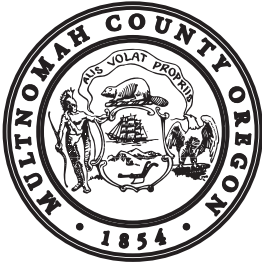
March 2015

Steve March  
Multnomah County Auditor

**Audit Staff**  
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# Office of Multnomah County Auditor

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Date: March 25, 2015

To: Chair Kafoury; Commissioners Bailey, Smith, Shiprack, and McKeel;  
Sheriff Staton; District Attorney Underhill; Director Taylor; Division Director McMahan

From: Steve March, Multnomah County Auditor

Re: Report to Management, Juvenile Justice Food Service Operations

This report covers the operations of Juvenile Justice's Food Services. In general costs have significantly increased since Juvenile Justice took over food service operations in 2008 due to quality issues with the previous contractor. There appeared to be little attention to the management or monitoring of costs in what was essentially four-different operations: Detainee food services; operation of a café; a catering operation; and, a culinary class. The takeaways for management:

- Food and labor costs for each function going forward should be monitored with performance goals set for each continuing operation.
- The Café is being operated primarily as a convenience for employees with little public use, however it is operating at a loss of well over \$200,000 and we recommend ceasing its operation; in lieu of that significant changes need to be made to reduce losses significantly as there is virtually no way to break even in that operation.
- The catering services were difficult to separate from the Café costs but do not seem to add to the viability of the entire operations. Ideally the Café and Catering would produce enough to offset other costs, but if not they should at least break even; combined they are losing money and are not part of the core mission of Juvenile Justice, again we recommend discontinuation.

We would like to thank the Department of Community Justice and the Division of Juvenile Justice for their cooperation and we believe this report will assist them in efficiently using public resources. Craig Hunt and Marc Rose worked closely with staff to produce as accurate picture of the food service operations as possible for this report.



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## Executive Summary

The Department of Community Justice (DCJ) operates three food service programs and a culinary arts class. Detainee food services provided meals to about 79 youth per day in fiscal year 2014. DCJ operates a cafeteria for juvenile custody employees as well as other workers in the building. DCJ also offers catering services for Multnomah County events.

In FY2014 approximately 12 full-time equivalent (FTE) employees operated all food services at a total cost of about \$1.35 million. Costs are partially offset by reimbursements from the State Department of Education School Nutrition Program for qualifying meals served to detained youth and by contracts with other entities.

We found that the financial health of detainee food services, cafeteria, and catering is not adequately monitored. Monitoring is extremely difficult because DCJ does not separately account for detainee food services, cafeteria, catering, and culinary arts class costs in the budget or in financial records.

We performed a cost study to separate program costs and found the cafeteria/catering programs are incurring a significant loss and are not financially sustainable. Even after adjusting for an employee who resigned in FY2014 that was not replaced in FY2015, we estimate the combined cafeteria/catering programs lost approximately \$228,000 in FY2014 and recommend that DCJ discontinue them.

We could not completely evaluate detainee food service costs because DCJ has not fully defined its financial goals and performance expectations for the program. DCJ

should be clear about the quality standards it expects of detainee food services and how much it should cost to achieve that quality.

**Background** Employees in the Department of Community Justice (DCJ) Donald E. Long Juvenile Justice Complex operate three distinct food service programs and teach a culinary arts class. These food service programs are within the Juvenile Services Division of DCJ and accounted for in the Juvenile Detention Services budget. In FY2014, a total of approximately 12 FTE operated all food services at a total cost of about \$1.35 million. Prior to FY2008, DCJ contracted out the detainee food service program.

#### Detainee Food Services

On average DCJ provided meals to approximately 79 youth per day in FY2014. Of the County's daily 64 bed detention requirement, Washington and Clackamas counties contract for 14 beds each. A community nonprofit contracts for 16 additional beds to provide secure shelter to youth under supervision of the Office of Refugee Resettlement. These counties and the nonprofit reimburse DCJ for food services provided. DCJ also provides meals for work crews, and youth intake and admissions.

Each day DCJ serves breakfast, lunch, an after-lunch snack, dinner and an after-dinner snack. DCJ prepares all meals on-site and distributes them to detained youth throughout the facility.

