



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

July 2018

Dr. Richard Hooley, District Superintendent
Members of the Board of Trustees
Dutchess BOCES
5 BOCES Road
Poughkeepsie, NY 12601

Report Number: S9-17-34

Dear Dr. Hooley and Members of the Board of Trustees:

A top priority of the Office of the State Comptroller is to help BOCES officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support BOCES operations. The Comptroller oversees the fiscal affairs of BOCES statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of four BOCES throughout New York State. The objective of our audit was to determine whether BOCES school milk bidding practices foster competition. We included Dutchess BOCES in this audit. Within the scope of this audit, we examined school milk bidding practices for the period July 1, 2015 through July 6, 2017. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law (GML).

This report of examination letter contains our findings and recommendations specific to the Dutchess BOCES. We discussed the findings and recommendations with officials and considered their comments, which are included in Appendix B, in preparing this report. Officials generally agreed with our recommendations and indicated they plan to initiate corrective action. At the completion of our audit of the four BOCES, we prepared a global report that summarizes the opportunities we identified to improve each BOCES' milk bidding practices.

Summary of Findings

While the Dutchess BOCES' (BOCES) bidding process fostered competition and generally resulted in multiple bids for the school districts (districts) participating in its milk bid service, other bidding methods may have allowed bidders to offer lower prices to the districts.

The BOCES' milk bid specifications lacked detailed information, which may have deterred potential bidders from submitting lower priced bids. They did not include estimates of the quantities of milk needed by the districts nor did they discuss the districts' particular delivery needs. BOCES also included component districts in the bid that had no intention of using the bid award. In addition, BOCES provided its milk bidding service to each individual district in 2016-17 instead of combining their needs into a larger multi-district cooperative bid as it did in 2015-16. As a result, BOCES officials did not seek economies of scale, which may have allowed bidders to offer lower per-unit prices to districts when milk is purchased in large quantities.

To assess which bidding methods resulted in the best prices, we compared the milk prices paid during two tests months in 2016-17 by the component districts to the NYS Office of General Services (OGS) cooperative bid, the BOCES' bid and prices obtained by individual districts by soliciting their own bids. On average, districts that participated in the BOCES bid paid \$0.07 cents more per half-pint carton for fat free chocolate milk (the most popular milk item across all participating districts) than the OGS cooperative bid and about \$0.04 more than districts that solicited their own bids.

We estimated the differences in bid prices if BOCES had used a cooperative bidding method similar to OGS for 2016-17, where all districts are part of one geographical zone, or had used the same bid method as in 2015-16. Our estimates demonstrate that if BOCES officials had used a cooperative bid format, its component districts could have saved approximately \$77,000 (16 percent) or \$0.04 per unit on the purchase of fat free chocolate milk for 2016-17.

Background and Methodology

The BOCES is an association of 13 component school districts (districts). Combined, these districts educate more than 40,000 students in Dutchess County.¹

Figure 1: Component Districts
Arlington CSD
Beacon City SD
Dover UFSD
Hyde Park CSD
Millbrook CSD
Pawling CSD
Pine Plains CSD
Poughkeepsie City SD
Red Hook CSD
Rhinebeck CSD
Spackenkill UFSD
Wappingers CSD
Webutuck CSD

The BOCES is governed by a seven-member Board of Trustees (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of

¹ See Figure 3 for enrollment figures for each district.

financial and educational affairs. The District Superintendent is the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management. The purchasing agent is responsible for managing the bidding service and organizing the school milk bid.

The BOCES' budgeted appropriations totaled \$63.6 million for 2016-17, funded primarily through charges to the districts for services, State and federal grants and aid. The BOCES delivers various services to the districts, including bid services for various items (including school milk) with an average annual fee of \$1,629 during our audit period. All districts that participated in the cooperative bid service were automatically included by the BOCES in the school milk bid.

Districts must offer milk to students with every meal.² To satisfy this requirement, districts whose expenditures exceed limits set under GML³ must competitively bid for milk. Districts may solicit bids directly, join a BOCES cooperative purchase, participate in the OGS contract or other local government contract. All the districts and the BOCES were included in the BOCES bid request. For 2015-16, six districts and one BOCES school used these bid results to purchase milk and for 2016-17, five districts and the BOCES used the bid results.

