

BOCES Milk Bidding

**At the Capital Region BOCES,
Dutchess BOCES, Onondaga-Cortland-
Madison BOCES and Monroe 2-Orleans
BOCES**

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Report Highlights

BOCES Milk Bidding

Audit Objective

Determine whether Board of Cooperative Educational Services (BOCES) milk bidding practices foster competition.

Key Findings

- Milk bidding practices used generally resulted in receiving multiple bids for participating school districts (districts).

Bidding cooperatively:

- Maximized buying volume and allowed districts to receive the lowest price for chocolate fat free milk half-pints.
- May have saved as much as \$355,000 (15 percent) on fat free chocolate milk half pints in 2016-17, in places where it was not used to maximize buying volume.

Key Recommendation

- Consider other bidding methods, such as a cooperative purchase, to maximize buying volume when procuring milk to help ensure the districts utilize the most cost effective purchasing option.

BOCES officials' responses to our findings and recommendation are in Appendix B.

Background

We audited the milk bidding practices at the following four BOCES: Capital Region (Capital), Dutchess, Onondaga-Cortland-Madison (OCM) and Monroe 2-Orleans (Monroe 2).

A BOCES is an association of component districts within a common geographic area. BOCES delivers various services to the districts at their request, including bidding services for milk. Refer to Appendix A for additional background information on each BOCES. Each BOCES' purchasing agent is generally responsible for organizing the milk bids.

Districts must offer milk to students with every meal.¹ To satisfy this requirement, districts whose milk expenditures exceed limits set under New York State General Municipal Law (GML)² must competitively bid. Districts may solicit bids directly, join a BOCES cooperative purchase or participate in the NYS Office of General Services (OGS) contract or other local government contract.

Quick Facts

Component Districts	2016-17 Bid Participants
Capital	23
Dutchess	13
Monroe 2	9
OCM	23
	27

This report summarizes the opportunities we identified to improve each BOCES' milk bidding practices.

Audit Period

July 1, 2015 – November 15, 2017. We extended our scope period back to August 1, 2014 to review Capital BOCES' prior bid award.

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

2 New York State General Municipal Law Section 103

Milk Bidding

How Should a BOCES Procure Milk for Districts?

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 GML³ 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 develops a single set of specifications for common items, establishes the standards and requirements bidders must observe and provides information necessary to prepare bids and offers. Participation by districts, through input and feedback on goods and services, is a practice that could assist in making a successful bid. When competitive bidding is required, the contract award is made to the lowest priced responsible bidder that complied with the specifications.

Milk Prices Were Lower When Cooperatively Bid

The milk bidding practices generally resulted in receiving multiple bids for districts participating in the respective bids. All four BOCES received bids from at least one vendor for their 2015-16 and 2016-17 milk bids.

Monroe 2 designed and implemented an effective cooperative purchasing method that maximized buying volume and helped ensure their bidding process was a cost effective option for the participating districts. Monroe 2's cooperative bidding method required vendors to submit bids for all participating districts and offer the same pricing to all.

In addition, it allowed other non-component districts to participate in the bid to increase quantities, and did not require a vendor to supply equipment, such as coolers. Further, districts provided direct input on their needs before the bid release and had an opportunity to view bid results after all bids were received.

