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THE RECORDS CONTROL FUNCTION
FOR A SCHOOL LUNCH PROGRAM

Thesis for the Degree of M. S.
MICHIGAN STATE UNIVERSITY

Mary Ellen Ault

1962

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THE RECORDS CONTROL FUNCTION
FOR A SCHOOL LUNCH PROGRAM

By

Mary Ellen Ault

A THESIS

Submitted to
the Dean of the College of Home Economics
of Michigan State University
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PREFACE

School food service has become a permanent part of the contemporary scene. Does it not follow, then, that it ought to be administered efficiently?

This study was developed with the idea that standardized procedures must be tailor-made to the organization which uses them, but even though the records were designed for a particular situation it is hoped that other organizations may find some part which can be adapted to their needs. Experience in the field as well as the studies and experiences reported by others were drawn upon in the preparation of this manuscript.

Acknowledgment is made to the many writers who have furnished ideas directly or indirectly through their books and articles. Sincere appreciation is given to Mr. Wallace Aylesworth, Superintendent of the Portage School Corporation, for his interest in providing pertinent information and for his cooperation in introducing the findings of the study to the cafeteria system. Thanks is due Mr. Albert Hinton, Certified Public Accountant, for his assistance in the development and use of the record forms.

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INTRODUCTION

As organizations are formed, procedures for obtaining operational records are slowly established by those who set up the first routines and process the initial papers. The methods which evolve are rarely as efficient as they might be. Once procedures are fixed there is little motivation on the part of supervisors and employees to seek a better way, since performance can become automatic enough to seem expeditious. A good reporting system is a requisite for effective management control.

The modernization of office procedures represents a challenge to school lunch supervisory personnel, because there are not many precedents for such work. The financial aspects of school food service management call for sound business techniques adapted to meet the needs and purposes of the program as well as for intelligent direction. At present it is difficult to obtain satisfactory summaries of financial transactions and commodity values which adequately report school food services.

Efficient records aid in administration, furnish data for statistical analysis, systematize operational control and show progress and development within the program. Management may anticipate stimulation of personnel, improvement of service and better financial control through an effective accounting and reporting system. The principal objective of this study was to develop systems and procedures for internal control of the school lunch department in Portage, Indiana.

THE COMMUNITY AND THE SCHOOLS

During recent decades our society has been marked by rapid change. This is apparent to one who notes that only a few decades ago we were essentially a rural people. Then the villages, towns and cities were rather stable communities, but industrial and economic changes have been vast and they have had a great impact upon community life. Innovation in the schools has not been much less than in the society. Not only is the public school one of a large group of influences which act upon the society, but it is also seen to be subject itself, through custom and tradition, to the strains and stresses of every activity within the community.

The Community

One does not have to go the annals of history nor does he have to search far off areas of the world to find the struggle of cultures taking place. People in modern civilized areas can find themselves in a virtual battle for their very existence because of geographical location, technological development, and social structures. Fifteen years ago Portage, Indiana was a peaceful rural community, and now we find a large heterogenous group of conflicting cultures. This struggle is not just a local concern as one might think.

For many years, the politicians of the State of Indiana have wanted to include its only remaining waterfront in the world markets. The first industrial foothold in the dunes area was the purchase in 1929 of seven hundred and fifty acres by Midwest Steel, a subsidiary of National Steel Corporation. However, no great push was made until there was

serious talk about building the St. Lawrence Seaway. Then a concentrated buying program took place by Inland Steel Company, the Bethlehem Steel Company and even by the State of Indiana for the purpose of building a port to establish world trade.

There has been a long-waged battle between conservation and industry over the deep water port. The project is supported by politicians and recommended by the army corps of engineers, but strongly opposed by two thousand members of Save-the-Dunes Council who would like to create a National park. This controversy has been before the United States Senate Interior and Insular Committee, a matter of discussion and debate on nation-wide television and a major concern of the State House of Indiana.

Most of the area of Portage Township is wealthy in rich farm land. This fact, generally accepted just a few years ago, is one that is lost to the influx of population during the last fifteen years. With one exception all of the populated areas were found in the more sandy regions of the township. The exception, McCool, population now of about two hundred, grew more as a convenience to the farmers than for any other reason. A railroad passes through this town and many years ago was a loading place for milk brought in by farmers. Today the trend of population is strongly pushing at the outer fringes of the farm areas to the point that many farms are completely residential.

In the middle and western portion of the township is found a large tract of dry, sandy land which, though not the first to be inhabited, has grown to be the area of greatest population. Farther north, on the western side there is a decided mixture of swampland and sandy dunes, which, as yet, has not been put to any economical use except for construction of one small plastics factory.

The extreme northern area from east to west borders Lake Michigan and is made up of both large and small sand dunes. Most of the people of

this section are greatly attracted to the dunes and have moved into the area to take in their beauty and to be close to nature. It was for this reason alone that the small town of Ogden Dunes came into existence. People in this village are on a much higher socio-economic scale than those in the other parts of the township. East of Ogden Dunes is a small residential area that is made up of two extremes; a slum area and a larger section of very fine homes.

In the township, then, we find three distinct classes of people recognized both by the location in which they live, and the occupations on which they depend for their livelihood. These are: (1) the farmer located in the better farmland, (2) the millworker who works in Lake County and lives in the central sandy region of Portage Township, and (3) professional people including executives, doctors, lawyers, artists, and writers who reside in Ogden Dunes.

Basically Portage Township acquires the overflow of Gary. The rapid growth of Gary in addition to plans for expanding the sand dune area made an increase in population of the township inevitable. This surge in population led to the incorporation of Portage in 1959. Midwest Steel built a finishing mill in 1960 as part of a large integrated mill which is planned for completion within ten years, and the other steel companies who purchased land in the area also expect to construct large plants. Portage, Indiana in 1962 is rated as a fifth class city with an approximate population of 15,000 distributed over twenty-five square miles.

The Portage School System

Industrialization is responsible for the rapid growth of the Portage school system. During the past decade the number of students skyrocketed 157% raising the school tax rate 119%. The assessed valuations did not keep pace with the enrollment since they increased only 54%.

Annual expansion is necessary to keep step with the growth. Four new buildings were constructed during the last ten years, and another will be completed in 1963. School construction dates and pupil capacity show the pressure of increasing enrollments:

School	Date of Construction	Date of Addition	Site Size (acres)	Pupil Capacity
Crisman	1898	1922-1930	5	540
Garyton	1920	1927-38-56	8	360
Portage H.S.	1949	1953-55-58	35	1700
Geo. L. Myers	1959		10	360
Ethel R. Jones	1960		10	360
Central El.	1961		10	540
Portage Jr. H.	1963			950

An increase in personnel is to be expected with expansion. The Portage faculty nearly tripled in the last ten years. A change in organization came about in 1957 with the formation of a school board to replace the township trustee. The State of Indiana is now undergoing school re-organization, but their committee has recommended that because of its size the Portage school district should remain as it is.

Probably the best picture of what has happened to the Portage school enrollment can be seen in the enrollment figures (Table 1). Note from the table that in 1950 there were 154 pupils in grade one. In 1961 the enrollment in that grade had increased to 434. The total enrollment of the Portage school system increased from 1297 to 3844 in twelve years. It is hoped that this background will lead to a better understanding of the lunch program.

Table 1. Portage School Enrollment Figures for the School Years 1950-1961, Inclusive

Grade	Year											
	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
1	154	162	188	237	235	234	255	283	319	359	420	434
2	155	153	166	191	218	241	247	275	300	307	363	430
3	150	163	148	167	198	231	239	266	298	304	349	357
4	150	156	163	159	178	204	238	255	268	306	340	368
5	112	144	164	174	158	185	203	248	291	263	332	329
6	96	120	147	173	161	180	193	218	250	295	307	334
7	108	99	110	155	185	183	184	209	251	285	332	318
8	105	111	114	114	144	195	193	192	203	240	317	339
9	74	95	112	104	117	142	195	212	202	209	275	321
10	79	68	90	108	102	117	143	189	212	191	200	243
11	69	73	60	88	108	97	115	123	166	190	195	181
12	45	64	62	56	77	96	89	108	125	159	173	177
Special	--	--	--	--	--	--	--	--	--	--	--	13
Totals	1297	1408	1524	1726	1881	2105	2294	2578	2885	3108	3603	3844

THE SCHOOL LUNCH PROGRAM

The story of school lunch is inevitably a part of the larger story of the rapid development of public education. This program is primarily the result of basic economic and social changes in the nation that have created a demand for a school lunch program. Like the majority of school systems Portage, Indiana has made the school food service an integral part of its total educational program.

Historical Highlights

Education is big business today--all phases of education--and the public, as well as school officials, are focusing their eyes on the spending of funds for educational purposes. A new sense of responsibility has developed toward the handling of monies and a "new look" is apparent in the business offices of the school systems throughout the United States (22). One of the fastest growing phases of education has been school food service. This program was in its infancy twenty years ago, but today has joined the parade of billion dollar operations. The serving of food at school has been known abroad since 1849. However, the type of food provided, the reasons for food service and the educational implications have changed radically over the last twenty years.

France was one of the first countries to provide school lunches on a national scale, and in 1882 legislation provided for use of local funds to support lunch programs in all schools. During the Boer War, in 1902, an officer of the British Army stated that only two out of every five men who wished to become soldiers were physically fit. This became a national issue in England, and Parliament recommended that lunches be supported wherever possible by private funds. Public funds were made

available when costs could not be met otherwise. Local educational officials were authorized to install facilities for preparing and serving food as part of the standard school equipment, and by 1909 nearly all European countries had taken steps in the school feeding movement.

The earliest instance on record of an organized school feeding operation in the United States was that of the Children's Aid Society of New York, which in 1853 opened the first of its vocational schools for the poor and served meals to all who attended. Growth in the knowledge of nutrition some decades later placed emphasis on the importance of the wise selection of food and the need for nourishing school lunches at low cost or without charge. Under the leadership of Ellen H. Richards, a well-known home economist, the Boston school committee passed an order that "only such food as was approved by them should be sold in the city schoolhouses" (9). About this same time school officials began to recognize that malnutrition affected the ability of the child to learn at school, and the two decades that followed brought significant developments in the school-lunchroom movement throughout the country.

By 1910, many cities were operating penny-lunch programs in elementary schools, often taking over the task formerly performed by voluntary societies. Small portions of food--a bowl of soup, bread and butter, or cocoa, for example--were sold for one to three cents during recess. These lunches were self-supporting encouraging children to buy nourishing food with their lunch money. In 1909 a new system was initiated at the William Penn High School in Philadelphia. Instead of granting the lunch concession to the janitor or a caterer, a home economics graduate was hired as director of the lunchroom to serve lunches based on "sound food principles." Light, heat, gas for cooking, and the original equipment were provided by the board of education and otherwise, the lunchroom was to be self-sustaining. All assistants and helpers were to be employed by the director, with prices for food fixed

at such a scale that the receipts should cover overhead charges. This plan proved to be basic to school lunch development.