Figure 2: Milk Bid Sources		
District	2015-16 Bid Source	2016-17 Bid Source
Arlington CSD	District	District
Beacon City SD	District	District
Dutchess BOCES School	BOCES	BOCES
Dover UFSD	Farm ^a	Farm ^a
Hyde Park CSD	District	District
Millbrook CSD	BOCES	Farm ^a
Pawling CSD	BOCES	BOCES
Pine Plains CSD	BOCES	BOCES
Poughkeepsie City SD	BOCES	BOCES
Red Hook CSD	District	District
Rhinebeck CSD	Farm ^a	Farm ^a
Spackenkill UFSD	BOCES	BOCES
Wappingers CSD	District	District
Webutuck CSD	BOCES	BOCES
^a GML allows schools to purchase milk directly from local farms through a NYS farm-to-school program.		

To accomplish our audit objective, we interviewed BOCES officials and officials from the districts. We reviewed relevant laws, invoices, bid documents and available milk prices from the OGS contract during our audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing

² U.S. Code of Federal Regulations, Title 7, Section 210.10

³ New York State General Municipal Law (GML), Section 103

this audit are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

Audit Results

BOCES officials can provide a cooperative bidding service to participating districts who are responsible for ensuring their resources are used as economically as possible. To do so, officials should use a bidding method that ensures goods are procured in compliance with GML⁴ requirements by competitively bidding for aggregate purchase contracts in excess of \$20,000 to seek competition and obtain the best price. A district purchase of similar items, such as milk, may be purchased through a cooperative arrangement. A cooperative bidding service provides participants with the economies of scale, which allow the possibility to purchase at a lower per-unit cost when goods are purchased in large quantities, to help ensure the participating districts received the lowest possible price.

A cooperative request for bid document generally includes a single set of specifications for the purchase of common items, establishes the standards and requirements bidders must observe and provides information necessary to prepare bids and offers. The document should indicate the basis on which the bids will be evaluated and the award made. Bid specifications must be specific enough so bidders have enough information to formulate sound bids, but should not be so restrictive that they stifle open competition among qualified bidders.

When soliciting bids, an advertisement is placed in the official newspaper. Solicitations could be supplemented by advertising in other local papers, posting to websites or maintaining a comprehensive list of prospective bidders. Participation by districts, through input and feedback on goods and services, is a practice that could assist in making a successful bid.

A fair and open competitive process will help discourage favoritism in public procurements, encouraging additional vendors to compete for business. When competitive bidding is required, the award of the contract is made to the lowest priced responsible bidder that complied with the specifications.

BOCES officials used a cooperative bid approach for the 2015-16 year where vendors submitted bids based on BOCES bid specifications requested for all the districts as a whole, while offering the same price for each district. However, in the 2016-17 bid, vendors were allowed to bid on individual districts with the requirement of offering the same pricing to all districts instead of collectively bidding for a group of districts.

Key features of the BOCES bidding service:

- All component districts were listed on the milk bid.
- Districts were not under any obligation to use the bid award throughout the bidding process.

⁴ Ibid

- Items included in the milk bid specifications were half-pint milk cartons and other dairy items.⁵
- Additional equipment rental fees were allowed.
- Equipment requests were listed for each district.
- Estimated quantities and delivery requirements were not listed on the bid document.
- The contract period was one-year with the option for two one-year extensions.
- A predetermined annual deadline was established for interested milk bidders to submit their bids, along with a non-collusion certification⁶ and statement that items will be furnished as proposed in the bid at the prices quoted.

Several features of the bid service could limit the information available to potential bidders and possibly reduce the responses from interested bidders. For example, the milk bid specification listed all districts without receiving any commitment from the districts to use the bid award and did not include estimated quantities and delivery requirements.

BOCES officials submitted requests for bids (RFBs) for 2015-16 and 2016-17 to supply milk products to the districts and one BOCES school. The Board awarded the 2016-17 milk bid to three vendors and the 2015-16 bid to one vendor.

We reviewed the bids for all the districts and the BOCES school to determine whether officials correctly awarded the milk bid to the lowest overall bidder and how many vendors submitted bids for each district. We compared the price per half-pint carton of fat free chocolate milk (the most popular milk item across all participating school districts) for each district during the two milk bids awarded during our audit period.

We also determined the number of bids each district received during the two RFB periods. For the 2015-16 award, when vendors bid for all districts as a whole while offering the same price for each district, the price per half-pint carton of fat-free chocolate milk was \$0.21 for all districts. For the 2016-17 award, when vendors bid on individual districts while offering the same price for each district, the price per half-pint carton of fat free chocolate milk ranged from \$0.24 to \$0.31 with an average of \$0.25 (Figure 3).

⁵ See Appendix A for further details on the specifications.

