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July 2018

Anita Murphy, District Superintendent
Members of the Board of Education
Capital Region BOCES
900 Watervliet-Shaker Road
Albany, NY 12205

Report Number: S9-17-33

Dear District Superintendent Murphy and Members of the Board of Education:

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 milk bidding practices foster competition. We included Capital Region BOCES in this audit. Within the scope of this audit, we examined school milk bidding practices for the period July 1, 2015 through November 15, 2017. We extended our audit scope period back to August 1, 2014 to review the bid award for the 2014-15 school year. 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 Capital Region BOCES. We discussed the findings with officials and considered their comments, which are included in Appendix B, in preparing this report. Except as specified in Appendix B, BOCES officials generally agreed with our recommendation and indicated they planned to initiate corrective action. Appendix C includes our comments on the issues raised in BOCES' response. 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 Capital Region BOCES (BOCES) bidding process fosters competition and generally resulted in multiple bids for school districts (districts) participating in its milk bid service, other

bidding methods may have allowed bidders to offer lower prices to the districts. BOCES provided its milk bidding service to each individual district during the audit period instead of combining their needs into a larger multi-district cooperative bid. As a result, BOCES officials did not seek economies of scale, which may have allowed bidders to offer lower per-unit prices to the districts to purchase at a lower per-unit cost 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 test months in 2016-17 by four component districts¹ of similar size and location 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 \$0.03 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 23 component school districts, the Albany City School District and three BOCES schools are part of one of two geographical zones. Our estimates demonstrate that if BOCES officials had used a cooperative bid format, its component districts could have saved approximately \$130,000 (20 percent) or \$0.05 per unit on the purchase of fat free chocolate milk for 2016-17.

Background and Methodology

The BOCES is an association of 23 component school districts (districts) and the Albany City School District. Combined, the districts educate more than 64,000 students in Albany, Saratoga, Schenectady and Schoharie counties.²

Figure 1: Component Districts	
Berne-Knox-Westerlo CSD	North Colonie CSD
Bethlehem CSD	Ravena-Coeymans-Selkirk CSD
Burnt Hills-Ballston Lake CSD	Schalmont CSD
Cobleskill-Richmondville CSD	Schenectady City SD
Cohoes City SD	Schoharie CSD
Duanesburg CSD	Scotia-Glenville CSD
Green Island UFSD	Sharon Springs CSD
Guilderland CSD	Shenendehowa CSD
Menands UFSD	South Colonie CSD
Middleburgh CSD	Voorheesville CSD
Mohonasen CSD	Watervliet City SD
Niskayuna CSD	

The BOCES is governed by a 10-member Board of Education (Board), elected by the boards of the component districts. The Board is responsible for the general management and control of financial and educational affairs. The District Superintendent is the chief executive officer and is

¹ One district used the OGS contract, another district used the BOCES bid and two districts conduct milk bids on their own.

² See Figure 3 for enrollment figures for each district.

responsible, along with other administrative staff, for the day-to-day management. The purchasing agent is responsible for managing the bidding service and supervising the finance clerk who is tasked with organizing the school milk bid.

The BOCES' budgeted appropriations totaled \$119.3 million for 2016-17, funded primarily through charges to 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 \$2,610 during our audit period. However, not all districts that participated in the bid service choose to participate in the school milk bid.

Districts must offer milk to students with every meal.³ To satisfy this requirement, districts whose expenditures exceed limits set under GML⁴ must competitively bid for milk. Districts may solicit bids directly, join a BOCES cooperative purchase or participate in the OGS contract or other local government contract. Not all the districts and the BOCES were included in the BOCES bid request. For the 2015-16 and the 2016-17 bid cycles, 10 school districts and three BOCES schools used the bid results to purchase milk.

