Food Inspections Outsourcing Follow-Up Audit
April 2014

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Project #14-04   **April 25, 2014**

Executive Summary

Seven of ten prior audit recommendations were fully implemented

Fully Implemented

Reassessed food permit fees

Outsourced operations evaluated for effectiveness and efficiency

Randomly verify billed inspections

Compare monthly invoices to inspections completed

Updated upload files

Evaluate duplicate records in inspection database

RFQ includes automation of food inspection reports

Not Applicable

Review efficiency of process before outsourcing

Reconcile database prior to converting to a new system

Retain documentation of professional service procurements

As part of the Fiscal Year 2014 Annual Audit Plan, the City Auditor's Office has completed a follow-up audit of the Food Inspections Outsourcing Audit released in May 2013. The audit was conducted 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. The audit objective was to determine the implementation status of prior audit recommendations.

Management concurred with all ten recommendations in the initial audit report. Audit follow-up indicates that Community Development & Planning fully implemented seven of the recommendations and did not implement three.

The Community Development & Planning Department has fully implemented the following:

- Reassessed food permit fees to ensure that all inspection costs are covered
- Evaluated the effectiveness and efficiency of the outsourced food inspection process
- Established a process to verify that billed inspections are being performed by the outsourced vendor
- Developed a process to obtain uploaded inspection files from the vendor and to compare inspections conducted to those invoiced to ensure billing accuracy
- Evaluated the need to remove duplicate inspection records from the AMANDA system
- The current RFQ contains information relating to the fully automated transfer of inspection reports into AMANDA

Management did not implement the remaining three recommendations because the action pertaining to these recommendations has not yet occurred. Therefore, the City Auditor's Office considered these recommendations to be not applicable.

Implementation Status Chart

Finding	Recommendation	Status	Page
Periodic evaluations to determine the efficiency of outsourced food inspections and its impact on the City's cost to regulate do not exist.	Departmental processes should be reviewed for efficiency prior to considering outsourcing	N/A	4
	Food permit fees should be routinely reassessed	✓	4
	Prior to contract expiration or renewal, outsourced operations should be evaluated for cost effectiveness and efficiency	✓	5
Processes to mitigate the risk that the City could be billed for fake food inspections were not in place.	Develop a procedure whereby billed inspections are randomly verified	✓	5
Process to mitigate the risk of duplicate and/or erroneous billings is tedious.	Develop a report which compares the monthly food inspection invoice to the inspections conducted	✓	6
	Food outsourcing vendor should provide a file which includes inspections that were omitted from the initial monthly upload file	✓	6
Some food inspection data is duplicated within AMANDA.	When data is converted to another system, reconcile the database to ensure accurate records are transferred to the new system	N/A	7
	Determine if it is feasible to remove erroneous duplicates from the inspection database	✓	7
Documentation supporting the basis for vendor selection was not available.	Professional service procurement records should be retained as required by state law	N/A	8
	Include full automation of food inspection reports within future RFQs for food inspections	✓	8

Implementation Status

✓: **Fully Implemented**
✓: **Partially Implemented**
X: Not Implemented
N/A: Not Applicable

Audit Scope and Methodology

The following methodology was used in completing the audit.

- Determined if there were any current City processes being reviewed for possible outsourcing
- Reviewed the evaluation of food permit fees
- Reviewed the evaluation of the efficiency and cost effectiveness of the food inspection process
- Reviewed the procedure to verify billed inspections
- Reviewed the process to ensure that all inspections are properly invoiced
- Discussed the probability of inspection records being converted to a different software system
- Discussed to feasibility of removing duplicate inspection records from AMANDA
- Reviewed the proposed Request For Qualifications for food service inspections

Status of Prior Audit Recommendations

Prior Audit Finding
Periodic evaluations to determine the efficiency of outsourced food inspections and its impact on the City's cost to regulate do not exist.

Recommendation: The City Manager should require that departmental processes be reviewed for efficiency prior to considering outsourcing, if such a decision is required and the comparison can be conducted in a timely manner.