⁶ A statement certifying that the vendor has complied with GML.

Figure 3: Bidding Results for 2015-16 and 2016-17

District	2015-16 Student Enrollment	2015-16		2016-17	
		Bids Received	Bid Awarded for Fat Free Chocolate Milk (Half-pint)	Bids Received	Bid Awarded for Fat Free Chocolate Milk (Half-pint)
Arlington CSD	8,455	1	\$0.21	1	\$0.24
Beacon City SD	2,866	2		0	No Award
BOCES School	Not Applicable	2		1	\$0.24
Dover UFSD ^a	1,343	2		1	\$0.31
Hyde Park CSD ^a	3,576	2		1	\$0.29
Millbrook CSD	956	3		2	\$0.24
Pawling CSD	1,207	3		2	\$0.24
Pine Plains CSD	924	2		2	\$0.24
Poughkeepsie City SD	4,242	2		2	\$0.24
Red Hook CSD	1,874	3		3	\$0.24
Rhinebeck CSD	1,096	3		3	\$0.24
Spackenkill UFSD	1,440	4		2	\$0.24
Wappingers CSD	11,093	2		2	\$0.24
Webutuck CSD	1,207	2		1	\$0.24
Totals	40,279	33		23	

^a Two different vendors bid on and were awarded the milk contract for Dover UFSD and Hyde Park CSD.

For the two milk awards that were bid during our audit period, BOCES officials correctly awarded the milk contract to the lowest bidder on most items for each participating district. The 2015-16 award was cooperatively bid with vendors bidding on milk to supply all the districts as a whole, while offering a lower price for the districts than the 2016-17 award, when vendors bid on supplying milk individually to each district.

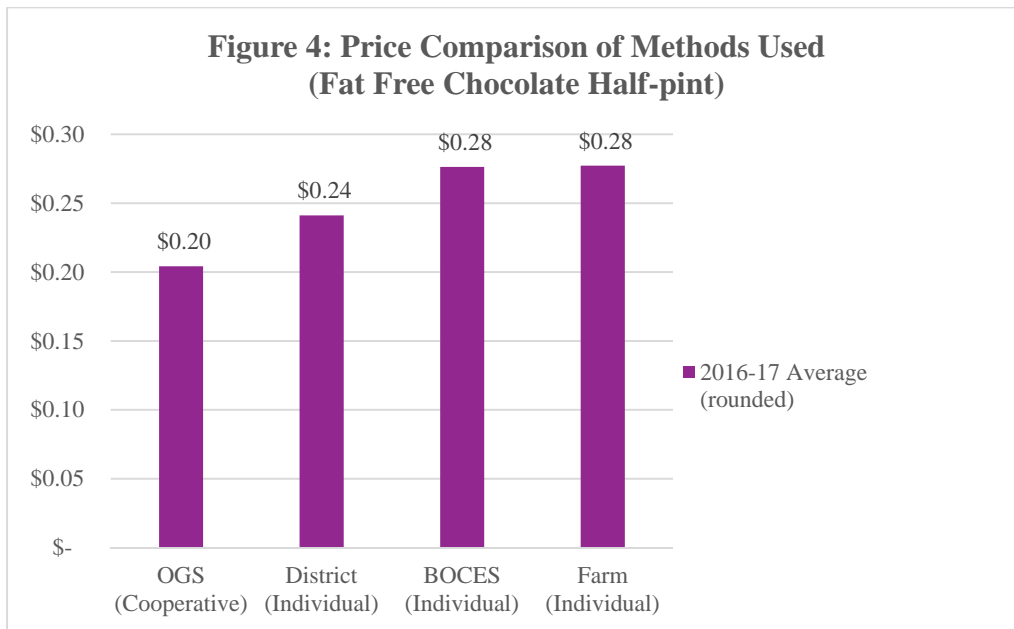
All the districts and the BOCES school participating in the bid received bids from at least one vendor for both years, except for Beacon City SD that did not receive any bids for 2016-17. The average number of bids received by each district decreased from 2.4 in 2015-16 to 1.6 in 2016-17.

We contacted all the districts to determine which districts used the bid results and inquired about their milk bid source for 2015-16 and 2016-17, and the reasons for choosing their source. Five districts used the BOCES bid both years. Officials for the other eight districts told us they did not use the BOCES bid because their district historically used other methods, the methods used obtained lower prices and allowed them to receive a grant to offset costs. These district officials further told us that the BOCES bid process is conducted too late in the year and the bid specifications are too generic.