Figure 2: Milk Bid Sources		
District	2015-16 Bid Source	2016-17 Bid Source
Albany City SD	Food Service Vendor ^a	Food Service Vendor ^a
Berne-Knox-Westerlo CSD	BOCES	BOCES
Bethlehem CSD	BOCES	District
BOCES Albany School	BOCES	BOCES
BOCES Schoharie School	BOCES	BOCES
BOCES Maywood School	BOCES	BOCES
Burnt Hills-Ballston Lake CSD	District	District
Cobleskill-Richmondville CSD	BOCES	BOCES
Cohoes City SD	Food Service Vendor ^a	Food Service Vendor ^a
Duanesburg CSD	BOCES	BOCES
Green Island UFSD	Food Service Vendor ^a	Food Service Vendor ^a
Guilderland CSD	OGS	OGS
Menands UFSD	BOCES	BOCES
Middleburgh CSD	BOCES	BOCES
Mohonasen CSD	District	District
Niskayuna CSD	District	BOCES
North Colonie CSD	District	District
Ravena-Coeymans-Selkirk CSD	District	District
Schalmont CSD	BOCES	BOCES
Schenectady City SD	Food Service Vendor ^a	Food Service Vendor ^a
Schoharie CSD	BOCES	BOCES
Scotia-Glenville CSD	Food Service Vendor ^a	Food Service Vendor ^a
Sharon Springs CSD	BOCES	BOCES
Shenendehowa CSD	District	District
South Colonie CSD	District	District
Voorheesville CSD	BOCES	BOCES
Watervliet City SD	District	District

^a Vendors are contracted to operate all aspects of food service, including supplying milk, at selected districts.

³ U.S. Code of Federal Regulations, Title 7, Section 210.10

⁴ New York State General Municipal Law, Section 103

To accomplish our audit objective, we interviewed BOCES officials and officials from the districts. We reviewed relevant laws, invoices, bid documents, and available prices through the OGS contract for the 2015-16 and 2016-17 school years. We also reviewed the 2014-15 bid documents, because a bid extension clause was used to purchase milk for 2015-16 and the BOCES did not bid milk that year.

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 this audit are included in Appendix D 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 size of the relevant population 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 GML⁵ 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 provided a bidding service to its component districts. In the 2016-17 bid,⁶ vendors bid based on BOCES bid specifications requested on individual participating districts instead of collectively bidding for a group of districts.

⁵ GML, Section 103

⁶ For 2015-16, vendors bid the same format as in 2016-17.

Key features of the BOCES bidding service:

- Districts committed to using bid award at beginning of bid process.
- Items included in the milk bid specifications were half-pint cartons and other dairy items.⁷
- All costs were included in items bid and no additional fees were allowed.
- Estimated quantities, equipment requests and delivery requirements were listed for each district, by building location for the upcoming year.
- 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 certification⁸ and statement that items will be furnished as proposed in the bid at the prices quoted.

A districts' commitment to use the bid service and award at the start of the process is a feature that could increase vendor interest. However, a requirement for vendors to bid on individual districts instead of a collective group of districts limits large scale cooperative purchasing and could result in higher milk prices. Additionally, equipment requirements were included as part of the bid, which could reduce responses from interested vendors.

BOCES officials submitted requests for bids (RFBs) for 2016-17 to supply milk products to 10 participating districts and three BOCES schools. The Board awarded the 2016-17 milk bids to two vendors. Rather than requesting new milk bids in 2015-16, the BOCES, the districts and the three milk bidders who were awarded the 2014-15 bids agreed to a one-year contract extension for that year.

We reviewed the milk bids for all 10 participating districts and three BOCES schools 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 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 and 2016-17 awards, when vendors bid on individual districts, the price per half-pint carton of fat free chocolate milk ranged from \$0.28 to \$0.32 with an average of \$0.29 for 2015-16. The price ranged from \$0.24 to \$0.29 with an average of \$0.27 for 2016-17 (Figure 3).

⁷ See Appendix A for details of items included in the 2016-17 bid.

⁸ A statement certifying that the vendor has complied with GML.

Figure 3: Bidding Results of 2015-16 and 2016-17					
District	2015-16 Student Enrollment	2015-16^a		2016-17	
		Bids Received	Bid Awarded for Fat Free Chocolate Milk (Half-pint)	Bids Received	Bid Awarded for Fat Free Chocolate Milk (Half-pint)
Berne-Knox-Westerlo CSD	785	3	\$0.31	2	\$0.28
Bethlehem CSD	4,607	3	\$0.28	Did Not Participate	
BOCES Albany School	Not Applicable	2	\$0.32	2	Not Applicable ^b
BOCES Schoharie School	Not Applicable	2	Not Applicable ^b	2	Not Applicable ^b
BOCES Maywood School	Not Applicable	2	\$0.28	2	\$0.24
Cobleskill-Richmondville CSD	1,725	1	\$0.28	1	\$0.25
Duanesburg CSD	733	3	\$0.29	3	\$0.27
Menands UFSD	254	3	\$0.28	3	\$0.28
Middleburgh CSD	765	3	\$0.28	3	\$0.28
Niskayuna CSD	4,104	Did Not Participate		2	\$0.24
Schalmont CSD	1,814	3	\$0.29	2	\$0.29
Schoharie CSD	871	2	\$0.28	3	\$0.28
Sharon Springs CSD	266	1	\$0.30	1	\$0.28
Voorheesville CSD	1,160	3	\$0.28	3	\$0.29
Totals	17,084	31		29	

^a The results of the 2014-15 RFB was used in 2015-16.