Legislation

In our country, federal assistance to school lunch operations began in 1933, when the Reconstruction Finance Corporation provided loans to several communities in Missouri to pay labor costs of preparing and serving school lunches. By the end of 1934 this type of assistance was given to thirty-nine states through the Civil Works Administration and the Federal Emergency Relief Administration. Later, the Works Project Administration and the National Youth Administration furnished both labor and trained management personnel for lunchroom operations resulting in an adequate program at the time (14).

The enactment of Public Law 320, 74th Congress, in August 1935, made it possible for the federal government to provide additional assistance in the form of donated commodities. Section 32 of the law appropriated annually an amount equal to thirty percent of all customs receipts for the general purpose of encouraging the exportation and domestic consumption of agricultural commodities. One of the activities financed with Section 32 funds was the program for purchase of surplus food commodities and their distribution to nonprofit school lunch programs, charitable institutions, and welfare recipients. By March 1942, six million children were participating in lunch programs receiving surplus commodities.

Our entry into World War II brought an unprecedented demand for food which, in turn, resulted in the production of a large volume of foods suitable for local purchase for school lunch programs. In March 1943, the Department of Agriculture announced that assistance would be granted in the form of cash reimbursement. Under this program, any nonprofit

public or private school was eligible. Local sponsoring groups entered into agreements with the department to operate lunch programs in accordance with certain standards and regulations, and were reimbursed directly for a portion of their food expenditures. The most important of these operating standards were:

1. Lunches served should meet nutritional standards established by the Department of Agriculture.
2. The lunch program should be operated on a nonprofit basis.
3. Children unable to pay the full price of the lunch should be served at a reduced cost or free.

Direct distribution of surplus foods acquired by the department continued, although the quantities available were substantially smaller than in prewar years. During fiscal years 1944 and 1945, Congress appropriated \$50 million of Section 32 funds and later voted a deficiency appropriation of \$7 $\frac{1}{2}$ million.

The National School Lunch Act, Public Law 396, 79th Congress, second session approved June 4, 1946, authorizes Congress to appropriate funds for a permanent school lunch program administered nationally by the United States Department of Agriculture. The funds are to assist the state educational agencies in the establishment, maintenance, operation and expansion of nonprofit school lunch programs. Federal funds for the school lunch program are apportioned among the states to reimburse schools for part of the cost of the food they purchase. The amount of money each state receives depends on the number of school-age children in the state and the per capita income of the state. Federal funds expended in a state for the purpose of reimbursing schools must be matched with funds from sources within the state (including appropriated funds, children's payments, and donated services) at the rate of three dollars for each federal dollar. In the case of a state whose per capita

income is less than that of the United States, the matching required for a fiscal year is decreased by the percentage which the state's per capita income is below that of the per capita income of the United States.

Reimbursement from federal funds is made monthly to the schools. The amount of federal cash assistance that a school may receive depends on the need for assistance, the number of lunches served, and the amount spent for food. The maximum rate of reimbursement that may be paid per lunch is nine cents. (The average rate of reimbursement today is 4.1 cents.) No reimbursement is paid for lunches served to teachers or to other adults.

Most of the food used in the school lunch program is purchased locally by the participating schools. However, under a provision (Section 6) of the National School Lunch Act, the United States Department of Agriculture buys and distributes to schools taking part in the national school lunch program foods that are of high nutritive value suitable for children's lunches. In addition, from time to time, the department makes available to all eligible nonprofit school lunch programs, foods which are obtained under authority of legislation to widen the market outlet for farm products.

Public schools and nonprofit private schools (such as parochial, sectarian, and denominational schools) of high school grade or under may apply for federal aid. To be eligible for participation, schools must agree to follow the operating standards of the Department of Agriculture. The laws of a number of states do not permit the state educational agency to administer the program in nonprofit private or parochial schools. In those states, such schools may enter into an agreement with the Department of Agriculture to operate a program.

Since June 1946, when the permanent National School Lunch Act was passed, the expansion of the school lunch has been phenomenal. Between 1947 and 1958 the total United States population increased 21

percent from 143 million persons to 173 million. . Percentagewise public and private school enrollment almost doubled the general population increase during the same period. The national school lunch participation grew from forty-five million children in 1947 to one hundred million in 1958, an increase of 153 percent. The original federal appropriation of \$81 million as compared to the 1960 budget request of \$100 million shows an increase of only 23.5 percent.

The special milk program was initiated in September, 1954, pursuant to Public Law 690, 83rd Congress, which amended a price support provision of the Agricultural Act of 1949. The purpose of the legislation was ". . . to increase the consumption of milk by children in nonprofit schools of high school grade and under." The first year, \$50 million was authorized for the program; \$60 million the following year; and \$75 million for each of the 1957 and 1958 fiscal years. The first year the special milk program was in effect, reimbursement was made for all milk served to children over a fixed base established on the normal consumption of the school. As a result, 400 million additional half pints of milk were served. After that, reimbursement was given on all milk sold, and the use of a fixed base was eliminated. A maximum rate of four cents per half pint was set for schools serving types "A" and "B" lunches ("B" lunches have since been eliminated); and three cents per half pint for all other schools.

Figures compiled as of April 1961 showed that more than 63,000 schools are participating in the National School Lunch Program which is available to nearly two-thirds of the children enrolled in the schools of high school grade or under. Approximately $13\frac{1}{2}$ million children are participating daily making more than two billion meals served per year. Considering that over a billion dollars a year is expended on school lunches, almost equally divided between new equipment and private food purchases, we know that the program has become a big business.

Organization of Portage, Indiana Program

Ninety-nine percent of the pupils of Portage township were transported to and from school by bus; therefore, it was necessary for them to eat one meal a day in the school house. The lunch box brought from home was the first source of the school lunch in this area, but in the mid-twenties as concern for rural school lunches developed throughout the country, the local Parent Teacher Association organized a lunch program. The women took turns going to school to prepare the lunches, cooked--on an oil stove--and served in a small basement room of the grade building. A year later the school accepted the responsibility of the program, and a cook was employed. A teacher of English and foreign language planned menus, decided quantities, purchased the food, and paid the bills since there was no home economics teacher. The money was collected and kept by the teacher in charge who paid all bills in cash. The income amounted to \$40-\$50 per week and any surplus remaining at the close of the year was turned over to the school. A fifteen cent plate was served including a main dish and salad, or a five cent bowl of hot soup could be purchased.

In 1936-37 the same type of program was in operation with the addition of student helpers. Bookkeeping was not quite so casual since receipts were deposited in the school account and expenses were paid by check. The program grew rapidly during the 1940's, and was considered well-established by 1946 under the supervision of the home economics teacher. Table 2 illustrates the development of the lunch program from 1946 until the present time. It is interesting to note that from 1946 to 1962 the number of lunches served each day increased from 380 to 2500 or 558 percent.

The six schools in operation during 1961-62 included five elementary and a combination junior-senior high school. The smallest of the schools served about three hundred lunches daily, and the largest, the junior

Table 2. Development of the Portage Lunch Program from 1946 to 1962

Year	Number Schools	Number Employees	Average Daily Number Served	Yearly Income	Yearly Expend.
1946-47	2	3	380	\$ 17,400	\$ 17,800
1947-48	2	3	400	18,600	18,100
1948-49	2	4	450	20,900	20,600
1949-50	3	4	550	23,400	23,000
1950-51	3	5	580	26,200	27,400
1951-52	3	6	600	30,800	28,300
1952-53	3	6	620	32,300	29,500
1953-54	3	7	650	35,400	31,500
1954-55	3	8	700	56,400	67,100
1955-56	3	9	760	65,200	67,700
1956-57	3	10	1000	83,400	78,800
1957-58	3	14	1300	77,500	73,700
1958-59	3	15	1600	101,000	96,400
1959-60	4	16	1750	108,000	103,000
1960-61	5	25	1900	153,000	140,000
1961-62	6	28	2500	160,000	150,000

senior high, served about one thousand lunches. A new junior high school under construction is planned for completion and ready for operation by January 1963 increasing the total number of daily lunches served to three thousand.

Many people are involved in the administration of the Portage school food service. Some have broad, general responsibilities, whereas others have specific detailed duties. The sponsoring agency, the superintendent of schools, the principal, the classroom teacher, the director, food service personnel, and other school personnel--all have specific roles to perform to produce an efficient school food service.

The sponsoring agency limits its function to making general policies for facilities, personnel, and administration. The chief executive officer of the agency, the superintendent is responsible for the total school program, of which school food service is an integral part. His responsibilities center in the over-all, general policy area. The principal is responsible for providing supervision in the lunchroom, planning lunch time schedules, reporting substandard practices of food service, and assuming leadership in planning and arranging activities so that all other personnel may enjoy the food service department. The classroom teacher correlates instructional activities with those of food service and promotes participation by her speech and attitude. Other school personnel including school nurse, custodial, maintenance, and clerical employees are important in assisting the food service program in their own capacities.

The school lunch director is appointed by the superintendent and is directly responsible to him (Figure 1). The function of the full-time director is working with others to plan, develop, administer, and supervise the food service program on an administrative unit-wide basis. She also aids in the integration of school food service with the total curriculum serving as a member of the educational team working with