To determine which bid methods (i.e., using the OGS contact, BOCES individual school bids, a bid conducted by the district or purchasing through a farm-to-school program) resulted in the

lowest prices, we compared prices obtained by all the districts and prices from the OGS contract⁷ over two months during 2016-17. Included in our test were OGS contract prices, five districts that used the BOCES bid, five that conducted milk bids on their own, two districts that purchased from a farm-to-school program and one district that used the BOCES bid for 2015-16 and switched to the farm-to-school program for 2016-17.

When compared,⁸ the cooperatively bid OGS contract had the lowest price per unit for fat free chocolate milk, which was on average \$0.07 less per carton when compared with districts that used the BOCES bid. On average, the districts that participated in the BOCES bid paid about \$0.04 more per half-pint carton for fat free chocolate milk as compared to districts that solicited their own bid.



In a similar comparison for 2015-16, between OGS and the BOCES bid (cooperative bid), there was a difference of \$0.04 per carton. The differences per carton between the two years could be attributed, in part, to the BOCES cooperative bid method used for the 2015-16 school year.

To demonstrate the results of cooperative purchasing (large scale purchasing), we analyzed the districts’ data for 2016-17 and projected the fat free chocolate milk costs for that year as if BOCES officials had used a cooperative bidding method, where all districts are part of one geographical zone⁹ (similar to the OGS bidding method).¹⁰ We assumed that vendors would bid on school milk items and service all districts and the BOCES. We applied the OGS price from October 2016 to all fat free chocolate milk purchases for 2016-17. Our analysis demonstrates that if BOCES

⁷ Although no districts currently participating in the OGS contract, OGS allows school districts and BOCES to participate in its milk contract as a possible purchasing option.

⁸ Farm-to-school program - A private grant is intended to subsidize a portion of the cost of each milk carton purchase.

⁹ See Appendix C for information on our methodology.

¹⁰ The OGS bidding method divides the State into 18 zones for bidding milk. OGS Region 9 covers the Dutchess County area.

officials had used this bidding method, officials could have provided additional purchasing power to its districts, totaling approximately \$77,000, or \$0.04 for each fat free chocolate milk half-pint purchased that year, a 16 percent total cost savings.

Figure 5: Projected 2016-17 Costs

District	Quantity Used	Actual Price Paid	Annual District Cost Extended	Applied OGS Price	Annual District Cost Extended (OGS Price)	Difference	Percentage Difference
Arlington CSD	250,000	\$0.2400	\$60,000	\$0.2046	\$51,150	\$8,850	15%
Beacon City SD	200,000	\$0.2141	\$42,820	\$0.2046	\$40,920	\$1,900	4%
Dover UFSD ^a	46,630	\$0.2662	\$12,415	\$0.2046	\$9,540	\$2,875	23%
Dutchess BOCES School	18,350	\$0.2400	\$4,404	\$0.2046	\$3,754	\$650	15%
Hyde Park CSD	332,765	\$0.2298	\$76,469	\$0.2046	\$68,084	\$8,385	11%
Millbrook CSD ^a	39,650	\$0.2595	\$10,291	\$0.2046	\$8,112	\$2,187	21%
Pawling CSD	39,950	\$0.2525	\$10,087	\$0.2046	\$8,174	\$1,913	19%
Pine Plains CSD	50,250	\$0.2670	\$13,417	\$0.2046	\$10,281	\$3,136	23%
Poughkeepsie City SD	407,150	\$0.2670	\$108,709	\$0.2046	\$83,303	\$25,406	23%
Red Hook CSD	64,750	\$0.2450	\$15,864	\$0.2046	\$13,248	\$2,616	16%
Rhinebeck CSD	24,750	\$0.3100	\$7,673	\$0.2046	\$5,064	\$2,609	34%
Spackenkill UFSD	69,125	\$0.2670	\$18,456	\$0.2046	\$14,143	\$4,313	23%
Wappingers CSD	351,601	\$0.2316	\$81,431	\$0.2046	\$71,938	\$9,493	12%
Webutuck CSD	37,550	\$0.2670	\$10,026	\$0.2046	\$7,683	\$2,343	23%
		Totals	\$472,062		\$395,394	\$76,668	16%

^a We included the grant rebate received in the actual price paid.

To further determine whether BOCES officials were acquiring milk at the lowest reasonable cost, we compared the BOCES' price per unit of fat free chocolate milk with the per unit price available at two local supermarkets within two districts. In each case, BOCES per unit price was lower than the supermarket price.