^b The BOCES school did not request chocolate fat free half-pints in the RFB.

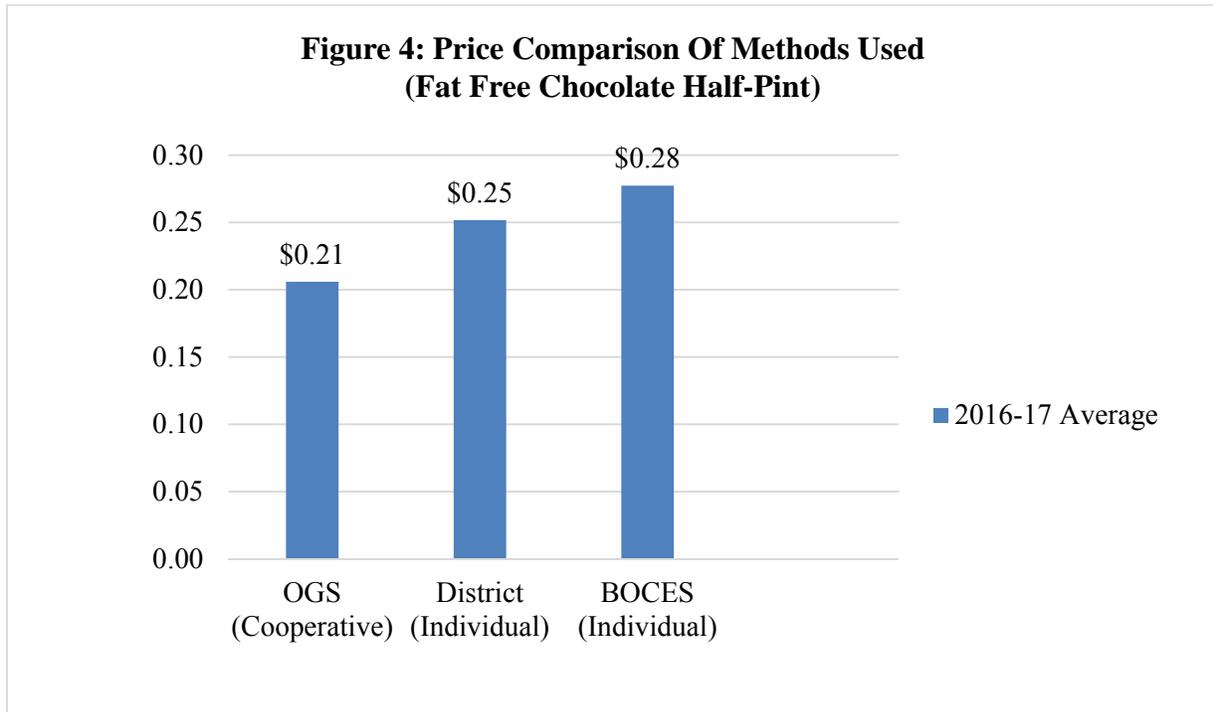
For the two milk bids in our audit period, BOCES officials correctly awarded the milk contracts to the lowest overall bidders for each participating district. The 2014-15 award was extended into 2015-16 to supply the participating districts, offering a higher price for the districts than the 2016-17 award.

All 10 districts and three BOCES schools participating in the bid received bids from at least one vendor in both milk bids. The average number of bids received by each district decreased from 2.4 in 2015-16 to 2.2 in 2016-17.

We contacted the 13 districts that did not use the BOCES bidding service and inquired about their milk bid source for 2015-16 and 2016-17, and the reasons for choosing their source. Four districts used a food service vendor in both years. Officials for the other nine districts told us they did not use the BOCES bid because they historically used other methods that obtained lower prices more efficiently and gave the district more control.

To determine which bid methods (i.e., using the OGS contract, BOCES individual school bids, a bid conducted by the district) resulted in the lowest prices, we compared prices obtained by four districts of similar size and location over two months during 2016-17. Included in our test was one district that participated in the BOCES bid, one district that used OGS contract prices and two districts that conducted milk bids on their own.