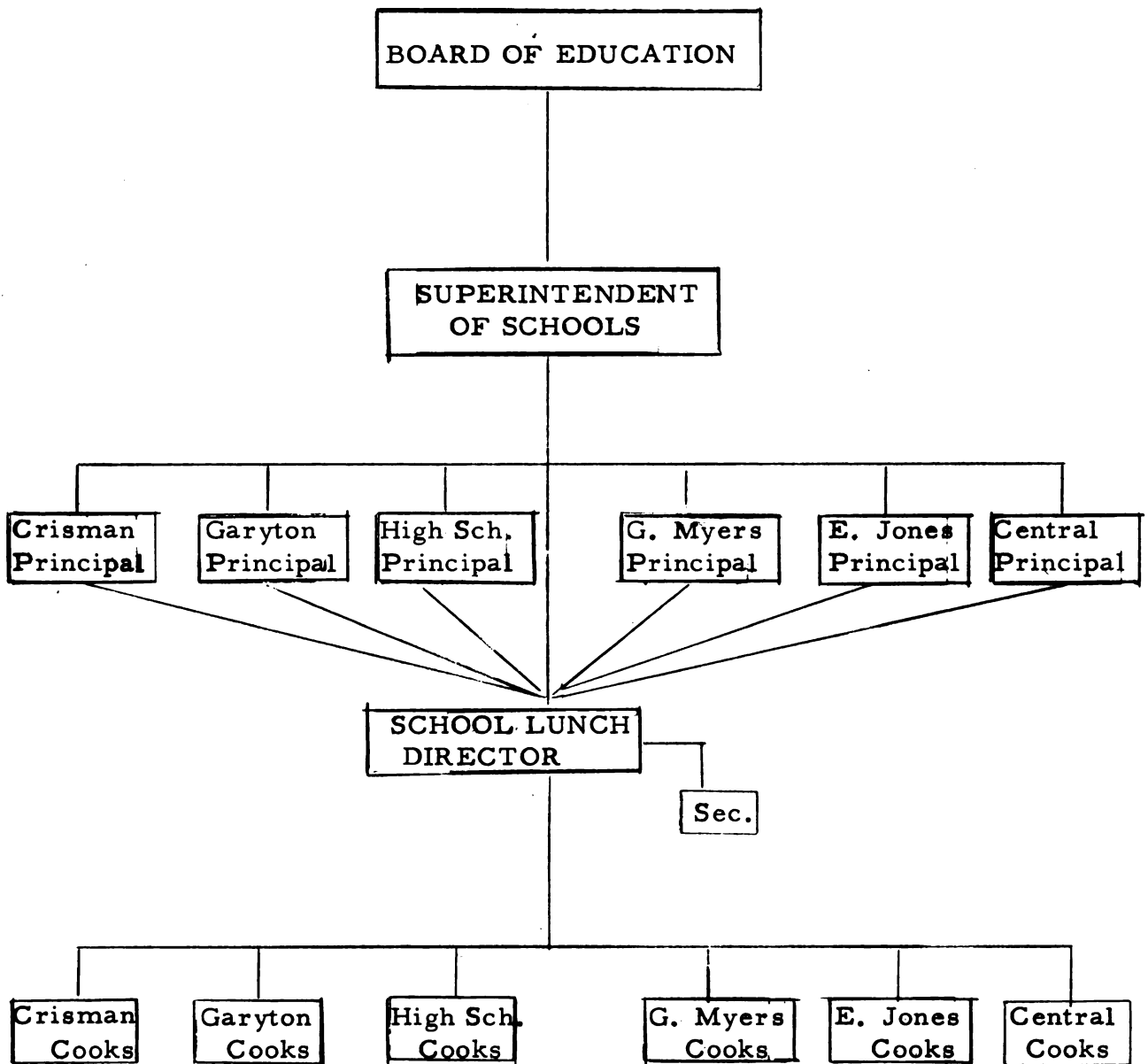


Figure 1. Organization chart for Portage school lunch department.

principal, faculty and other staff. Essential duties of the cafeteria director for Portage are summarized below:

1. Hiring, supervision and training of employees.
2. The control of food purchasing, storage, production and serving.
3. The control of all financial records.
4. Assisting in planning and equipping new units.
5. The purchase of large and small equipment.
6. The control of maintenance and sanitation.
7. The development of a nutrition program.
8. The direction of good public relations.

The basic responsibility for efficient food service lies largely with the food service personnel. A cook serves as head in each kitchen and is responsible for the supervision of food production and personnel, cleaning, ordering daily supplies such as baked goods and dairy products, making up order lists for canned goods, inspecting and signing for deliveries and keeping necessary records for that program.

Financing of the school lunch program is centralized. School lunch funds are kept on demand deposit in a bank selected by the board of education as its depository. The school lunch secretary serves as treasurer holding a surety bond. Such bonds not only protect the board against loss of funds but also stimulate the person bonded to keep proper records and to follow authorized procedures. Each teacher in the elementary schools collects money from her pupils weekly. This money is picked up by the office secretary in the building and then deposited in the bank. A transfer is made to the central account monthly. A cashier is employed in the high school to collect money as pupils go through the line and this money is deposited directly into the central account daily.

All receipts that are received by the central office are pooled with any state and federal funds available for the lunch program. This pooling of resources prevents the penalization of small schools and those

compelled to carry a heavy free lunch load because of the socio-economic level of the population. In practice, federal funds and surplus commodities are largely used to remove inequalities. All purchasing is done on a wholesale basis by the central office. All payments are made, and all financial accounts are kept by the central office. Budgets and cost accounts are kept for each lunchroom, but all lunchrooms are financed as one program.

ACCOUNTING AND FINANCIAL CONTROL

The necessity for complete information concerning income and expenditure for all types of food units is now generally recognized as essential to efficient management. The purpose of accounting and maintaining general fiscal and cost records is threefold; to provide a complete and adequate accounting for all public and non-public revenue and expenditures, in order to comply with the law; to protect executive personnel, the board of education members, and the general public from misused appropriations and possible waste; and to provide a base for future planning. Accounting and reporting activities are based on and, to a significant extent, controlled through information supplied on forms.

Public School Accounting

Public school accounting is operated on an income and expenditure basis rather than profit and loss, as in commercial practice. The principal books of record include a cashbook, appropriation and general ledgers, and such other subsidiary or specialized ledger accounts as may be desired or required by law. Revenue is represented as a series of debits, and appropriations as a series of credits or authority to expend.

School districts engage in a series of non-public revenue activities that include specific services operated by the board of education, such as lunchrooms, bookstores and activities performed directly by the schools under the approval of the board of education. Non-public revenues are managed in three ways. The first is the laissez-faire policy where lunchrooms may be rented to the highest bidders or operated by an

organization such as the Parent-Teacher Association. The second procedure is to put the building principal in control of non-public revenues. Practices vary under this policy. Some principals delegate responsibility to committees of teachers and act as occasional auditors, while in other situations the principal keeps all the accounts and usually carries the cash reserves in his personal bank account. Under this form losses result not so much from dishonesty as from the principal's lack of bookkeeping knowledge or business acumen. Under the third type, the board of education is responsible for all non-public revenue activities and controls them through a subsidiary accounting procedure called internal or non-public revenue accounting. This may take the form of income and expenditure, or profit and loss accounting, usually directed by the general finance officer.

The legal procedures governing the expenditures of general school funds in the different states usually apply to funds for school food services. Predetermined policies should govern expenditures in both the general and internal funds. Such items as the payment of bills, the payment of wages to adult employees, the payment of student employees and the handling of balances in all funds must be administered in accordance with the laws, regulations and decisions of the states for the control of expenditures. The school cafeteria is a service unit with an educational purpose and as such should be self-sustaining rather than profit-making. This is important in determining the policies which have to do with the financial management. It is acknowledged that every situation has problems peculiar to itself so that no set of records would be entirely suited to any particular cafeteria.

On a national level school lunch records are used to keep Congress informed and through this medium of information these members are able to legislate more wisely and are in a better position to answer the questions raised by their constituents. Records provide information

necessary to interpret the financial operation and service of school lunch program to administration, board of education, parents and community. Records also serve as a protection for those involved in the handling of income and expenditures of the program. If used properly, a good set of records can be of inestimable value as a management tool. They can help simplify the actual management of the program and can help improve program operations. Records can tell how the program stands and with reasonable interpretation what to expect in the future.

Budgeting

Expenses should be planned before spending begins. The first step toward reaching the goal, "know your costs," is the charting of a financial plan based on the anticipated income. Such a plan is known as a budget. A budget, in reality, is a plan of procedure--a map to follow. In addition, it is a guide from year to year. It might be considered the dollar expression of an operating plan and an instrument for planning and coordinating activities to reach a desired goal. A budget provides an estimate of proposed expenditures for a given period and the proposed means of financing them. This operating plan furnishes a statement of future management policies and plans expressed in accounting terms. It supplies a financial statement outlining a plan of action. A budget is made up of estimates of future income and expense items broken down by time periods, accounting classifications and organizational responsibilities. This provides for intelligent planning, in terms, of dollars and cents, of the time, supplies and equipment necessary to maintain the required standards under predetermined conditions for a future period, usually a year.

Actually there are two concepts involved, the budget and budgetary control. Each of these can be defined formally. A budget is a device

consisting of an orderly arrangement of statistical data determined by computed guesses and covering all phases of the enterprise for a definite future period of time. On the other hand, budgetary control is the process of using the budget by comparing actual results with the computed guesses in order to correct either the estimates or the causes of the differences. The budget and budgetary control are interrelated and must always be considered jointly. A budget without budgetary control is useless from the managerial viewpoint; and budgetary control without a budget is meaningless.

Exhibit 1 illustrates a form for comparing actual expenditure variance with budget data. The budget figures would appear at the top of each appropriate horizontal spacing. On this form the figures from the budget may be entered for three months at any one time, that is four times per year. The actual expenditures are posted monthly at the bottom of each appropriate horizontal spacing. Comparison between actual expenditures and the budget reveals the extent to which activities are keeping in line costwise with the predicted estimates.

A budget offers many advantages. It establishes a comprehensive financial program covering funds and activities and functions as a working guide for management in the control of finances, thereby assisting in orderly handling of financial matters and operations. A budget indicates when and where changes must be made in current operations in order that the planned objective of a balanced program may be realized. This operational plan makes profit for the company and places responsibility and authority for achievement of each forecasted result. Budgets are an important communication device for they keep all informed as to the happenings of the business.

There are serious limitations to budgets and their use. The budget is a managerial tool, not management itself. It is a means of assistance to a manager and an instrumentality which mirrors the operations of

BUDGET FOR YEAR

[illegible]

management. Budgets are not automatic in their operation. They require human thought and judgment, as reflected in discriminating foresight, a methodic compilation of current operating data, and a wise and meaningful interpretation of the figures. In addition, a budget requires a considerable period of time in which to become a useful and accurate control mechanism. Overnight or quick results should not be normally expected. Budgeting is usually a long, slow growth. It can be expressed in dollars, physical units, or any other term which is useful and convenient to use. The dollar is probably the most frequently used. Today business refers to a budget as dollarizing out the activities of the business.

A graphic representation showing the sequence of budget preparation is shown in Figure 2. The total estimated income is determined from expected sales and other sources of income. From this total estimated income are subtracted the expenses of sales, production, purchasing and general expenses. This gives the estimated net income or loss, which can be reflected in the financial budget, an estimated balance sheet, and an estimated earnings statement. The chart shows some of the details included under each individual budget. The most common period covered is one year, with breakdowns for quarterly and monthly periods. The year usually coincides with the calendar year, although, if operations are on a fiscal basis, the fiscal year is used.