The Oregon Department of Education's School Nutrition Program (SNP) administers the United States Department of Agriculture's (USDA) breakfast, lunch and after-school snack programs. DCJ files monthly claims of meals served to detained youth to receive funds from the SNP. Meals served must meet USDA meal pattern and nutritional

requirements. In FY2014, DCJ received \$1.89 per breakfast, \$2.95 per lunch and \$0.80 per after-lunch snack served for a total of \$152,266. DCJ also received USDA food commodities valued at \$6,738 in FY2014.

#### Cafeteria

The cafeteria is located towards the center of the building and is open Monday through Friday and serves breakfast and lunch. Cafeteria employees, juvenile custody workers as well as other workers and building visitors purchase cafeteria food. Although open to the public, few sales are made to the public. Cafeteria sales were about \$160,000 in FY2014.

#### Catering

DCJ offers catering services primarily to Multnomah County agency events serving beverages, breakfast, lunch, appetizers, soups and salads, among other items. No sales are made to the public. FY2014 catering sales were about \$71,000.

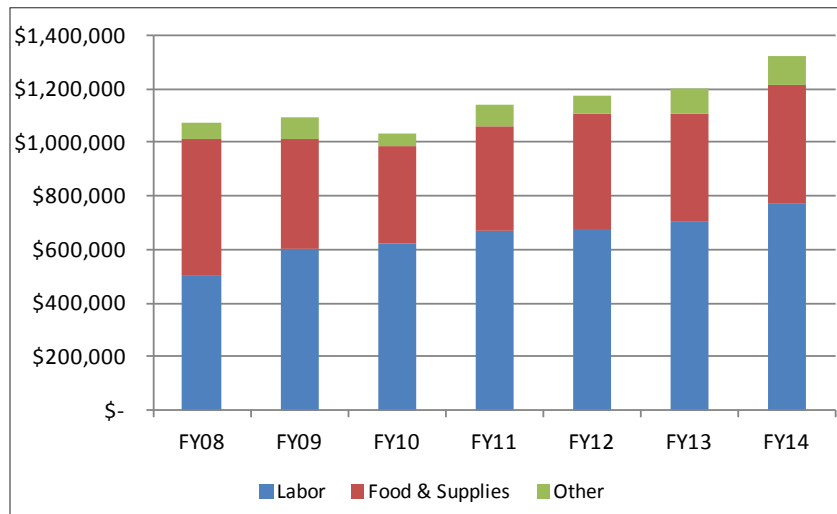
#### Culinary Arts Class

The DCJ food service manager teaches the culinary arts class twice a week in the kitchen. The culinary arts class is separate from the cafeteria and catering programs. Youth that are on probation or in foster care attend the class, but not youth held in detention. Students take the class at no cost from September to May. The class is generally below the maximum number of eight students. The DCJ food service manager works to get jobs for students, or to further their education in culinary training. The food service manager spent approximately 400 hours in FY2014 teaching the class at an estimated cost of \$14,870. We could not estimate food costs for the class but were told by the instructor that they were immaterial.

**Results** We found that the financial health of detainee food services, cafeteria, and catering is not adequately monitored. Monitoring would allow DCJ to recognize any problems in a timely manner and take corrective actions.

Exhibit 1 shows food service costs for all programs combined increased approximately \$250,000 from FY2008 to FY2014. Over this same time period revenues from combined cafeteria and catering sales remained about the same and revenues from the Oregon School Nutrition Program for detained youth decreased.

Exhibit 1 Food Service Cost FY2008-FY2014



Source: Auditor's Office analysis of SAP data

Achieving a satisfactory level of monitoring would be very difficult because DCJ did not separately account for detainee food services, cafeteria, catering, and culinary art class costs in the budget or in financial records. Financial information for these four programs is combined. Although we could identify the revenues of specific programs, we could not easily match them to corresponding costs to gauge the financial health of each food service program.

To look at the financial health of the cafeteria, detainee food services and catering, we performed a cost study to identify individual food service program costs. We were able to separately estimate the costs for detainee food

services but could not completely separate the cafeteria and catering programs because we could not estimate their individual labor costs. Lacking this information we estimated costs at varying levels of FTE.

#### Cafeteria and Catering Programs

The combined cafeteria and catering programs are incurring a significant loss and are not financially sustainable. We estimate the cafeteria/catering programs lost \$295,384 in FY2014. This loss does not include overhead expenses.