When compared, 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 \$0.03 more per half-pint carton for fat free chocolate milk as compared to districts that solicited their own bid.



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 of two geographical zones⁹ (similar to the OGS bidding method).¹⁰

We assumed that vendors would bid on the 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 officials used this bidding method, they could have provided additional purchasing power to its districts, totaling approximately \$130,000 or \$0.05 for each fat free chocolate milk half-pint purchased that year, a 20 percent total cost savings (Figure 5).

⁹ See Appendix D for information on our methodology.

¹⁰ The OGS bidding method divides the State into 18 zones for bidding milk. OGS Region 10 covers the Albany-Saratoga-Schenectady County area and OGS Region 13 covers the Schoharie County area.

Figure 5: Projected 2016-17 Costs^a

District	2015-16 Quantity Used	Actual Price Paid	Annual District Cost Extended	Applied OGS Price	Annual District Cost Extended (OGS Price)	Difference	Percentage Difference
Berne-Knox-Westerlo CSD	49,626	\$0.3013	\$14,952	\$0.2063	\$10,238	\$4,714	32%
Bethlehem CSD	127,100	\$0.2632	\$33,453	\$0.2063	\$26,221	\$7,232	22%
BOCES Maywood School	6,050	\$0.2663	\$1,611	\$0.2063	\$1,248	\$363	23%
Burnt Hills-Ballston Lake CSD	121,626	\$0.2180	\$26,514	\$0.2063	\$25,091	\$1,423	5%
Guilderland CSD	173,200	\$0.2063	\$35,731	\$0.2063	\$35,731	\$0	0%
Menands UFSD	14,850	\$0.3013	\$4,474	\$0.2063	\$3,064	\$1,410	32%
North Colonie CSD	303,197	\$0.2413	\$73,161	\$0.2063	\$62,550	\$10,611	15%
Ravena-Coeymans-Selkirk CSD	132,750	\$0.3084	\$40,940	\$0.2063	\$27,386	\$13,554	33%
South Colonie CSD	238,550	\$0.2813	\$67,104	\$0.2063	\$49,213	\$17,891	27%
Voorheesville CSD	61,941	\$0.3113	\$19,282	\$0.2063	\$12,778	\$6,504	34%
Watervliet City SD	164,650	\$0.2435	\$40,092	\$0.2063	\$33,967	\$6,125	15%
Shenendehowa CSD	363,500	\$0.2684	\$97,563	\$0.2063	\$74,990	\$22,573	23%
Duanesburg CSD	48,350	\$0.2963	\$14,326	\$0.2063	\$9,975	\$4,351	30%
Mohonasen CSD	121,500	\$0.2353	\$28,589	\$0.2063	\$25,065	\$3,524	12%
Niskayuna CSD	128,080	\$0.2729	\$34,953	\$0.2063	\$26,423	\$8,530	24%
Schalmont CSD	62,400	\$0.3163	\$19,737	\$0.2063	\$12,873	\$6,864	35%
OGS Region Subtotal (Albany, Saratoga, Schenectady Counties)	2,117,370		\$552,482		\$436,813	\$115,669	21%
Cobleskill-Richmondville CSD	164,842	\$0.2752	\$45,365	\$0.2467	\$40,667	\$4,698	10%
Middleburgh CSD	76,800	\$0.3013	\$23,140	\$0.2467	\$18,947	\$4,193	18%
Schoharie CSD	67,000	\$0.3013	\$20,187	\$0.2467	\$16,529	\$3,658	18%
Sharon Springs CSD	29,300	\$0.3063	\$8,975	\$0.2467	\$7,228	\$1,747	19%
OGS Region Subtotal (Schoharie County)	337,942		\$97,667		\$83,371	\$14,296	15%
		Totals	\$650,149		\$520,184	\$129,965	20%

^a We excluded the five districts that used a food service vendor for milk needs and two BOCES schools that did not request any chocolate fat free half pints in the bid specification from this presentation.

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 that maximize volume, their bid service may be more cost effective for the component districts.

Recommendation

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.