It is important that budgeting be applied to school food service. To be of value as a guide, a budget must be in detail. It must reflect an honest effort to determine costs and provide all the services and materials required for the program. Details of the budget necessarily will vary with the type and policies of the food unit. The school lunch that has as its objective the serving of good food at a minimum cost to the pupils may be required by the board of education to pay for food, labor, and laundry only. In such a case, the percentage of the income

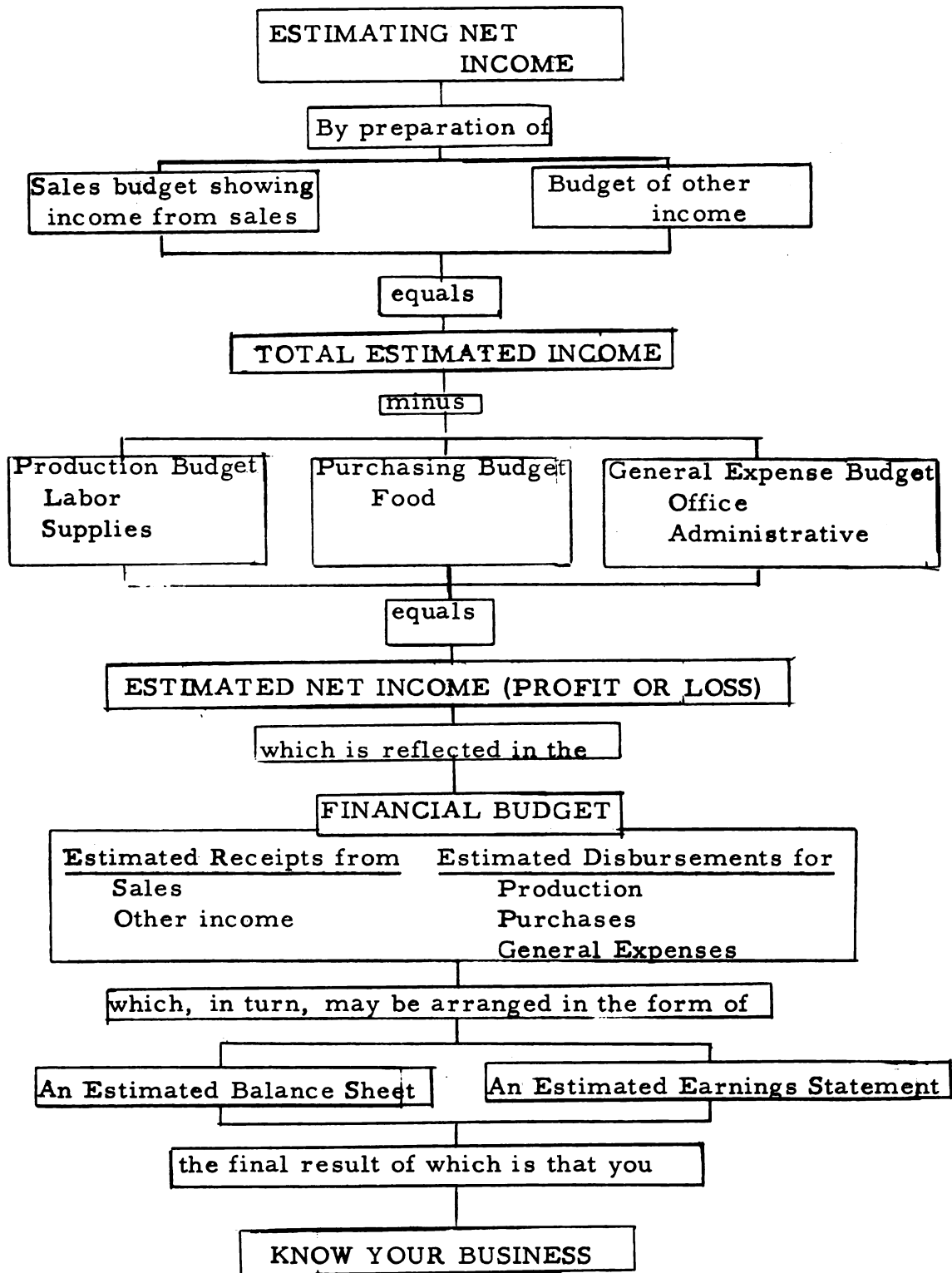


Figure 2. Sequence of budget preparation

Source: George K. Terry, Office Management and Control (Homewood, Illinois: Richard D. Irwin, Inc., 1953), p. 691.

spent for food is, rightly, very high (84). In each situation, the proportion of the income spent for various expense items will vary with the size and type, objectives, and/or policies of the individual food service.

Included in the main items of the budget or the financial plan are the income expected from all sources, the anticipated expenses itemized under such definite headings as food, labor, and operating expense, and the probable profit, or excess of income over expenses. Whatever the division of income may be, any budget must be large enough to meet the necessary expenses in the operation of the service. Inadequate budgetary allowance for the jobs to be done results in inefficiency and loss of professional standing. The income is the sum total of all earnings for a definite period of time, such as one year. It may represent earnings on capital resources as well as cash items. The income anticipated for the ensuing year is based on the total income during the past year, allowance being made for variations due to changing conditions.

Expenses of a food service are usually classified as food, labor, and operating costs. These major divisions are then broken down into individual items for which a payment is made. There should be a record of expense for each item throughout the past period of operation in order to know what should be allowed for those items in the future. Later if actual costs show wide deviation from those predicted, the causes for such difference must be carefully determined.

In allocating expenses the director must weigh the relative desires and needs of each unit, search for non-essentials and decide if any items may be provided at a lower cost. She must also keep in mind the needs for upkeep and expansion of the plant and provide for the development and increase of personnel. Even though the income may remain approximately the same year after year, careful appraisal of past expenses

should be made whenever a new budget is prepared. This will prevent overspending for some items to the neglect of others quite as important. In a period of rising prices some plan should be made to take care of the excess of replacement prices over original cost price of equipment, since depreciation only allows for the wear and tear on the original cost of these items.

The food director has limited control in planning the budget for certain expense items. These include the fixed charges, wages, food prices, and policies of management. Some fixed charges, such as supervision, rent, heat, light, taxes and insurance are usually taken care of by the school unit. Labor costs are largely determined by the type of operation; by the size and arrangement of the food preparation and serving units and their relation to each other by the amount, kind, and placement of labor-saving equipment; by the efficiency of the employees; and by the current wage rate. Food prices vary from one geographic area to another, as do the opportunities for quantity purchasing.

The grouping of separate items of expense under certain main headings is desirable in order to obtain a complete picture of the dispersion of expense for the service. The main classifications for a typical food service budget could be as follows:

EXPENDITURES

Food

Labor

Salaries

Insurance--group

Retirement

Operating Expenses

Travel

Truck expense

Laundry

Trash Hauling

Repairs to Equipment

Office Supplies

Capital Outlay for Equipment

REVENUES

- Revenue from student lunches
- Revenue from adult lunches
- Revenue from special dinners
- State reimbursement--school lunch program
- State reimbursement--special milk program
- Contributions

Under each of these classifications, of course, should be supporting data to show how the budget amounts were determined. Food and labor constitute the greatest portion of the expenditures. According to figures available in 1956, the percentages for expenditures ran about 60-65% for food; 25-35% for labor and 5-10% for other expenditures (22). These are typical of the average and may vary according to different school systems. In any event, a careful analysis of the number of meals to be served and the cost of the food should be made as well as a detailed list of employees and their proposed wages for the coming year. A careful review should be made each year of equipment and a long-range plan set up for the replacement of heavy equipment or for the addition of equipment to expand the existing facilities.

In budgeting revenue, the enrollment pattern should be studied to determine the possible increase or decrease for the coming year. These figures help to estimate the number of meals that will be sold and the reimbursement that may be expected from the school lunch and milk programs. A schedule of special affairs that are customarily held in the school cafeterias with an estimate of the number and price of the meals served will be helpful. A list of donations should be reviewed to determine whether or not such contributions will be continued for another year. This information is necessary to ascertain estimates in a budget.

It is not enough to make a budget: it should be followed. Estimates may not be exact as to classification and at the end of the year balance

may show in one classification and an overdraft in another, but there should be no overdraft in the overall budget. Anyone who has worked with a budget, or under a budget, receives great satisfaction to find a balance at the end of the year. It shows that they have guessed right, lived right, and have a little to go on for the next year.

Forms Design and Control

Before office work entered the era of integrated data processing and electronic computers, the printed form was the very warp and woof of systems work. The only integration of data was through the use of human beings, such as the typist who selected information from a bill of materials for transfer to a purchase requisition, the bookkeeping machine operator who created an invoice on the basis of a shipping ticket, or the accounting clerk who posted a job cost sheet from entries on material withdrawal requisitions and labor distribution tickets. At every step of the way, a system developed form by form. The form was the primary and the only record of the status of an operation at any point, and it was, moreover, the only medium for the transmission of data between points (37).

Today, with the advent of punched paper tapes, tape-to-card and tape-to-tape converters, the storage of data on magnetic tapes and drums, and the use of internally stored programs, the principle of single entry of basic data and automatic transmission and processing without the intervention of human beings has had some effect in changing the role of forms in the systems drama. However, probably ninety percent of the forms in the average large company will not, at least in the near future, come within the purview of the IDP or EDP systems; and furthermore, probably ninety percent of all business offices will not find the use of electronic computers feasible for at least another decade (37). In these

areas the challenge to the forms control specialist will be to keep up with technical and physical developments in printing processes and materials, as well as in improved techniques of design. It is principally through the printed form that positive and visible guidance and control of clerical work are exercised by management. The printed form on a clerk's desk or in a typewriter is often a more eloquent device for directing the flow of work than the written procedure that is filed away in the supervisor's bookcase.

A form is nothing more than an object having constant information printed on it and having spaces for the entry of variable information. The purpose of forms control is to provide and improve all forms essential for the conduct of the company's business; and to eliminate unnecessary and duplicatory forms. The most perfectly designed form in the world is of little use unless it is there when it is needed--in the right place, at the right time, in the right quantity, and of the right quality.

AN APPRAISAL OF THE RECORDS CONTROL FUNCTION

Time changes many things. Customs considered adequate in former years for an examination of a business or other organization were limited mostly to the financial position and the financial operations. The purpose of the audit consisted of an examination by a firm of outside auditors to ascertain the financial condition and to detect fraud or errors. Today, modern management in business, with its many problems and complexities, demands a much closer check on controls and performance. This new approach in management has brought about the need for review and appraisal of management methods.

The Problem

In 1945, Portage township employed a second home economics teacher to assist in meeting the growing school population. Within one year she was assigned the responsibility of the school lunch program in addition to her teaching duties. Previous to this time the records barely met the demands of the government agency and there had been no application of information for management purposes. Lack of training in food service management and little time in the teaching schedule resulted in slow improvement in the records control function during the next decade.

By the end of 1959, the school lunch program had expanded to the extent that the home economics teacher was relieved of teaching duties so that more time could be spent in supervision. The personnel records, purchase and storeroom records, kitchen and service records and daily lunch count records had been developed, tried and found to be satisfactory. Some subsidiary records for financial control had been developed, but

because of lack of accounting knowledge no great change had been made to meet the needs of the expanding business. The procedures used for public school accounting were followed in which an accurate record of income and expenditures was kept. Necessary payroll information for income tax purposes and records for reimbursement reports were considered quite adequate.