Management's Response: Concur. Departments that consider outsourcing will be asked to ensure process improvements and other efficiencies have been maximized. However, should a business necessity (economic downturn, expiration of a time limited opportunity, etc.) dictate a timeframe that does not allow for such consideration, management will proceed with the alternate service delivery option.

> *Target Date:*   *May 2013*
> *Responsibility:*   *City Manager's Office*

Implementation Status: Not Applicable.

There have been no recent processes identified for possible outsourcing; therefore, this recommendation is currently not applicable.

Recommendation: The Community Development and Planning Director should require that food permit fees be routinely reassessed, based upon Environmental Health's cost to regulate.

Management's Response: Concur. A cursory review of health permit fees is performed at each budget cycle to determine if fees collected cover the anticipated administrative and contracted service costs. A more comprehensive review of health permit fees is scheduled for this year to ensure all cost of service is accurately captured in current fee structure.

> *Target Date:*   *September 2013*
> *Responsibility:*   *Environmental Health Division*

Implementation Status: Fully Implemented.

During the FY2014 budget process, the Assistant Director of Community Development & Planning prepared a detailed analysis of Environmental Health's fee structure. The estimated revenue was compared to the estimated cost of performing inspection activities. The City Auditor's Office reviewed this analysis which showed that overall the fee schedule is adequate to cover the costs associated with the function.

Recommendation: The Community Development and Planning Director should require that, prior to contract expiration or renewal, outsourced operations be evaluated based on cost effectiveness and efficiency.

Management's Response: Concur. The Community Development and Planning Department has planned to conduct this evaluation as part of the FY14 budget process.

> Target Date: August 2013
> Responsibility: Environmental Health Services Division

Implementation Status: Fully Implemented.

During the FY2014 budget process, the Assistant Director of Community Development & Planning prepared a detailed analysis of the effectiveness and efficiency of the inspection process. The analysis included a comparison between the third party vendor performing inspection duties and those same duties being performed in-house. Since there is currently a new RFQ being advertised for outsourcing the food inspection function, a detailed analysis should be performed again prior to making a decision to ensure that outsourcing is still the most efficient and cost effective alternative.

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Prior Audit Finding
Processes to mitigate the risk that the City could be billed for fake food inspections were not in place.

Recommendation: The Community Develop and Planning Director should require that Environmental Health staff establish a procedure whereby billed inspections could be randomly verified.

Management's Response: Concur. In order to mitigate the risk of being invoiced for inspection services that were not performed, Environmental Health Services personnel began performing random inspections of food establishments on January 10, 2013. Food establishments that did not receive a failing score for which a follow-up inspection is performed were randomly selected for inspection. Approximately fifty (50) random inspections are scheduled to be done each month. To date, one hundred seventy eight (178) random inspections have been performed that validate the outsourced vendor's inspection of the restaurant facility.

> Target Date: Complete
> Responsibility: Environmental Health Services Division

Implementation Status: Fully Implemented.

Health Services selected a random sample of facilities to visit in order to verify that inspections were performed by Bureau Veritas (BV). For FY2013, BV performed 2,227 inspections for which Health Services selected 507 (22.8%) to verify that the inspections were completed. The City Auditor's Office reviewed 20 of these random inspections performed by City staff and noted that the inspector had documented the visit in the AMANDA system. Since there were no exceptions noted during

Health Services' verification process, in subsequent years they are anticipating a reduction in the number of re-inspections.

Prior Audit Finding
Process to mitigate the risk of duplicate and/or erroneous billings is tedious.

Recommendation: The Community Development and Planning Director, in conjunction with the Chief Information Officer, should determine whether it is feasible to develop a report that can be generated for comparison to monthly food inspection invoices and the number of inspections conducted by City staff.

Management's Response: *Concur. The Environmental Health Services Division and Information Technology Department will collaborate to develop an on demand or automated reporting format to generate a report which compares food inspection invoices with inspections performed by the vendor. In the interim, Bureau Veritas has agreed to provide Environmental Health Services with their CSV file from which their invoices are created. This will make inspection and invoice comparisons much simpler than the current process.*

> *Target Date:*   *August 2013*
> *Responsibility:*   *Environmental Health Services Division*
>   *Information Technology Department*

Implementation Status: Fully Implemented.