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 Capital Region 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: 2016-17 Combined Bid Items^a		
Unit Measure	Item Description	Quantity
½ Pint	Fat Free Chocolate Milk, 8 oz.	475,900
½ Pint	Fat Free Strawberry Milk, 8 oz.	68,600
½ Pint	Fat Free White Milk, 8 oz.	83,000
½ Pint	Fat Free Chocolate, Reduced Sugar	112,500
½ Pint	1% Chocolate Milk	26,150
½ Pint	1% Strawberry Milk	10,800
½ Pint	1% White Milk	201,150
1 Gallon	2% White Milk	76
1 Case	¾ Ounce Creamer	20
1 Quart	Buttermilk	185
1 Case	1 oz. Creamer (288 count)	12
1 Quart	Half and Half	3,231
1 Gallon	Fat Free White Milk	10
1 Gallon	Whole White Milk	75
½ Pint	Whole Chocolate	100
½ Gallon	Whole White Milk	278
100/case	1 oz. Cream Cheese	150
1 Case	2 lb. Cottage Cheese	1
1 Case	5 lb. Cottage Cheese	25
5 lbs.	Sour Cream	46
6 oz.	Yogurt, Low-Fat, Fruit Flavored, 6 oz.	500
8 oz.	Yogurt, Low-Fat, Fruit Flavored, 8 oz.	200
1 lb.	Butter, Salted	6
1 Case	Butter Pats, foil wrap	8
3 lbs.	Cream Cheese	50
1 Case	Eggs, Grade A, Large, Dozen	1,845
1 Pint	Flavored Creamers – Hazelnut, French Vanilla	12
1 Quart	Heavy Cream	300
1 Case	Whole Milk Ricotta Cheese 4/2lbs./case	10
1 Case	Whole Milk Ricotta Cheese 6/2lbs./case	20
2 lbs.	Yogurt, low fat, Plain, Vanilla, Strawberry, etc.	40
5 lbs.	Yogurt, low fat, Vanilla, Strawberry, Blueberry, etc.	235
	Total	985,535

^a To illustrate the combined quantities and items from the 2016-17 bid for 10 districts that submitted requested quantities (Berne-Knox-Westerlo CSD, Cobleskill-Richmondville CSD, Duanesburg CSD, Menands UFSD, Middleburgh CSD, Niskayuna CSD, Schalmont CSD, Schoharie CSD, Sharon Springs CSD and Voorheesville CSD) and three BOCES schools (Albany, Schoharie and Maywood).

APPENDIX B

RESPONSE FROM BOCES OFFICIALS

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



April 10, 2018

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

Dear Ms. Singer,

This letter is in response to the receipt of OSC's Draft Report Number S9-17-33, Examination of the Capital Region BOCES. The report examines the milk bidding practices for the period July 1, 2015 through November 15, 2017.

We have reviewed the draft report and agree with the recommendation presented. Our goal is to continuously improve our practices to better serve our component school districts.

We would like to make the following points to clarify our position and the efforts which the BOCES has consistently expended in securing competitive bid pricing for milk and dairy products for our component districts. Items are referenced by section of the draft report.

1. Background and Methodology, page 3

As noted in the data provided in this section of the draft report, not all of our component districts participate in the milk bidding process.

- Five Districts use a Food Service Vendor which handles the milk requirements.
- Eight districts issue their own milk bids.
- One district uses OGS's milk contract.
- 10 component school districts utilize the BOCES milk bid.
- Participation in the BOCES bid is solely at the districts' option.

The challenges that result from this scenario are:

- a. Component Districts utilizing the BOCES milk bid are our districts with some of the lowest enrollment numbers. The total enrollment from SED for our component districts is approximately 65,000 students, while enrollment of the component schools participating in the milk bid is approximately 12,600 students.
- b. Delivery to the component districts participating in the milk bid is a commitment as well, since some these district are rural school districts.

See
Note 1
Page 16

2. Audit Results, Page 4

"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. Capital Region BOCES not only advertises all Requests for Bids (RFBs) in the Daily Gazette, our official newspaper, but also posts all RFBs on our bid distribution website, the Empire State Purchasing Group. Both bid cycles, which OSC audited, included posting of the RFB on the Empire State Purchasing Group website.
- b. The BOCES Purchasing Department does maintain a list of milk vendors and does direct email notification to those vendors, once an RFB is released, to increase competition.

3. Audit Results, Page 5

“A districts’ commitment to use the bid service and award at the start of the process is a feature that could increase vendor interest. However, a requirement for vendors to bid on individual districts instead of a collective group of districts limits large scale cooperative purchasing and could result in higher milk prices.”