The superintendent and the school lunch director discussed the financial condition of the program at intervals. Neither was satisfied with the information available as to the status of the program, and both felt that revision of financial records was necessary to provide needed information. Therefore, a decision was made to evaluate and study the financial administration of the school lunch program.

The Management Audit

A management audit may be defined as a comprehensive and constructive examination of an organizational structure of a company or its components, such as a division or department, its plans and policies, its financial controls, its methods of operation, and its use of human and physical facilities (37). The primary objective of the management audit is to reveal defects or irregularities in any of the elements examined in that portion of the organization that is under study and to indicate possible improvements. See Figure 3.

Preliminary planning

To operate a successful business today, management must specify its objectives, establish plans and a system of procedure to accomplish them, delegate responsibilities and authorities, set up adequate methods and standards of performance, apply a scientific attitude and evaluate results. The main job of management would appear to consist of four

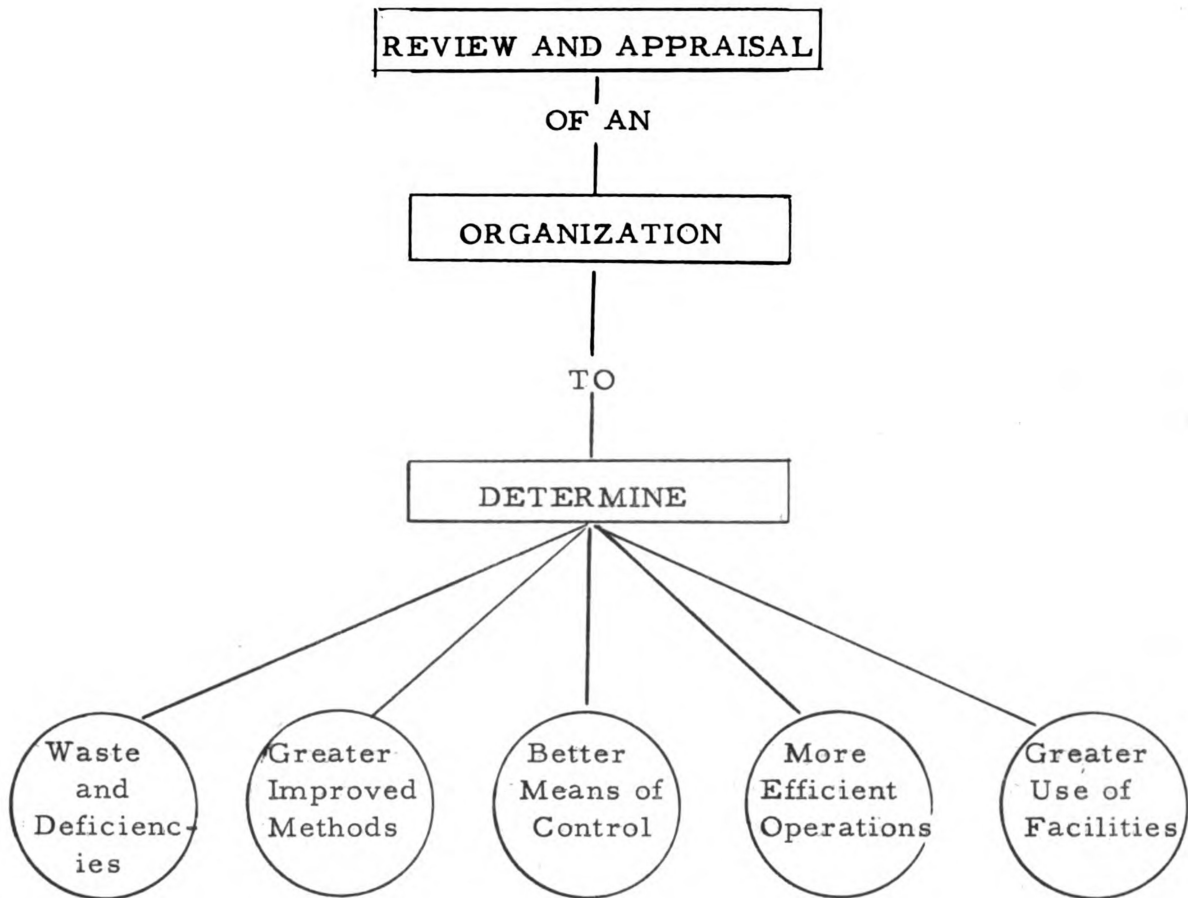


Figure 3. Management audit objectives.

major elements; namely, planning, executing, review (control), and appraising. See Figure 4. The management audit falls under the element of appraising.

In checking the organization principles of the Portage cafeteria due regard was given to the over-all plans and objectives of the operation, to the basic fundamentals necessary for getting work done, to the organizational structure, and to the orderly arrangement of teamwork in order to provide unity of action in meeting the desired goals. The activities of which the program is comprised were recognized. Functions necessary and desirable were determined and the importance of each was ascertained so that the major functions could be separated. A check was carried out to determine overlapping and duplication of effort. Statement of policies were needed as a basis for decision in the area of finance. In reviewing the business systems and procedures the management concerned itself with its purpose as well as whether it was designed in the best interests of efficient administration. It was understood that no organization remains static. Changes in products served, methods of operation, increase in volume, and even changes in key personnel--all demand review and evaluation in order to point out any defects and to suggest possible improvements.

The evaluation of the system included three separate considerations. First, is the system or procedure meeting all of the current requirements? Second, is it operating effectively? Third, what is the degree of effectiveness? In order to determine whether the system was meeting the current requirements procedures were studied for effectiveness.

1. Is the procedure designed to promote the achievement of the company's objectives, and is it accomplished effectively?
2. Does the procedure operate within the framework of the organizational structure?

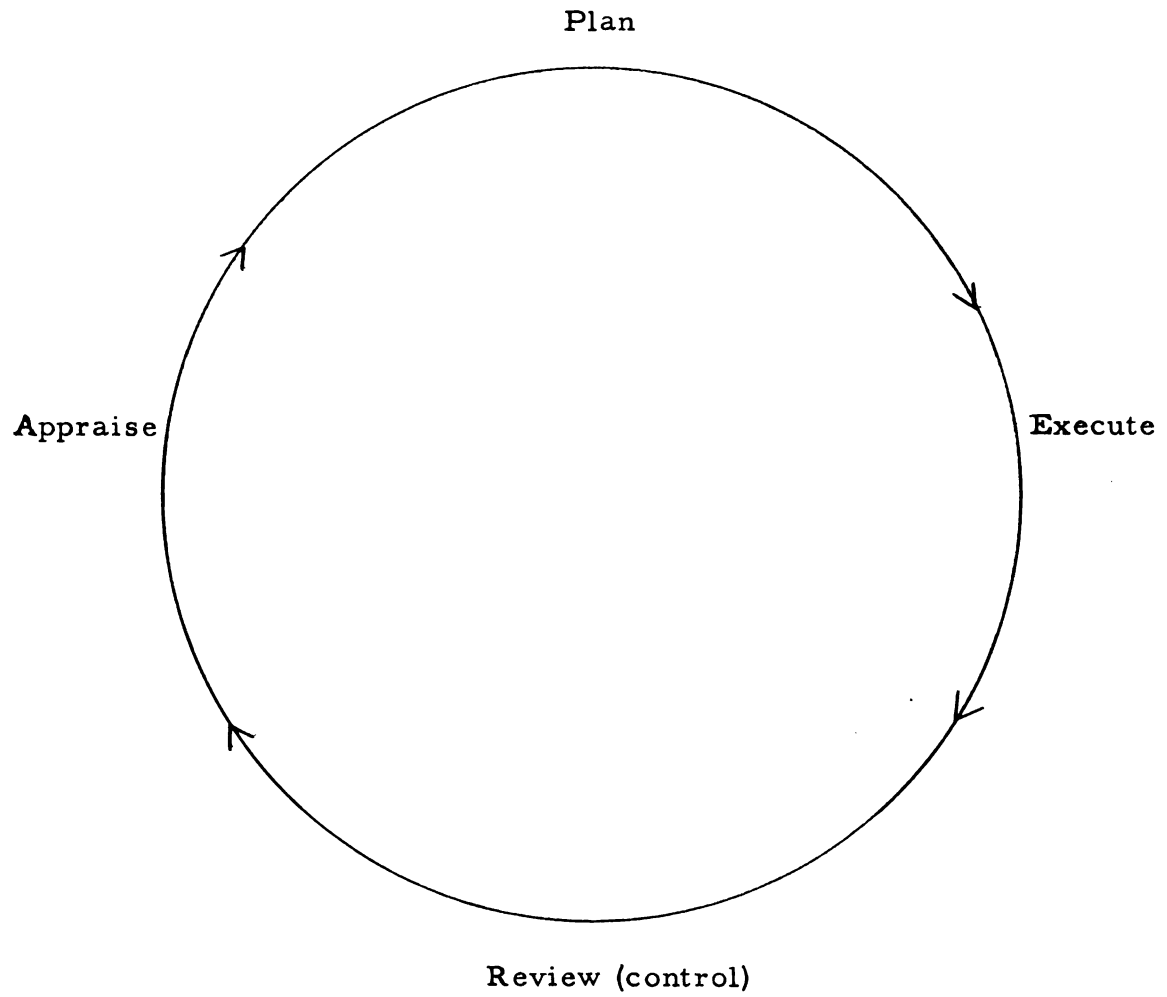


Figure 4. The management cycle.

3. Does the procedure adequately provide methods of control so as to obtain maximum performance with the minimum expenditure of time and effort?
4. Do the routines designated in the procedure indicate performance in logical sequence?
5. Does the procedure provide the means for effective coordination between one department and another?
6. Have all required functions been established?
7. Has the necessary authority been designated to carry out responsibilities?
8. Can any changes be made to improve effectiveness?

A precise measurement of how effective a system or procedure operates was difficult to determine, but the degree of effectiveness was ascertained by checking the activities from the standpoint of speed, accuracy and orderly flow of the paper work. Careful evaluation was made of all control techniques of the business to determine their effectiveness. To determine what factors were necessary for carrying out the survey objectives the following questions were asked:

1. What are the best methods for the business and individuals performing the function?
2. What are the limiting and controlling factors?
3. What means can be established to appraise performance?

Selecting personnel

There are advantages in using an individual from within the organization to appraise the activities of the business. The school lunch director had been with the school system long enough to be familiar with the over-all activities and had knowledge of the organizational structure, the various functions, the outlook for the business in matters of product

demand and service. Training for the management audit assignment was secured by individual study, group study and from discussions with trained analysts on business applications.

Preparing audit program

Before beginning the management audit the school lunch director outlined briefly the audit program as it related to financial control, the area under study. This was merely a matter of listing the points to be covered and the procedures to be followed in performing the assignment. Figure 5 shows the sequential steps in the management audit and the interpretation of the flow sheet follows.