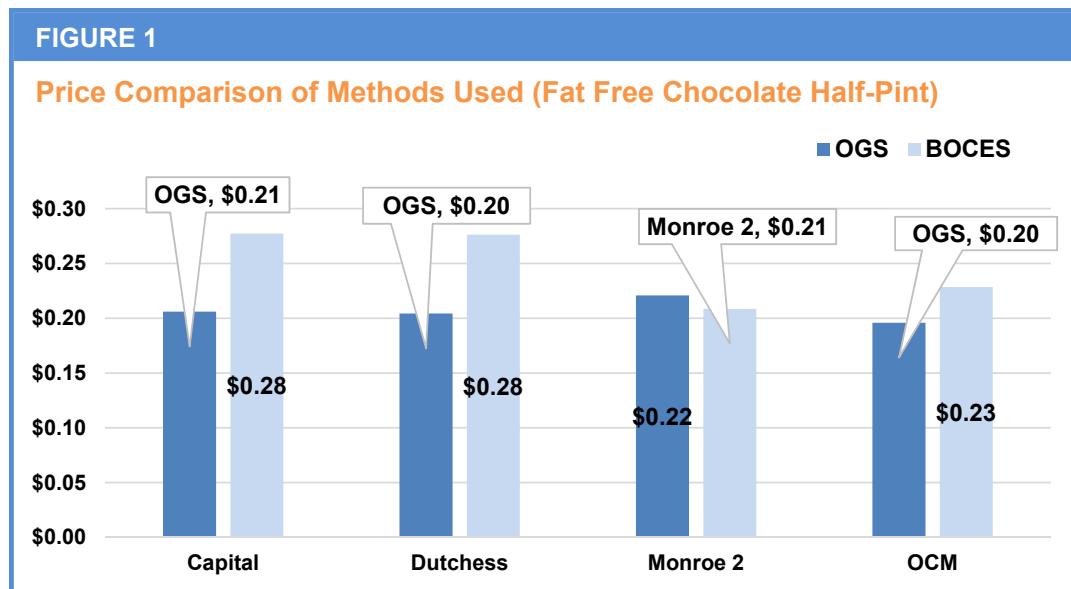
When compared⁴ to another bid result in a similar geographic area (Monroe 2 bid and the OGS bid), the Monroe 2 cooperative bid helped its participating districts save \$0.01 per half-pint carton for fat free chocolate milk (the most popular milk

Monroe 2
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option for the
participating
districts.

³ Ibid

⁴ See Appendix C for information on our methodology.

item across all participating districts). In a contrasting, but similar comparison for the other BOCES (Capital, Dutchess and OCM), the cooperatively bid OGS contract had the lowest price per unit for that item, ranging from \$0.20 to \$0.21 per half-pint, as shown in Figure 1.



Different bidding methods were used to satisfy the needs of the participating districts,⁵ but they did not always generate the lowest price. At two BOCES (Capital and Dutchess), vendors submitted bids based on the BOCES' bid specifications requested for individual districts instead of collectively for a group of districts,⁶ and did not use a cooperative bid structure.

In addition, three BOCES (Capital, Dutchess and OCM) did not maximize buying volume to allow outside entities to join their bids, include as many component districts in their bids or allow districts with the largest student population in their geographic areas to use their bid results. For example, OCM restricted the use of its bid results to the component districts of two BOCES included in its bid.

In 2016-17, Capital requested individual bids from vendors for 10 districts, totaling about 12,000 students, which was 19 percent of its component district population. The Dutchess request for individual bids only resulted in five districts, totaling 9,000 students to use the bid award. The other districts used other bidding methods.

5 Refer to Appendix A for bidding methods used by each BOCES.

6 The Dutchess 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.

Figure 2: 2016-17 District Participation in BOCES Milk Bids

BOCES	Component District Enrollment			Largest School District			Student Enrollment of Outside Districts Using Award
	Total	Not Using Award	Percent Not Using Award	Name	Enrollment	Used BOCES Bid?	
Capital	64,885	52,408	81%	Shenendehowa	9,789	No	0
Dutchess	40,279	31,259	78%	Wappingers	11,093	No	0
Monroe 2	32,305	11,872	37%	Rochester City ^a	27,552	Yes	43,009
OCM	54,776	4,691	9%	Syracuse City ^a	19,951	No	4,648

a The Rochester and Syracuse City SDs are not BOCES component districts.

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 used a cooperative bidding method, where all districts are part of a geographical bidding zone or larger zones (similar to the OGS bidding method). We assumed that vendors would bid on 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 Monroe 2's cooperative bidding method resulted in additional purchasing power for districts of approximately \$84,000 (6 percent) or \$0.01 per unit on the purchase of fat free chocolate milk for 2016-17. In addition, if officials at three BOCES (Capital, Dutchess and OCM) had used a method similar to the OGS bid, they may have provided additional purchasing power to its districts totaling approximately \$355,000 (15 percent), or \$0.035 for each fat free chocolate milk half-pint purchased that year.

