



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

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Jo Anne L. Antonacci, District Superintendent
Members of the Board of Education
Monroe 2-Orleans BOCES
3599 Big Ridge Road
Spencerport, New York 14559

Report Number: S9-17-35

Dear District Superintendent Antonacci 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 Monroe 2-Orleans BOCES in this audit. Within the scope of this audit, we examined school milk bidding practices for the period July 1, 2015 through September 9, 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 specific to Monroe 2-Orleans BOCES (BOCES). We discussed the findings with BOCES officials and considered their comments, which appear in Appendix B, in preparing this report. BOCES officials agreed with our report. At the completion of our audit of the four BOCES, we prepared a global report that summarizes all the opportunities we identified to improve each BOCES' milk bidding practices.

Summary of Findings

While the Monroe 2-Orleans BOCES (BOCES) received multiple bids in 2015-16 and even though only one bid was received in 2016-17, the BOCES designed and implemented an effective cooperative purchasing method that maximized buying volume to help ensure that the milk

procured in its milk bidding process was a cost effective option for the participating districts. BOCES cooperative bidding method requires vendors to submit bids for all participating districts and offer the same pricing to all. In addition, it allows other non-component districts to participate in the bid to increase quantities, and does not require a vendor to supply equipment, such as coolers. Further, districts provide direct input on their needs before the bid release and have an opportunity to view bid results after all bids are received.

To assess which bidding methods resulted in the best prices, we compared milk prices paid during two test months in 2016-17 by two component districts¹ of similar size and location to the New York State Office of General Services (OGS) cooperative bid. On average, the BOCES cooperative milk bid helped participating districts save \$0.01 per half-pint carton for fat free chocolate milk (the most popular milk item across all participating districts) when compared to the OGS cooperative bid and the district that solicited its own milk bid.

Our analysis demonstrates that the BOCES cooperative milk bid method, based on maximizing volume, 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.

Background and Methodology

The BOCES is an association of nine component school districts. Combined, these districts educate more than 32,000 students in Monroe and Orleans Counties.²

Figure 1: Component Districts
Brockport CSD
Churchville-Chili CSD
Gates Chili CSD
Greece CSD
Hilton CSD
Holley CSD
Kendall CSD
Spencerport CSD
Wheatland-Chili CSD

The BOCES is governed by a nine-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 responsible, along with other administrative staff, for the day-to-day management. The purchasing agent is responsible for managing the cooperative bidding service and supervising the assistant purchasing agent, who is tasked with organizing the school milk bid.

The BOCES' budgeted appropriations totaled \$95.6 million for 2016-17, funded primarily through charges to the districts for services, State and federal grants and aid. The BOCES delivers various

¹ Bid methods used by districts include participating in the BOCES cooperative bid, or conducting their own bid.

² See Figure 2 for enrollment figures for each district.

services to the districts, including cooperative bidding services for various items (including school milk) with an average annual fee of \$352 during our audit period.

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. For 2015-16 and 2016-17, seven component districts, one BOCES school, 10 component districts from the neighboring Monroe 1 BOCES, one Monroe 1 BOCES school and the Rochester City School District (Rochester City SD)⁵ used the bid results.