While BOCES officials generally received multiple bids for districts participating in their milk bid service, if they considered other bidding methods for procuring milk or the RFBs included districts committed to using the bid award, estimates of quantities needed and delivery requirements, their bid service may be more cost effective for the component districts.

Recommendations

To help ensure districts get the most cost effective purchasing option, BOCES officials should:

1. Consider other bidding methods, such as a cooperative purchase, to maximize buying volume when procuring.
2. Provide accurate and complete information in the RFBs including, but not limited to, districts that will use the bid award, estimated quantity demanded and delivery requirements.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the Clerk's office.

We thank the officials and staff of the Dutchess BOCES for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

BID DETAILS

Figure 6: 2017-18 Combined Bid Items^a		
Unit Measure	Item Description	Quantity
½ Pint	Fat Free Chocolate Milk, 8 oz.	556,300
½ Pint	Fat Free Strawberry Milk, 8 oz.	53,175
½ Pint	Fat Free White Milk, 8 oz.	125,400
½ Pint	1% White Milk	106,000
1 Quart	Half and Half Quarts	848
½ Pint	Milk, Lactose Free, 1% Unflavored	1,000
½ Pint	Milk, Lactose Free, Fat Free	860
1 Gallon	Milk, Low Fat 1 % White	470
½ Gallon	Half & Half, Ultra Pasteurized	200
5 Gallon Bag	Milk, Low Fat 1% Unflavored White	400
5 Gallon Bag	Milk, Fat Free, Chocolate NO HFCS	615
400/case	Half & Half Creamers	3
1 Quart	Buttermilk, Whole ^b	0
1 Quart	Buttermilk, Low Fat 2% ^b	0
	Total	845,271
^a To illustrate the combined quantities and items from the 2017-18 bid for seven districts that submitted requested quantities (Beacon City SD, Dover UFSD, Pine Plains, Red Hook CSD, Rhinebeck CSD, Spackenkill UFSD and Webutuck CSD) and the BOCES school. No quantity information was available from the 2015-16 and 2016-17 bids.		
^b Item was listed on the bid but no district submitted requested quantities for the item		

APPENDIX B

RESPONSE FROM BOCES OFFICIALS

The BOCES officials' response to this audit can be found on the following page.

5 BOCES Road, Poughkeepsie, New York 12601
Phone: 845.486.4800 ext. 2215 | Fax: 845.486.4821
E-mail: sherre.wesley@dcboces.org

March 20, 2018

Ms. Ann C. Singer, Chief Examiner
Statewide audit
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ms. Singer:

Thank you for recommendations as to how we can improve milk bidding practices at Dutchess BOCES, and for the opportunity to respond to the New York State Comptroller's Audit Report. With regards to the report, we agree with, and will implement, the indicated recommendations.

We strive to manage resources efficiently and effectively, and to be responsive to the needs of our component school districts. As believers in continuous improvement, Dutchess BOCES, in consultation with component school districts, revised its milk bidding process for the 2016-17 year. The expectation was that this process would result in more targeted bids, and better serve Dutchess school districts. While we believe it is important to consider new approaches, the results of your audit suggest that staying with the process used in 2015-16 might have yielded better results.

We acknowledge and appreciate the professionalism and courtesy shown by your staff during the audit, and thank you for your work on behalf of the people of New York State.

Sincerely,

Richard M. Hooley, Ed.D.
District Superintendent

RMH/sw

Dutchess County Board of Cooperative Educational Services

Administrative Offices: 845.486.4800

www.dcboces.org

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed BOCES officials and reviewed policies and procedures to gain an understanding of the milk procurement process.
- We reviewed bid documents for our audit period to determine whether the bid was awarded to the overall lowest bidder.
- We surveyed officials of all districts to document their milk bidding process for school years 2015-16 and 2016-17.
- We compared invoice prices of half-pint fat free chocolate milk at all districts to determine which bid method resulted in the lowest price.
- We judgmentally selected October 2016 and obtained the OGS contract prices for that month. We compared the price for half-pint chocolate milk with the invoice prices paid by all districts and the BOCES for our sample month. We projected these costs for 2016-17 by applying the price from our sample month to all fat free chocolate milk purchases used by the districts in that year.
- We judgmentally selected two districts and visited the two supermarkets nearest to our selected districts to determine whether the BOCES or supermarket had a lower price on five judgmentally selected dairy items, including fat free chocolate milk.
- We reviewed methods used by BOCES officials to encourage bids and determined whether all vendors capable of participating in the bid did in fact participate.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.