A cafeteria employee resigned during the last quarter of FY2014. Because the employee was not replaced in FY2015, we recalculated the FY2014 cafeteria/catering loss in Exhibit 2 excluding her personnel costs. The personnel expenses for this employee are not included in the remainder of the report.

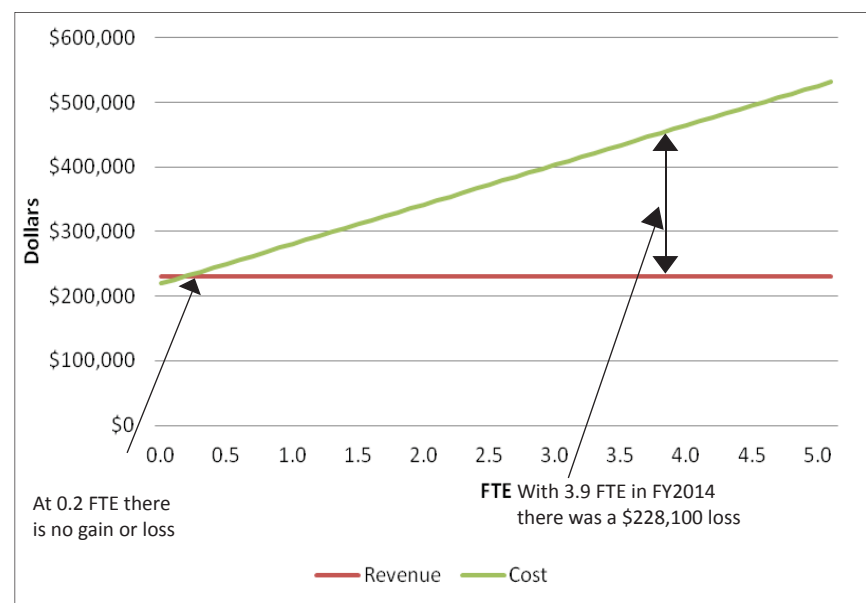
Exhibit 2 FY2014 Cafeteria/Catering Loss  
(assuming current staffing levels)

|             |                           |
|-------------|---------------------------|
| Revenues:   |                           |
| Cafeteria   | \$159,700                 |
| Catering    | <u>71,300</u>             |
| Total Sales | <u>\$231,000</u>          |
| Costs:      |                           |
| Labor       | \$239,200                 |
| Food        | 164,600                   |
| Supplies    | 34,400                    |
| Other       | <u>20,900</u>             |
| Total Costs | <u>\$459,100</u>          |
| Loss        | <u><u>(\$228,100)</u></u> |

Source: Auditors Office analysis

We estimated the staffing level for the cafeteria/catering programs was 3.9 FTE in FY2014. Exhibit 3 illustrates that the distance between revenues and costs at 3.9 FTE translates into a \$228,100 loss. Exhibit 3 also shows the cafeteria/catering programs could only employ 0.2 FTE at the FY2014 revenue level to break even. Further, even if raising prices increased revenues by 50%, the cafeteria/catering programs could only employ 2 FTE to break even.

Exhibit 3 Number of FTE for Cafeteria/Catering to Break Even  
(assuming current staffing levels)



Source: Auditor's Office analysis

We could not completely separate cafeteria and catering labor or food costs. However, as shown below in Exhibit 4 we identified catering revenues and estimated its costs to calculate the maximum number of FTE the catering program could employ to break even. Even with a conservative estimate of catering supplies costs, DCJ could only dedicate 0.5 FTE<sup>1</sup> to catering and still break even.

Exhibit 4 FY2014 Catering Program Break Even Point

|   |                 |
|---|-----------------|
| Catering Sales (actual)                   | <u>\$71,300</u> |
| Costs:                                    |                 |
| Labor (0.5 FTE to break even)             | 30,400          |
| Food (estimated at 1/3 of catering sales) | 23,700          |
| Delivery (actual cost)                    | 11,900          |
| Supplies (directly traceable to catering) | 5,300           |
| Total Costs at 0.5 FTE                    | <u>\$71,300</u> |

Source: Auditors Office analysis

We recommend that DCJ discontinue the cafeteria and catering programs because they cannot feasibly break even. When these programs are combined we estimated they are losing about \$228,100 a year. DCJ may wish to explore other, less costly alternatives to provide meal services to workers in the building and visitors.