Figure 3: Projected 2016-17 Cost Savings

	Total Quantities Ordered (Rounded)	Total Cost Savings Using OGS Contract	Percentage Cost Savings Using OGS Contract
Capital	2,455,000	\$130,000	20%
Dutchess	1,933,000	\$77,000	16%
OCM	5,837,000	\$148,000	11%
Totals/Averages	10,225,000	\$355,000	15%

While officials at all the BOCES generally received multiple bids for districts participating in their bid service, other bidding methods for procuring milk that maximize volume in the bid may be more cost effective for participating districts. Practices such as holding regular meetings with food service personnel from participating districts and bringing in large-sized entities, could encourage more

participation in the milk bid, maximize volume, and drive cost savings attained through cooperative purchasing.

What Do We Recommend?

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 milk.

Appendix A: Additional Background Information

We audited the milk bidding practices at the following four BOCES: Capital Region (S9-17-33), Dutchess (S9-17-34), Onondaga-Cortland-Madison (S9-17-36) and Monroe 2-Orleans (S9-17-35).

The BOCES used the following bidding methods in 2016-17 for milk and other dairy items:

- Capital – Vendors bid on individual participating component districts.
- Dutchess – Vendors bid on individual participating component districts, requiring the same price to be bid.
- OCM – Vendors selected and submitted bids for three geographic zones,⁷ while offering the same pricing to all districts grouped in the same zone.
- Monroe 2 – Vendors bid on requested items in two item groups (i.e., requested milk items – category A and other dairy or juice items – category B) for all participating Monroe 2 and Monroe 1 BOCES districts as a whole, while offering the same prices to all districts. Category A items were generally limited to half-pint cartons of white, strawberry and chocolate fat free milk. BOCES required vendors to bid on all category A items to be considered for the bid. Vendor bidding on category B items was optional.

The OGS contract divides the State into 18 geographic bidding zones for cooperative bidding and supplying milk. In 2016-17, the OGS contract supplied milk to 104 districts with a total student enrollment of approximately 302,000 across the State.

The item quantities requested by each BOCES is detailed as follows:

Figure 4: 2016-17 Combined Bid Item Quantities Requested By Each BOCES

Unit of Measure	Item Description	Capital ^a	Dutchess ^b	Monroe 2 ^c	OCM ^d
½ Pint	Fat Free Chocolate Milk, 8 oz.	475,900	556,300	3,865,323	3,680,440
½ Pint	Fat Free Strawberry Milk, 8 oz.	68,600	53,175	183,588	142,603
½ Pint	Fat Free White Milk, 8 oz.	83,000	125,400	726,173	411,363
½ Pint	Fat Free Chocolate, Reduced Sugar, 8 oz.	112,500	-	-	-
½ Pint	1% Chocolate, 8 oz.	26,150	-	-	-
½ Pint	1% Strawberry, 8 oz.	10,800	-	-	-
½ Pint	1% White Milk, 8 oz.	201,150	106,000	612,128	597,403
4 oz.	Juice, Apple, 100% Juice, Cartons or Foil	-	-	449,490	829,625
4 oz.	Juice, Grape, 100% Juice, Cartons or Foil	-	-	187,023	64,250
4 oz.	Juice, Orange, 100% Juice, Cartons or Foil	-	-	308,325	812,060
4 oz.	Fruit Blend Juice, Carton or Foil, 100% Juice	-	-	44,867	-
Various	Miscellaneous Items	7,435	4,396	126,269	129,780
Totals		985,535	845,271	6,503,186	6,667,524

a To illustrate the combined quantities and items from the 2016-17 bid for 10 districts that submitted requested quantities and three BOCES schools.

b To illustrate the combined quantities and items from the 2017-18 bid for seven districts that submitted requested quantities and the BOCES school. Quantity information was unavailable from the 2015-16 and 2016-17 bids.

c To illustrate the combined quantities and items from the 2016-17 bid for 17 districts that submitted requested quantities, one BOCES school, and one Monroe 1 BOCES school.

d To illustrate the combined quantities and items from the 2016-17 bid for 25 districts that submitted requested quantities and one BOCES school.