An automated process has been developed in which monthly invoices are compared to the inspections actually conducted by the outsourced vendor. The City Auditor's Office reviewed the documentation for inspections conducted in March 2014 with no exceptions noted.

Recommendation: The Community Development and Planning Director should request that the food outsourcing vendor provide updated upload files whenever an inspection has been omitted from the initial monthly upload file.

Management's Response: *Concur. Environmental Health Services will request that the outsourced vendor provide updated inspection upload files whenever inspection reports have been omitted from the initial inspection upload.*

> *Target Date:*   *April 2013*
> *Responsibility:*   *Environmental Health Services Division*

Implementation Status: Fully Implemented.

The automated process described in the previous recommendation would identify missing inspection reports. The City Auditor's Office reviewed documentation for March 2014 and noted there were no missing inspection reports.

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Prior Audit Finding
Some food inspection data is duplicated within AMANDA.

Recommendation: In the future, when data is converted from one system to another, the Community Development and Planning Director should require that queries be run to identify and correct problems with the source data and that staff validate/reconcile the number of records in the new database to the number of records in the old database - prior to pulling the data into a new system.

Management's Response: Concur. *During any future system conversion, Health Services personnel will reconcile the number of records in the new database with the number of transferred records from the old database.*

> Target Date: Undetermined
> Responsibility: Environmental Health Services Division
>   Information Technology Department

Implementation Status: Not Applicable.

According to the Assistant Director of Community Development & Planning, at this time there are no plans to move the inspection database from the AMANDA software system. Therefore, this recommendation is currently not applicable.

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Recommendation: The Community Development and Planning Director should determine whether it is feasible to remove erroneous duplicates from within the food inspection database. If deemed feasible, the duplicates should be removed.

Management's Response: Concur. *Environmental Health Services will, if feasible, remove erroneous duplicates from the food inspection database.*

> Target Date: July 2013
> Responsibility: Environmental Health Services Division

Implementation Status: Fully Implemented.

Community Development & Planning management determined that it was not feasible to remove the duplicate inspection records from the system. Since they do not have access to the old system anymore (SWEEPS), they cannot determine with accuracy if the information is accurate. The duplicates included records from January 2009 through May 2011.

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> *Prior Audit Finding*
> **Documentation supporting the basis for vendor selection was not available.**

Recommendation: The Community Development and Planning Director should require that professional service procurement records and files be retained as required by state law.

Management's Response: Concur.   The Community Development and Planning Department assumed management control and oversight of the Environmental Health Services Division in FY 2011. Historical records pertaining to the procurement of professional services for outsourced food inspection services with Bureau Veritas could not be located.   All current procurement and inspection records are being retained in accordance with the City's adopted records retention policies.

> *Target Date: Complete*
> *Responsibility: Environmental Health Services Division*

Implementation Status: Not Applicable.

The Community Development & Planning Department has prepared a Request for Qualification (RFQ) for Food Service Establishment Inspections. According to management, responses to the RFQ will be due by May 16, 2014. The Assistant Director of Community Development & Planning stated that all information relating to this RFQ will be retained according to the City's retention schedule. Therefore, at the time of this review, this recommendation was not applicable.

Recommendation: The Community Development and Planning Director should include full automation of food inspection reports as an option within future requests for proposals for food inspections.

Management's Response: Concur. The current professional services contract does not include a provision for the electronic transfer of food inspection reports. The Department will formally solicit a price quote for the added service as an option at the next contract renewal and extension or in association with any new contract for food inspection services.

> *Target Date: October 2013*
> *Responsibility: Environmental Health Services Division*

Implementation Status: Fully Implemented.

As stated in the Implementation Status of the previous recommendation, the Community Development & Planning Department has developed an RFQ for Food Service Establishment Inspections. The RFQ contains verbiage relating to the electronic transfer of food inspection reports into the AMANDA permitting system and into the Laserfiche system.