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<sup>1</sup> The break even staffing level for the catering program (0.5 FTE) is higher than for the combined cafeteria /catering programs (0.2 FTE) because we estimated that catering does not contribute as much to the combined loss as the cafeteria.

#### Detainee Food Services

While the cafeteria and catering programs have paying customers and should at least break even, the detainee food service program is different. Food services for detainees must still operate efficiently, but other factors such as nutritional requirements and food quality drive program decisions and costs.

We could not fully evaluate detainee food service costs because DCJ has not defined its financial goals and performance expectations. DCJ should be clear about the quality standards it expects and how much it should cost to achieve that quality.

Exhibit 5 illustrates the FY2014 meal cost per detainee per day. Reimbursements from Washington and Clackamas counties and a community nonprofit help offset detainee meal costs to the County. Oregon School Nutrition Program revenues further offset costs and fluctuates depending on the number of youth but will not include reimbursements for crew workers and intake youth in FY2015 as they did for most of FY2014.

Exhibit 5 FY2014 Meal Cost per Detainee per Day  
(assuming current staffing levels)

|  |                       |
|--|-----------------------|
| Costs:   |                       |
| Labor  | \$16.76               |
| Food   | 8.75                  |
| Overhead   | 1.51                  |
| Other  | <u>1.55</u>           |
| <b>Meal cost per detainee per day</b>                    | <b><u>\$28.57</u></b> |
| Less revenue from:                                       |                       |
| Washington/Clackamas counties and nonprofit <sup>2</sup> | \$12.77               |
| Oregon School Nutrition Program                          | \$5.93                |
| Other Revenues   | <u>0.06</u>           |
| <b>Effective net meal cost per detainee per day</b>      | <b><u>\$9.81</u></b>  |

Source: Auditors Office analysis

#### Comparison to Other Jurisdictions

We compared DCJ's FY2014 estimated detainee food service costs to other jurisdictions but the results were inconclusive. An effective comparison is challenging due to program differences such as food quality and nutrition standards, whether the juvenile facility is stand alone or located with an adult facility, the number of detainees served and meals served per day, menu complexity and whether the program is directly operated or contracted. In addition, the type of program costs included in estimates varies. For example, some jurisdictions only track food costs leaving out labor costs and overhead.

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<sup>2</sup> Washington/Clackamas is based on FY2014 Detainee Food Service budgeted costs as a percentage of all budgeted juvenile detention costs times actual revenues received from Washington/Clackamas counties.

Some costs were comparable with DCJ's costs while others were not. For example, both King County, Washington and Sacramento County, California spend about the same amount on food as DCJ. DCJ's full cost per meal was higher than some California counties but lower than others. Oregon Youth Authority's meal cost per detainee per day for its ten facilities combined was lower than DCJ's cost.

During our study of other jurisdictions we observed demands on juvenile detention facilities to reduce costs by contracting out for food services. For example, Pierce County, Washington's cost per meal<sup>3</sup> was \$6.36 in FY2012 (DCJ's cost per meal was \$6.40 in FY2014). After pressure to lower food service costs, Pierce County contracted out for detainee meals lowering their cost to about \$2.00 per meal. However, along with the reductions of cost came a significant decrease in meal quality.

#### Monitoring Detainee Food Services

Detainee food service's financial information would become more transparent and easier to monitor without the cafeteria and catering programs included. DCJ should also separately account for the culinary arts program which is primarily the time spent teaching the course.

Once all revenues and costs pertaining to the detainee food service program are separated, DCJ can define financial goals that are in line with quality and nutritional standards to help evaluate and manage the program. At a fundamental level, DCJ will be able to better analyze program revenues and expenditures.

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<sup>3</sup> Cost per meal is different from meal cost per detainee per day shown in Exhibit 5. Cost per meal equals total detainee meal costs divided by the total number of meals for detainees. In contrast, the meal cost per detainee per day equals total detainee meal costs divided by the number of detainee days.

The National Food Service Management Institute has established measures for monitoring labor and food costs:

**Cost per meal served** is a key measurement used to determine the effectiveness and efficiency of a food service program. To use this measure, DCJ will need to track all meals served in a spreadsheet, not just those reported to the State.

**Meals per labor hour** measures the number of meals produced for labor hours worked. It is used as a productivity index to monitor the efficiency of an operation and as a guide to determine staffing levels.