A. Organization

1. Study the organization structure in the area under appraisal.
2. Compare the existing structure with that shown on the organization structure of the school system.
3. Ascertain whether or not full appreciation has been given to the principles of good organization and functionalization.

B. Policies and practices

Make a study to find out what action, if required, must be taken to improve the effectiveness of the policies and practices.

C. Regulations

Determine whether or not due regard has been given by the school system for full compliance with all local, state, and federal regulations.

D. Systems and procedures

Study the systems and procedures for possible defects or irregularities in the elements examined and seek out methods to bring about possible improvements.

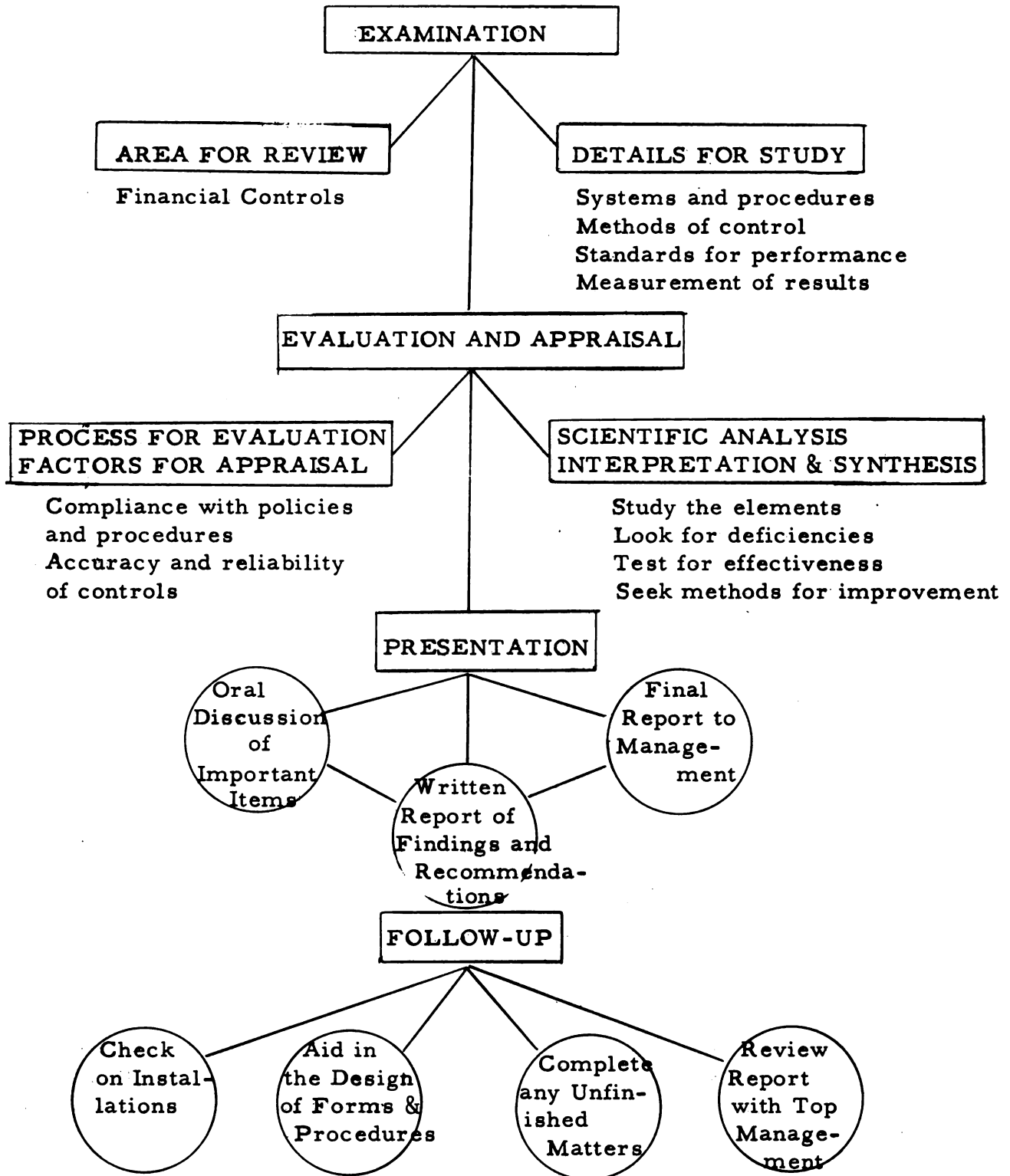


Figure 5. Management audit flow sheet.

Source: Victor Lazzaro, Systems and Procedures--A Handbook for Business and Industry (Englewood Cliffs, N.J.: Prentice-Hall, Inc.), p. 10.

E. Operation

Evaluate operations to ascertain what is necessary for more effective controls and efficient results.

F. Personnel

Study the general personnel requirements and their application to the work in the area under appraisal.

G. Layout and physical equipment

Determine whether or not improvements could be made in the layout and in better or greater use of physical equipment.

H. Report

Prepare a report of findings with suggested recommendations.

Conducting management audit

The first step in conducting the management audit was to review the business activities for the purpose of ascertaining whether or not they were being carried out with the maximum effectiveness and economy, to check on compliance with the school policies and procedures, and to appraise the method of control. An interview was one means of obtaining information. The school lunch director conducted informal interviews over a period of two years with the administration, clerical help, and other personnel involved in financial control. Some factual information was obtained and opinions were expressed. Opinions were disregarded unless substantiated by evidence, and the other information was checked and evaluated by the auditor.

Investigation is a careful inquiry, search, or examination for the purpose of collecting pertinent facts. The purpose of analysis is to prepare for synthesis. Analysis is the separation of anything into elements. Synthesis is the process of combining the separate elements--the opposite

of analysis. Following an investigation, an analysis is made to determine whether or not all of the facts have a bearing upon the plan or objective. The value of any analysis may be determined by the care and thoroughness with which the analysis is made. For a good analysis, the best technique is to actually chart the various activities in detail form, step by step. In order to facilitate analysis and interpretation for this study techniques employed in recording facts were organization charts, process charts, and forms distribution charts in addition to statements and exhibits. Any determination of factual material was based upon personal observation of actual operations.

A check list is always helpful in making an appraisal. It serves as a guide in seeking answers to various questions and is one good method for initiating a plan of action, something to follow or modify if necessary. Each management audit program is unique, and should be adapted to the particular conditions and problems encountered. For this reason, the check list must be designed to include only those specific questions pertinent to the particular type of audit examination being made at the time. Each case has its individual aspects; therefore, it is not possible to establish a check list that can be used for all situations. Exhibit 2 illustrates a check list that was developed for this study while Exhibit 3 is one that has been prepared by a commercial company and could be adapted to a specific situation.

EXHIBIT 2

Financial record check list
for Portage school lunch program

RECORD	ADEQUATE	NEED	NEED
		MODIFICATION	TO ADD
1. Daily Cash Report			
2. Daily Food Cost Report			
3. Deposit Slip			
4. Voucher			
5. Official Receipts			
6. Check and Stub Bank Statement			
7. Bank Reconciliation			
8. Record of Donations			
9. Gratis Meals			
10. Physical Inventory			
11. Commodity Record			
12. Reimbursement Record			
13. Requisitions			
14. Invoices			
15. Budget			
16. Cash Receipts Journal			
17. Cash Payments Journal			
18. General Journal			
19. General Ledger			
20. Balance Sheet			
21. Profit and Loss Summary			
22. Petty Cash Record			

EXHIBIT 3

A 5 Minute form check list

NECESSITY

OK ?

1. Has the entire system been checked and would a written procedure for the use of this form help out it into more efficient operation? _____
2. Are all copies of the form or report necessary? _____
3. Have the actual users of this form been consulted for suggested improvements, additional requirements and possible eliminations? _____
4. Can the data furnished by this form be combined with some other form or can some other form be eliminated or consolidated with it? _____
5. Has everyone responsible for the form or the form system approved it? _____

PURPOSE

6. If form is to be sent from one person to another, are proper spaces for "to" and "from" provided? _____
7. Will routing or handling instructions printed on each copy be helpful? _____
8. Should this form be consecutively numbered, or have a place for inserting a number? _____
9. If this is an outside contact form, should it be designed to mail in a window envelope? _____
10. If this form is to take information from, or pass information to, another form, do both have the same sequence of items? _____
11. Have we taken into consideration the number of forms which will be used in a given time--the possibility of changes, and how long the form will remain in use? _____

SIZE AND ARRANGEMENT

OK ?

12. Is the size right for filing, attention value, ample room for information and to cut without waste? _____
13. Is all recurring information being printed, so that only variable items need be filled in? _____
14. Has space been provided for a signature? _____
15. Is spacing correct for handwriting or typewriting? _____
16. Are the most important items, which should be seen first, prominently placed? _____

WORDING

17. Does the form, by title and arrangement, clearly indicate its purpose? _____
18. Is there a proper space for the date? _____
19. Is the form identified by company name and firm name or code number to aid reordering? _____
20. If this is a revised form, can it be distinguished from the previous form? _____

PAPER AND PRINTING

21. Should the form be on colored paper to speed up writing, distribution, sorting, and filing; to designate departments: to indicate days, months, years? _____
22. Have we specified paper which will be thoroughly satisfactory, economical enough for form use, consistent in performance and surely available? _____
23. Is proper weight of paper used for original and each carbon copy? _____
24. Are detailed specifications complete? _____

OK ?

25. Can other forms, printed on the same paper as this one, be ordered now to reduce costs? _____

26. Have requirements been estimated correctly and is the quantity to be ordered most economical? _____

REMARKS ON POINTS QUESTIONED

HOW TO USE FORM CHECK LIST

Run through list and appraise form in question point by point with an initial either in column "OK" or "?". Points marked (?) for further study can then be appraised systematically and discussed with those who will regularly use the form.

This is an effective form check list designed to aid in improving office forms. Use of this list helps reveal information which is basic to improvement and to show the present weaknesses of the existing form. A separate sheet is recommended for each form analysis.

Source: George K. Terry, Office Management and Control (Homewood, Illinois: Richard D. Irwin, Inc., 1953), p. 280.

The report

The careful preparation of the audit report, containing details of the findings and recommendations, plays an important part in the completion of the audit assignment. Since this management audit was performed by the supervisor, information was received first hand and then discussed with the superintendent to determine a plan of action. A summary of the management audit report prepared by the school lunch director follows:

A. Purpose and scope

1. To study and evaluate the financial administration of the school lunch program in Portage, Indiana.
2. To develop systems and procedures for internal control.

B. Facts of major importance

1. Financial records have outgrown usefulness.
2. The system of double entry bookkeeping was not followed.
3. Information was not available to prepare complete monthly summaries.

C. Current practices (detail)

The following list has been prepared to show the general manner in which the records were maintained from 1956-1961.