Figure 2: Milk Bid Sources			
District	2015-16 Student Enrollment	2015-16 Bid Source	2016-17 Bid Source
Brockport CSD	3,362	BOCES	BOCES
Churchville-Chili CSD	3,845	BOCES	BOCES
Gates Chili CSD	3,947	BOCES	BOCES
Greece CSD	10,855	District	District
Hilton CSD	4,333	BOCES	BOCES
Holley CSD	1,017	Food Service Vendor ^a	Food Service Vendor ^a
Kendall CSD	694	BOCES	BOCES
BOCES School	Not Applicable	BOCES	BOCES
Spencerport CSD	3,597	BOCES	BOCES
Wheatland-Chili CSD	655	BOCES	BOCES
Brighton CSD ^b	3,508	BOCES	BOCES
East Irondequoit CSD ^b	2,979	BOCES	BOCES
East Rochester UFSD ^b	949	BOCES	BOCES
Fairport CSD ^b	5,963	BOCES	BOCES
Honeoye Falls-Lima CSD ^b	2,219	BOCES	BOCES
Monroe 1 BOCES School ^b	Not Applicable	BOCES	BOCES
Penfield CSD ^b	4,453	BOCES	BOCES
Pittsford CSD ^b	5,678	BOCES	BOCES
Rush-Henrietta CSD ^b	5,347	BOCES	BOCES
Webster CSD ^b	8,354	BOCES	BOCES
West Irondequoit CSD ^b	3,559	BOCES	BOCES
Rochester City SD ^c	27,552	BOCES	BOCES
^a Vendors are contracted to operate all aspects of food service, including supplying milk, at selected districts.			
^b Component districts of Monroe 1 BOCES.			
^c The Rochester City SD is not a BOCES component district.			

To accomplish our audit objective, we interviewed BOCES officials and officials from the other districts. We reviewed relevant laws, invoices, bid documents and available prices through 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 this audit are included in Appendix C of this report. Unless otherwise indicated in this report,

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

⁴ New York State General Municipal Law (GML), Section 103

⁵ The Rochester City SD used the cooperative purchase after the request for bids for both school years were completed.

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 GML⁶ 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 for 2016-17⁷ where vendors submitted bids based on BOCES bid specifications requested for all participating districts as a whole, while offering the same prices to all districts. The following are key features of the BOCES cooperative bidding service:

- Districts paid specifically for cooperative milk bid services.
- Items included in the milk bid specifications were half-pint cartons and other dairy items.⁸
- All costs were included in milk items bid and no additional fees were allowed.

⁶ GML, Section 103

⁷ For 2015-16, vendors bid the same format as in 2016-17.

⁸ See Appendix A for details of items included in the 2016-17 bid.

- Estimated quantities and delivery requirements were listed for each district on the bid document.
- The contract period was one-year.
- A predetermined annual deadline was established for interested milk bidders, along with a non-collusion certification⁹ and statement that items will be furnished as proposed in the bid at the prices quoted.

Vendors bid on requested items for all participants in two item groups (i.e., requested milk items – category A and other dairy or juice items – category B). The grouped items were decided on by the BOCES and district food service directors. 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.

Several features of the bid service promoted lower pricing from interested vendors. These features included a cooperative bidding structure that increased quantities by offering its service to districts outside the BOCES' component districts, requiring vendors to submit a bid to include all districts and not requiring vendors to supply equipment. The bid service process also allowed districts to provide direct input on their needs before the bid release and about the bid results after all bids were received.

BOCES officials submitted requests for bids (RFBs) for 2015-16 and 2016-17 to supply products to 17 districts, one Monroe 1 BOCES school and one BOCES school. BOCES recommended the 2016-17 and the 2015-16 bids be awarded to the same vendor.

We reviewed the bids for the participants listed in the RFB to determine whether officials correctly recommended 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 during the two milk bids in our audit period.

Additionally, we determined the number of bids each district received during the two RFB periods. For the 2015-16 and 2016-17 awards, 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 \$0.20 for 2015-16 and \$0.20 for 2016-17.