⁷ Zone 1 – LaFayette & North; Zone 2 – South of LaFayette; and Zone 3 – Cayuga-Onondaga BOCES districts

Appendix B: Responses From BOCES Officials

We provided a draft copy of the global report to the four BOCES we audited and requested a response from each. We received responses from three BOCES (Capital Region, Monroe 2-Orleans and Onondaga-Cortland-Madison (OCM)). Responses from Monroe 2-Orleans and OCM were global in nature. Dutchess BOCES chose not to respond.

Two BOCES (Monroe 2-Orleans and Capital Region) agreed with our findings and recommendation. However, officials from OCM generally disagreed with our findings and recommendation and had comments that we responded to in this appendix. Comments that were specific to findings at a particular BOCES are not included here, but are instead addressed in its individual report. Each BOCES' individual report includes its response to our audit of the specific BOCES.

Capital Region BOCES officials said: "...BOCES agreed with and accepted OSC's recommendation to use a cooperative recommendation purchase and cumulative quantities to maximize buying volume with procuring milk... We hope to realize improved pricing for our districts and divisions using this approach."

Monroe 2-Orleans BOCES officials said: "...the audit results; it reinforces the benefits of a cooperative bid service. We run the majority of our bids in partnership with participating districts to ensure our bids meet their specific needs and to maximize savings and efficiencies."

OCM BOCES officials said: "...consider both geographic and participant demographics when developing a bid and determining an award structure... combining participant volumes into a larger geographic bid area does not necessarily result in achieving economies of scale and driving further efficiencies as is suggested."

"...School districts are unique entities that require multiple service delivery points, several times a week with limited hours for accepting deliveries. This requires bidders to invest heavily in their equipment and infrastructure; all for a bid that may only be successful for one (1) year."

OSC's Response: BOCES help school districts save money by providing opportunities to pool resources and share costs. The basic principal behind cooperative purchasing is that items can often be purchased for substantially less if bought in higher quantity. Our audit recommendation was for the BOCES to help ensure districts get the most cost effective purchasing option by considering other bidding methods to maximize buying volume when procuring. This is supportive of the BOCES' overall collaboration with districts to develop programs to promote equity among all districts regardless of enrollment, income or size of tax base.

Bid specifications should avoid being unduly restrictive, to avoid stifling open and fair competition among vendors. Use of less restrictive specifications, such as eliminating the requirement to supply and maintain equipment, could increase participation in the competitive process. Other options for providing needed equipment and/or funding of the equipment should also be considered (i.e., separate purchase, grants, etc.).

Appendix C: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We judgmentally selected the BOCES audited based on the existence of a BOCES milk bid, method used and geographical location.
- 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 chocolate fat free milk at eight judgmentally selected⁸ districts (from Capital, Monroe 2 and OCM), based on comparable student enrollment and/or location, and all 13 component districts of Dutchess, to determine which bid method resulted in the lowest price.
- We judgmentally selected October 2016⁹ 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 that year.¹⁰
- We judgmentally selected two districts¹¹ at each BOCES and visited the two supermarkets nearest to the selected districts to determine whether the BOCES or the supermarket had a lower price on four judgmentally selected items.¹²
- We reviewed methods used by BOCES officials to encourage bids and determined if all vendors capable of participating in the BOCES bid did in fact participate.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we

⁸ We selected four Capital districts, two Monroe 2 districts and two OCM districts.

⁹ October was selected based on fewest number of breaks and days off in a month at the beginning of the 2016-17 school year.

¹⁰ Purchases used by the Capital Region BOCES' districts were available for 2015-16

¹¹ We selected the district closest and farthest from the local city near each BOCES.

¹² We selected four milk items regularly sold at supermarkets and generally in high demand by the school districts.

plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management
www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders
www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller
www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics
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