1. Receipts

a. Daily cash record

A form including cash register number, change fund, total sales per register reading, total cash count and difference.

b. Deposit slip

A form supplied by the bank in which the deposits are made. It is made out in duplicate and the original copy is sent to the bank with the cash. The duplicate copy is filed with the daily cash record, and checked with the bank statement at the end of the month.

c. Official receipts

A form made in duplicate for each deposit into the fund.

d. Cash receipts

A record of all receipts, entered chronologically by the name of payer.

2. Expenditures

a. Invoices

A bill kept and filed under name of vendor, totaled at the end of the month and checked against his statement.

b. Payroll

A record kept to meet the requirements of the federal and state income tax reports.

c. Voucher

A form which accompanies a check for payment of bills.

d. Bank check and duplicate

Pre-numbered checks are purchased with cafeteria name and bank. Check numbers are recorded when record of payment is made and stubs are checked with monthly bank statement.

e. Cash disbursements

A record of all checks issued, entered chronologically.

f. Petty cash

A business procedure which is not recommended for our operation and, therefore, was not used.

3. Supporting records

a. Daily food cost

A form including each food group with blanks for items, quantity, unit cost and total cost.

b. Record of donations

No form was needed since donations were so few.

c. Gratis meals

A count was made on the cash register each day.

d. Profit and loss statement

A form including actual income and expenditures for the month for each school.

e. Summary of operations

No form was kept.

Action taken

The public accountant offers his services to the general public and his clients are businesses of all kinds, governmental bodies, and non-commercial organizations such as colleges, churches, and nonprofit enterprises. On the basis of the report of the management audit the school lunch director, with the approval of the superintendent, decided to contact and engage a certified public accountant to review the records and to recommend an accounting entity for the Portage school lunch system. The ensuing section "The Epilogue" reports modifications in the record systems and procedures which have resulted from working with the public accountant in an effort to improve the financial administration of the Portage school lunch program.

EPILOGUE

Records, like all forms of control, vary with the type, size and policies of the institution, so that management must decide what information is desired for each food unit and how it may be obtained with the least expenditure of effort, time and money. In order to meet the accounting needs of the Portage cafeteria four journals and a general ledger have been designed to handle the transactions. The relationship of the journals and the ledger are shown in Figure 6 and the steps in the accounting cycle to be followed are illustrated in Figure 7.

Cash Receipts Journal

The cash receipts journal is provided to record all incoming cash. There are columns to show the distribution of the cash receipts corresponding to the detail required by the government, and a column showing bank deposits as appears in Exhibit 4. A record for each school did not seem necessary since the elementary schools make only one transfer check monthly which is recorded in the controlling account of the general ledger for that school. At the end of the month the total receipts are posted to the cash account of the general ledger.

Cash Disbursements Journal

Space, time and work are saved by setting up a cash disbursement journal, in which only cash payments are recorded. Exhibit 5 has been designed to include the categories required by the government. These expenditures are further broken down into individual items so that a complete picture of the distribution of expense may be obtained. In order to meet the needs of a centralized operation and also to keep a record for

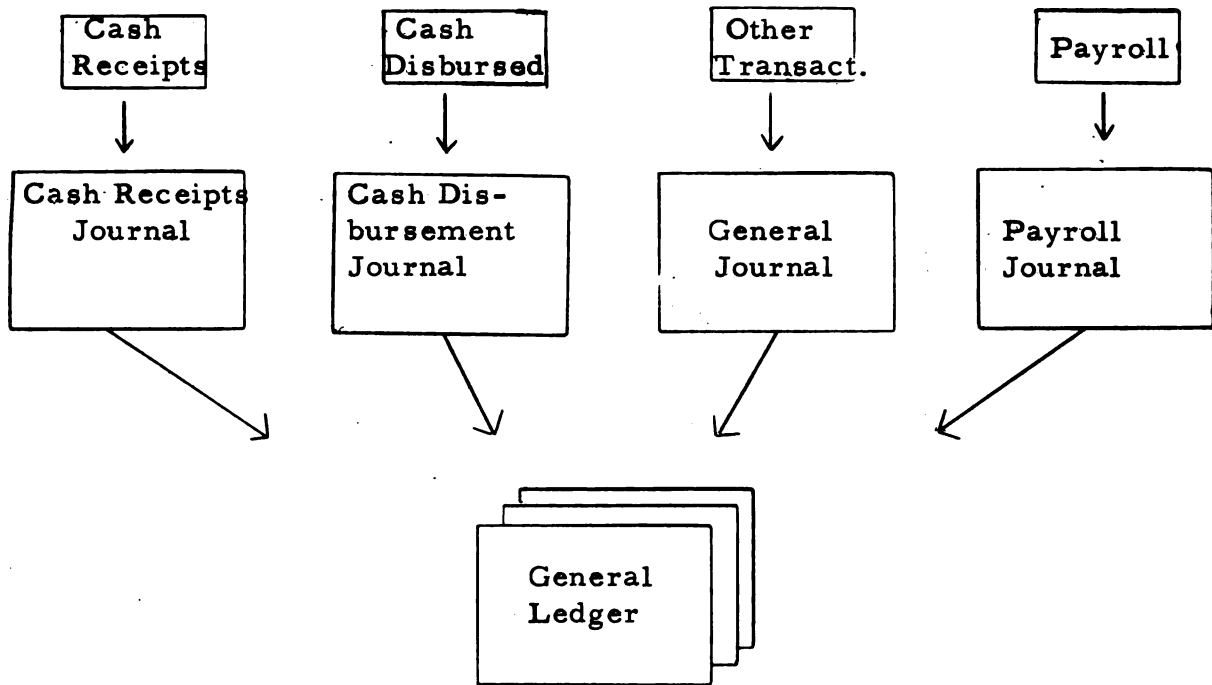


Figure 6. Relationship of the journals and the ledger.

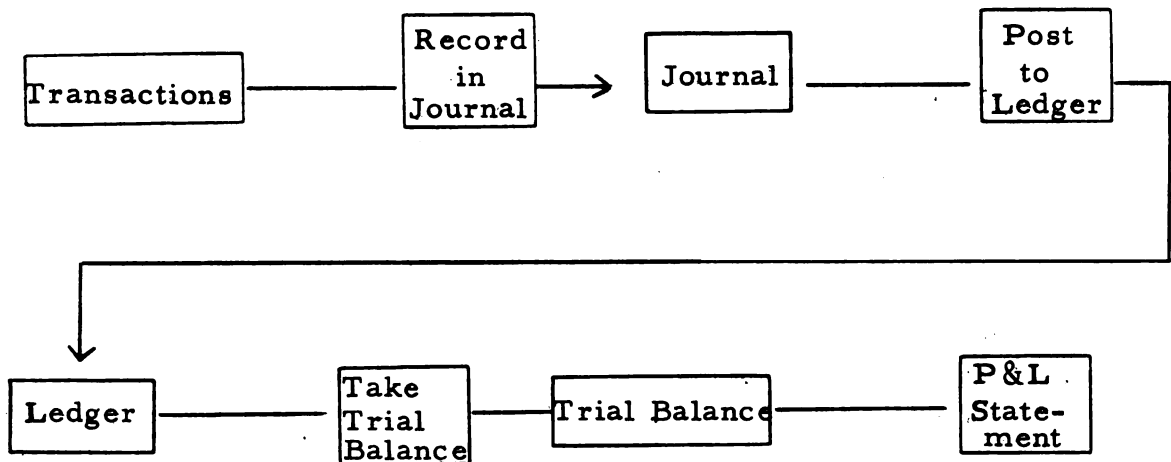


Figure 7. Steps in accounting cycle.

EXHIBIT 4

Cash receipts journal

Cash Receipts Journal

Cash Receipts Journal

Date		Total Deposit		School Deposit		Total Sales	Sales Detail								
							Child		Adult		Gov't		Other		
Sept	6	350	43	350	43		326	78	24	15					
	7			309	52		285	37	24	15					
				3552	01						3552	01			
		3561	53												
	8	273	11	273	11		270	36	22	75					
	11	330	00	330	00		304	45	25	55					
	12	273	79	273	79		251	84	22	65					
	13	273	44	273	44		257	89	22	65					
	14	323	78	323	78		299	63	24	15					
	17	271	35	271	35		249	30	22	65					
	18	288	50	288	50		255	65	24	85					
	19	277	24	277	24		254	14	23	10					
	20	253	12	253	12		231	77	21	35					
	21	336	12	336	12		314	07	22	05					
	22	234	77	234	77		212	02	22	75					
	25			149	00								149	00	
		467	27	318	27		296	12	22	75					
	26	254	27	254	27		235	82	23	45					
	27	254	09	254	09		234	24	24	85					
	28	254	80	254	80		228	55	26	25					
	29			226	46		205	81	20	65					
		1455	47	1229	01		1161	46	67	55					
				1266	79		1183	93	76	36					
				241	81		246	82		99					
		4011	73	1475	26		1367	11	108	15					
				1251	24		1166	22	85	02					
		1486	75												
						14285	88	4827	35	757	52	3552	01	149	00

EXHIBIT 5

Cash disbursements journal

Cash Disbursements Journal

Transp. Chges.	Clean'g Supplies	Small Equip.	Towel Service	Special Parties	Equip. Repairs	Other Expense		Total Check
						Descr.	Amt.	
						U.S. change	47 50	47 50
						U.S.	250 00	250 00
								1167 22
								240 93
								86 80
								48 80
9 50								1632 60
								326 80
								118 34
						I.S. Transp.	10 00	10 00
								14 43
								60 99
								656 69
								416 80
								348 94
		17 53						520 50
								45 61
			7 84					4840 34
								108 80
								454 56
								2159 01
								4127 70
								46 43
								19 29
								108 10
					31 95			32 32
						'S. Office supply	43	43
								145 00
								8 00
								22 00
								30 75
	30 75							
9 50	30 75	17 53	7 84		31 95	U.S.	307 93	18095 68

Crismann *1972 67

[illegible]

Central Elem. #631.97

each individual school the form sheets have been cut and inserted so that entries can be made for each school without rewriting explanation. By totaling across, the sum of the check for all schools is obtained for one purveyor and by totaling each of the analysis columns the total spent for individual items for each school is obtained. These totals are then entered in the general ledger detail account for each school. Only the total payroll accounts are entered here since the breakdown for each school is done in the payroll journal. Every check or group of checks that is written is entered in this journal, and it is simple to total checks written which gives total cash disbursed for the period. Checks are pre-numbered and all cash disbursements are made by check whereby a measure of control is attained. Additional protection is given by requiring that checks be signed by the treasurer and countersigned by the superintendent.

Payroll Journal

The first step in making up the payroll is to compute the total number of work hours on each employee's time card. This time record is then transferred to a permanent payroll journal showing the earnings of all employees. (Exhibit 6a.) On the page opposite are columns for distribution to each school in which the gross pay for each employee is entered. See Exhibit 6b. The deductions and net pay are then credited to accrued payroll and the gross pay is debited to each school.