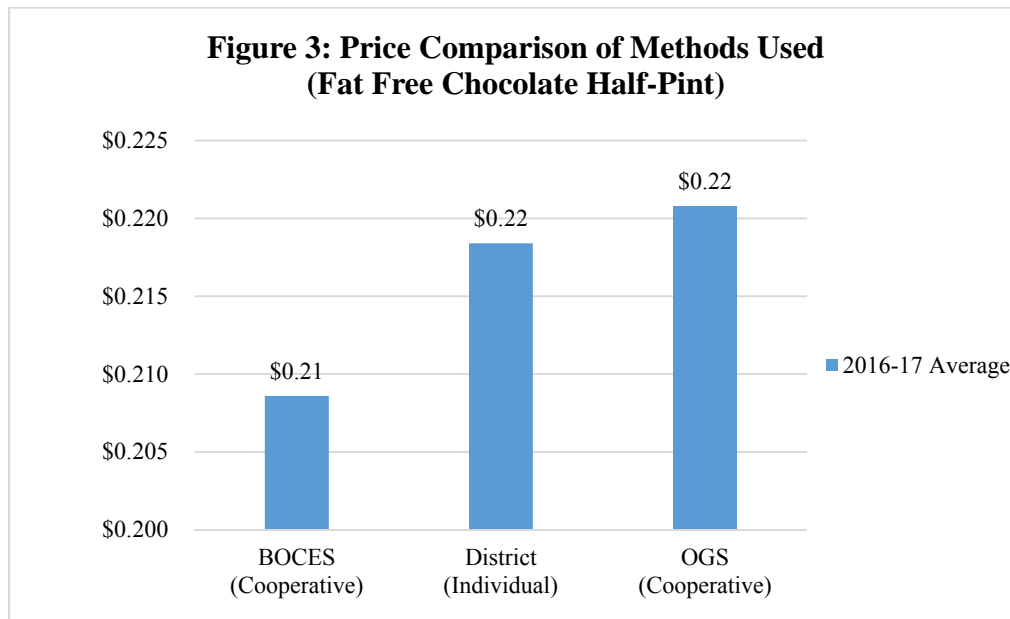
All districts and the BOCES schools received bids from at least one vendor for both bid years. The number of bids received decreased from two in 2015-16 to one in 2016-17. BOCES officials correctly recommended the milk bid to the lowest overall bidder for its participants each year.

We contacted officials from the two component 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. Officials from one district told us that they used a food service vendor both years. Officials from the other district conducted their own bid and told us they did not use the BOCES bidding service because their bid obtained lower prices.

⁹ A statement certifying that the vendor has complied with GML

To determine which bid methods (i.e., using the OGS contact, BOCES bid or conducting their own bid) resulted in the lowest prices, we compared prices obtained by two districts of similar size and location and prices from the OGS contract¹⁰ over two months during 2016-17. Included in our test was one district that used the BOCES bid, one district that conducted its own bid and claimed lower prices and OGS contract prices.

When compared, the cooperatively bid BOCES contract had the lowest price per unit for fat free chocolate milk, which was on average \$0.01 less per carton when compared to the district that bid on its own and \$0.01 less per carton than the OGS contract. On average, the districts that participated in the BOCES cooperative bid saved \$0.01 per half-pint carton for fat free chocolate milk as compared to state contract pricing or the district that solicited its milk bid.



To demonstrate the positive impact of BOCES cooperative purchasing, we analyzed the districts' data for 2016-17 and projected the fat free chocolate milk costs for that year, comparing the BOCES price (\$0.21 per carton) to the OGS price¹¹ (\$0.22 per carton) from October 2016 for the districts and BOCES' schools. Our analysis demonstrates that the BOCES cooperative milk bid method, based on maximizing volume, resulted in additional purchasing power for districts of approximately \$84,000, or \$0.01 for each fat free chocolate milk half-pint purchased that year, a 6 percent difference (Figure 4).

¹⁰ Although no districts currently participate in the OGS contract, OGS allows districts and BOCES to participate in its milk contract as a possible purchasing option.

¹¹ The OGS bidding method divides the State into 18 zones for bidding milk. OGS Region 17 covers the Monroe and Orleans County area.

Figure 4: Projected 2016-17 Cost						
Quantity Requested	Price Paid Per Carton	Annual District Cost Extended	OGS Price Per Carton	Annual OGS Cost Extended	Difference	Percentage Difference
6,657,000	\$0.2089	\$1,391,000	\$0.2215	\$1,475,000	\$84,000	6%

To further determine whether BOCES officials were acquiring milk at the lowest reasonable cost, we also compared the BOCES' price per unit of fat-free chocolate milk against 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 the BOCES received multiple bids in 2015-16 and even though only one bid was received in 2016-17, BOCES designed and implemented an effective cooperative purchasing method that maximized buying volume to help ensure the milk procured in its milk bidding process is a cost effective option for the participating districts.