**Cost of food used** is used to monitor food costs. If too high, DCJ can use strategies such as reducing waste, keeping specialized purchases to a minimum, maintaining inventory controls, as well as others to reduce food costs.

The cost of meals per detainee per day is also useful for determining how much to charge other jurisdictions who use the detention facility.

## Recommendations

1. DCJ should stop operating the cafeteria and catering programs.
2. To effectively monitor the financial health of the detainee food service program DCJ should establish financial goals and quality standards.
3. All revenues and costs pertaining to detainee food services should be separately accounted for.
4. In addition to tracking financial results of the food service program, performance measures such as the cost per meal served, meals per labor hour and cost of food used should be calculated.
5. DCJ will need to track all meals served in a spreadsheet, not just those reported to the State.

## Scope and Methodology

The objective of this audit is to determine whether DCJ efficiently provided cafeteria, catering and detainee food services. To accomplish this objective we:

- Walked through the kitchen and cafeteria and observed meals served to detained youth.
- Interviewed the Juvenile Services Division and Juvenile Detention Services managers as well as the Food Service Manager.
- Summarized and analyzed all meal counts available for FY2014. We obtained detention population counts as well as monthly claims to the Oregon Department of Education School Nutrition Program for qualifying meals served.
- Obtained financial information for the cafeteria, catering, detention food service and culinary arts programs from the County's financial system SAP.
- Determined the cost information collected was sufficiently reliable to meet audit objectives.
- Acquired food service audits from other jurisdictions.
- Compared DCJ detainee food service costs to other jurisdictions food costs.
- Reviewed literature from the United States Department of Agriculture, the National Food Service Management Institute and Oregon Department of Education.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

## Response



# Department of Community Justice

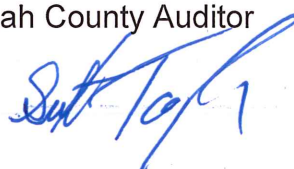
Director's Office



## MEMO

**TO:** Steve March, Multnomah County Auditor

**FROM:** Scott Taylor, Director



**DATE:** March 20, 2015

**SUBJECT:** Food Service Programs audit

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The Department of Community Justice (DCJ) would like to thank you for the recent audit of our Juvenile Food Services programs and appreciate the opportunity to provide comment on your report. This audit provides clear guidance to our department on where to focus our efforts to improve our kitchen operations. We appreciate the time and energy your staff spent with our operation in an effort to identify those areas where we meet expectations and those areas where changes in practice are appropriate and needed.

As a result of reviewing the audit we have immediately begun further analyzing the daily operation of the kitchen and food services. First and foremost, we acknowledge the need for each program to be able to detail its revenue and costs to ensure cost effectiveness. We have begun a more detailed review of costs and revenue in each of the areas analyzed in the audit and will continue the development of that capability.

Of greatest concern is the operation of the cafeteria and our ability to design and operate a cost effective model. We have begun to make changes in this operation. Specifically, we are examining adjusting food prices, adjusting hours of operation, and are reexamining what meals are offered. Our development of a budget tracking system for the cafeteria as a stand alone operation will allow us to adjust our practices to be a profit center or at a minimum break even.

We will also re-examine the catering services to determine what a cost effective operation could look like. We acknowledge that there a number of events that are not cost effective and other operations would be in a better position to provide those services. We will more closely examine staff time and whether it may be feasible to involve youth in our culinary arts program in more of the catering events should we continue this service.

This audit notes that DCJ has "not fully defined its financial goals and performance expectations for the program. DCJ should be clear about the quality standards it expects of

detainee food services and how much it should cost to achieve that quality." Internally we have been very clear about our first priority being the provision of nutritious, fresh and quality meals to those youth in detention. We believe that we meet that goal at a cost that is very comparable with other juvenile detention centers. It will be critical that we are able to separate the detention food costs from the other food services programs to ensure we are meeting our goals. At the same time we need to be just as clear that our operations are also reflecting additional values such as decreasing food wastes and providing healthy options for the youth in our care.

Again as we begin the separation of the operations in our fiscal tracking, it will allow us to clearly identify those areas where adjustment or termination of programming is appropriate. Once we further analyze the true costs of our operations we will discuss and decide whether discontinuing any services is needed.

Thank you again for time and effort taken to compile this report and providing recommendations to improve our services.