In addition to the payroll journal, an earnings record must be kept for each employee as illustrated in Exhibit 7. This form is designed so that records can be conveniently totaled at the end of each quarter to prepare the returns for the state and federal government. After all employees earnings have been entered in the individual earnings record, the actual payment to each worker is authorized by filling in a payment

[illegible]

EXHIBIT 7

Earnings record

NAME	NO.
STREET	
CITY	

[illegible]

The general journal supplements the three special journals. It will be used principally for recording opening, correcting, adjusting, closing, and post-closing entries. At present the only entry shows the cash in the bank. See Exhibit 8.

General journal

Journal Entries, Month of September 1961							
		Charges		Description of entry	Credits		
Acct. Rec.	Acct. Pay.	Gen. Led.			Gen. Led.	Acct. Pay.	Acct. Rec.
				Amt. brought forward			
			15727 42	Cash in bank			

General Ledger

The general ledger is the book of final entry. After the transactions are entered in the journals, this information is posted to the accounts in the ledger. These additional records are needed for a complete picture of the business and make pertinent information available at all times.

The following pages illustrate the ledger accounts necessary for the Portage cafeteria operation. Exhibit 9 illustrates a capital account which represents ownership of assets and a cash account showing cash on hand. Also included here are payroll, federal and state tax, social security, and group insurance accounts. Amounts entered in these accounts are taken from the payroll journal and the cash disbursement journal. In addition there is a control and detail account for each school. See Exhibit 10. Three lines are used for each month's transactions. Line 1 shows cash disbursed, line 2 cash received, and line 3 gross payroll. The totals are entered from the detail account to the controlling account which presents the information in summary form. The total of debits and credits gives the balance in the bank. When the three journals have been posted and bank account reconciled, a trial balance may be taken.

Trial Balance

A trial balance is necessary because errors can creep into the work while posting from the journals to the ledger. If the work in journalizing and posting has been accurate, the total of all the debit balances in the ledger should equal the total of the credit balances. This is true because for each debit entry there is a credit entry for an equal amount. A proof of the ledger balances is made by preparing a trial balance as illustrated in Exhibit 11.

EXHIBIT 9
General ledger

Capital					
Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 1	Opening Capital			15727 48	

Cash					
Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 1	Cash in bank	J	15727 48		
29	Total receipts	C.R.	14275 88		
	Total paid out	C.D.		17075 68	
			30013 36	18075 68	11917 68

Payroll					
Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 15	Net payroll Ch nos. 1-23	P.R.		1167 22	
	Checks written	C.D.	1167 22		
29	Net payroll Ch nos. 24-48	P.R.		1632 60	
	Checks written	C.D.	1632 60		
			2799 82	2799 82	-0-

Federal Tax					
Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 15	Withholding tax	P.R.		231 91	
	Check written	C.D.	231 91		
29	Withholding tax	P.R.		311 92	
	Check written	C.D.	311 92		
			543 83	543 83	-0-

EXHIBIT 9 (contd)

General ledger

State Tax

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 15	Withholding tax	P.R.		9 02	
	Check written	C.D.	9 02		
27	Withholding tax	P.R.		14 88	
	Check written	C.D.	14 88		
			23 90	23 90	-0-

Social Security

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 15	Withheld 43.46 + Sept 43.46	P.R.		26 76	
	Check written	C.D.	26 76		
27	Withheld 59.17 + Sept 59.17	P.R.		118 34	
			118 34		
			205 14	205 14	-0-

Group Insurance

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 15	Mutual Hospital Ins	P.R.		14 43	
	Check written	C.D.	14 43		
			14 43	14 43	-0-

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EXHIBIT 10

Control and detail accounts for selected schools--Portage, Indiana

Crisman Control

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 30	Cash disbursed	C.S.	1972 67		
	Cash received	C.R.		2160 48	
	Payroll, gross & soc. sec.	P.R.	551 65		
			<u>2523 72</u>	<u>2160 48</u>	-363 24

Crisman Detail

Towel Service	Equip. Repairs	Labor	Special Parties	Misc. Expense	Child	Income Adult	Govt.	Totals
7 84	31 95							1972 67
					1367 11	108 15	685 32	2160 48
		551 65						551 05

Portage High Control

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 30	Cash disbursed	C.S.	6872 97		
	Cash received	C.R.		6587 41	
	Payroll, gross & soc. sec.	P.R.	1635 74		
			<u>7527 71</u>	<u>6587 41</u>	- 1941 30

Portage High Detail

Towel Service	Equip. Repairs	Labor	Special Parties	Misc. Expense	Child	Income Adult	Govt.	Totals
18 50	37 80		196 61	307 93				6892 97
					4707 81	567 95	1311 65	
		1635 74						

[illegible]

EXHIBIT 10 (cont'd)

Control and detail accounts for selected schools--Portage, Indiana

Garyton Control

Date	Explanation	Post Ref.	Debit	Credit	Balance
<i>Sept 30</i>	<i>Cash disbursed</i>	<i>C.D.</i>	<i>1549 79</i>		
	<i>Cash received</i>	<i>C.R.</i>		<i>1717 33</i>	
	<i>Payroll, gross + Social Sec.</i>	<i>P.R.</i>	<i>456 07</i>		
			<i>2005 86</i>	<i>1717 33</i>	<i>- 288 53</i>

Garyton Detail

Towel Service	Equip. Repairs	Labor	Special Parties	Misc. Expense	Child	Income Adult	Govt.	Totals
<i>5 67</i>								<i>1549 79</i>
					<i>1166 22</i>	<i>85 02</i>	<i>466 09</i>	<i>1717 33</i>
		<i>456 07</i>						<i>456 07</i>

George Myers Control

Date	Explanation	Post Ref.	Debit	Credit	Balance
<i>Sept 30</i>	<i>Cash disbursed</i>	<i>C.D.</i>	<i>1744 49</i>		
	<i>Cash received</i>	<i>C.R.</i>		<i>1803 64</i>	
	<i>Payroll, gross + Social Sec.</i>	<i>P.R.</i>	<i>477 66</i>		
			<i>2222 15</i>	<i>1803 64</i>	<i>- 418 51</i>

George Myers Detail

Towel Service	Equip. Repairs	Labor	Special Parties	Misc. Expense	Child	Income Adult	Govt.	Totals
<i>6 07</i>	<i>33 60</i>							<i>1744 49</i>
					<i>1123 93</i>	<i>76 86</i>	<i>542 85</i>	<i>1803 64</i>
		<i>477 66</i>						<i>477 66</i>

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C. G. L.

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EXHIBIT 10 (cont'd)

Control and detail accounts for selected schools--Portage, Indiana

Ethel Jones Control

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 30	Cash disbursed	C.D.	1666 67		
	Cash received	C.R.		1775 21	
	Payroll, grossed up (46)	P.R.	466 60		
			2133 27	1775 21	-358 06

Ethel Jones Detail

Towel Service	Equip. Repairs	Labor	Special Parties	Misc. Expense	Child	Income Adult	Govt.	Totals
7 53	12 75							1666 67
					1161 46	67 55	546 20	1775 21
		466 60						466 60

Central Elem. Control

Date	Explanation	Post Ref.	Debit	Credit	Balance
Sept 30	Cash disbursed	C.D.	681 97		
	Cash received	C.R.		241 81	
	Payroll	P.R.	- -		
			681 97	241 81	-440 16

Central Elem. Detail

Towel Service	Equip. Repairs	Labor	Special Parties	Misc. Expense	Child	Income Adult	Govt.	Totals
								681 97
					240 82	99		241 81

EXHIBIT 11

Portage Cafeteria
Trial Balance, Sept. 30, 1961

	Debit	Credit
Cash	11,917.68	
Accrued Payroll		-0-
Federal W-H.		-0-
State Gross W-H.		-0-
Social Security.		-0-
Group Ins. W-H		-0-
Individual Schools		
Crisman.	363.24	
Portage High	1,941.30	
Garyton	288.53	
George Myers.	418.51	
Ethel Jones	358.06	
Central Elementary.	440.16	
Opening Capital		15,727.48
	15,727.48	15,727.48

Profit and Loss Statement

A monthly profit and loss statement for all food services is absolutely essential for good business practices, and its formulation is not difficult if the suggested records are kept. This statement is based on the actual figures of all income and expense during the past month. It is prepared from the cash receipt and expenditure records, the payroll, and the inventory. The cost of food is figured by adding all purchases to the beginning inventory and subtracting the value of the ending inventory. The categories under income and expense are the same as those in the detail accounts of the general ledger. A page is prepared for each school with headings for each period, a percentage determined on basis of total income and a cumulative to date of previous months' business. These

EXHIBIT 12

Portage Cafeteria System Profit and Loss Summary

[illegible]

sheets furnish information for a total profit and loss summary prepared on an identical form as illustrated in Exhibit 12. This means that as the year progresses the business trend can be determined. The difference between the income and expense gives the net profit or loss.

It is recommended that the anticipated government reimbursement be noted so that there will be no distortion in the evaluation of the financial statement. The percentages for each category are most meaningful in interpreting the profit and loss statement. This statement shows only the results of past operations and present financial condition. While, in many cases the past is reliably indicative of the future, conclusion should not be accepted without supplementary investigation.

An Appraisal

Selected portions of the record control system were installed in the high school cafeteria unit for preliminary trial during the 1961-62 school year. The payroll record provided information that was easily transferable to the profit and loss statement. The public accountant assisted in the development of additional record control forms which were planned in sufficient detail to be functional for all units in the Portage cafeteria system. At the conclusion of the school year these materials were evaluated for efficiency, and it was ascertained that the trial forms furnished all the desired information.

In September of 1962 the record system was inaugurated in all operating units. As a result of the 1961-62 preliminary trial this procedural change was accomplished with a minimum of time and effort. Within a period of five months it became evident that access to pertinent detailed financial data for each unit as well as for the entire operation would provide management with knowledgeable means for effecting closer control of operational costs. The record system provided for monthly

computation, presentation, and comparison of food cost percentages, payroll costs, and various other maintenance expenditures.

From these composite monthly data both favorable and unfavorable operational trends are more readily apparent and the position of management is strengthened when corrective measures must be implemented. Furthermore, through this new accounting system the appropriate information required for government reports is both complete and more readily available.

With continued use of this records control system it is anticipated that persons responsible for the management of the Portage school lunch program will be in a better position to estimate operational costs accurately and to establish more realistic performance standards for the separate units of the school system. It is recognized that as the needs of the organization change the record forms will require modification to retain their effectiveness as a managerial tool.

Although the record forms and control system reported here are specific for the Portage cafeteria system, it is hoped that the general plan of control and the forms will be helpful to school lunch managers and boards of education who are endeavoring to improve the accounting procedures within their own operations.

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