An RFB structure including separate bid prices for individual districts has been utilized due to the fact that most of our districts who participate in the Milk and Dairy product bid are small and geographically dispersed, and our local pool of bidders traditionally serves limited geographic areas.

See
Note 2
Page 16

4. Audit Results, Page 5

“Additionally, equipment requirements were included as part of the bid, which could reduce responses from interested vendors.”

The equipment requirement refers to milk coolers which the awarded bidder for a district must supply and maintain, at no additional cost to the district, through the course of the bid term. The equipment requirements are incorporated into the RFB as per the districts’ specific requests. Not all districts require bidder-supplied coolers. Removing the equipment from future bids is an option for consideration, but would shift the cost of purchase, installation and maintenance of the equipment to the individual districts, who may or may not have the available funds.

Incidentally, obtaining individual bid prices per district prevents districts who do not require equipment from bearing the cost of equipment for other districts who do, as would be the case in a large scale cooperative bid structure. Keeping equipment requirements in the bid, while implementing a large scale cooperative bid structure, could potentially offset savings realized by economies of scale.

See
Note 3
Page 16

5. Audit Results, Page 7

“When compared, the cooperatively bid OGS contract had the lowest price per unit for fat free chocolate milk...”

We recognize that, ultimately, BOCES’ participating districts may be best served by the OGS contract. However it must be noted that:

- a. The OGS contract is a filed requirements contract, obliging participants to submit quantity requirements to OGS before the contract is let. The last requirement filing opportunity closed Feb. 18, 2015. As of March 27, 2018 OGS indicated that the current Award 22773 will be extended to September 20, 2020, and consequently, the next milk requirements filling will not occur for some time.
- b. Addition of districts to the contract, once the award is made, is solely at the Contractor’s discretion. In June and July 2017, we were informed that three of our component districts, South Colonie, Sharon Springs, and Cobleskill-Richmondville, requested, but were denied entry, to the contract by Byrne Dairy, the awarded Contractor for their respective regions.

6. Recommendation, Page 9

“BOCES Officials should consider other bidding methods, such as a cooperative purchase, to maximize buying volume when procuring milk and help ensure the districts use the most cost effective purchasing option.”

As stated, BOCES concurs with OSC’s recommendation and the Purchasing Department is currently working on a revised RFB incorporating geographic zones with collective quantities. It should be noted that there is risk involved with this approach as there are a limited number of dairy vendors who serve our area. Some of the challenges we have encountered in recent years with the local vendor pool were:

- a. Obtaining bids for the small volume, geographically removed districts to the west;
- b. A bidder’s ability to serve the number of districts involved, cover all geographic areas, and sustain the total volume of business contemplated by a large award;
- c. Issues with product quality and delivery;
- d. A bidder’s exceptions taken to our bid specifications in regard to product offerings, delivery terms, and credit terms, causing the vendor’s bid to be rejected as non-responsive;
- e. Loss of a significant bidder in the 2017 bidding cycle (a vendor who in previous years had been awarded a substantial portion of the bid chose not to bid).

Therefore, our plan is to issue the restructured bid as soon as possible, providing ample time to re-bid in the event that we are not able to make an award from it.

We would like to thank the OSC staff for their help and support through this audit. We continue to welcome the opportunities to learn and grow to better support our component school districts.

Sincerely,

Anita Murphy
District Superintendent

AM/vs

APPENDIX C

OSC'S COMMENTS ON BOCES' RESPONSE

Note 1

Our audit report acknowledges that the BOCES bidding process fosters competition and generally resulted in multiple bids for school districts participating in its milk bid service. However, other bidding methods, such as a cooperative purchase, may have allowed bidders to offer lower prices to the districts.

Note 2

The basic principle behind cooperative purchasing is that items can often be purchased for substantially less if bought in quantity. While it might be harder for BOCES to bid cooperatively because the districts are so geographically dispersed, a BOCES can use the power of a cooperative to help districts get access to high quality goods and services at an affordable cost.

Note 3

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 D

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 the 2015-16 and 2016-17 school years (extending back to August 1, 2014 to review bid award for the 2014-15 school year) 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 the 2015-16 and 2016-17 school years.
- We compared invoice prices of half-pint chocolate fat free milk at four districts with comparable student population and location 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 2015-16.
- We judgmentally selected two school districts and visited the two supermarkets nearest to the selected school districts to determine whether the BOCES or the supermarket had a lower price on four judgmentally selected items, including fat free chocolate milk.
- 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. 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.