We thank the officials and staff of the Monroe 2-Orleans BOCES for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

BID DETAILS

Figure 5: 2016-17 Combined Bid Items^a			
Classification	Unit Measure	Item Description	Quantity
Category A	½ Pint	Fat Free Chocolate Milk, 8 oz.	3,865,323
Category A	½ Pint	Fat Free Strawberry Milk, 8 oz.	183,588
Category A	½ Pint	Fat Free White Milk, 8 oz.	726,173
Category A	½ Pint	1% White Milk, 8 oz.	612,128
		Total Category A	5,387,212
Category B	Gallon	2% White Milk	481
Category B	Quart	Buttermilk	102
Category B	½ Pint	Milk, Lactose Free, 1% Unflavored	9,105
Category B	1 pint	Flavored Low-Fat Milk 1%, 16 oz.	12,248
Category B	½ Pint	2% Milk, 8 oz.	1,451
Category B	Container	Cottage Cheese, Low Fat, 5 lb.	1,021
Category B	Container	Yogurt, Vanilla, Low Fat, 5 lb.	4,334
Category B	Container	Yogurt, Flavored, Low Fat, 5 lb.	2,315
Category B	Container	Yogurt, Plain, Low Fat, 5 lb.	105
Category B	8 oz.	Yogurt, Assorted Flavors	14,475
Category B	8 oz.	Yogurt, Low Fat, Assorted Flavors	39,369
Category B	4 oz.	Yogurt, Assorted Flavors	19,148
Category B	4 oz.	Yogurt, Greek, Assorted Flavors	4,600
Category B	Container	Sour Cream, Low Fat, 1 lb.	290
Category B	Container	Sour Cream, Low Fat, 5 lb.	1,288
Category B	Case	Half and Half, PCS. Minimum 10.5% Milk Fat, ⅜ oz., 348/Case	196
Category B	Quart	Half and Half, PCS. Minimum 10.5% Milk Fat	325
Category B	½ Pint	Orange Drink, 8 oz.	278
Category B	½ Pint	Lemonade Drink, 8 oz.	2,013
Category B	4 oz.	Orange Juice, Foil, 100% Juice	308,325
Category B	1 pint	Orange Juice, Container, 100% Juice	694
Category B	4 oz.	Apple Juice, Foil, 100% Juice	449,490
Category B	4 oz.	Purple Grape Juice, Foil, 100% Juice	187,023
Category B	4 oz.	Cranberry Juice, Carton or Foil, 100% Juice	12,431
Category B	4 oz.	Fruit Blend Juice, Carton or Foil, 100% Juice	44,867
		Total Category B	1,115,974
		Grand Total	6,503,186

^a To illustrate the combined quantities and items from the 2016-17 bid for 17 districts that submitted requested quantities (Brighton CSD, Brockport CSD, Churchville-Chili CSD, East Irondequoit CSD, East Rochester UFSD, Fairport CSD, Gates Chili CSD, Hilton CSD, Honeoye Falls-Lima CSD, Kendall CSD, Penfield CSD, Pittsford CSD, Rush-Henrietta CSD, Spencerport CSD, Webster CSD, West Irondequoit CSD, Wheatland-Chili CSD), one BOCES school and one Monroe 1 BOCES school.

APPENDIX B

RESPONSE FROM BOCES OFFICIALS

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



**Finance
Office**

Steve Roland
Director of Finance
Tel: (585) 352-2412
Fax: (585) 352-2756

Email:
sroland@monroe2boces.org

May 23, 2018

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

Dear Ms. Singer:

The Monroe 2-Orleans BOCES is in receipt of the draft audit report dated April 27, 2018 which examined school milk bidding practices for the period of July 1, 2015 through September 9, 2017. The audit's objective was to determine whether BOCES milk bidding practices foster competition.

We have thoroughly reviewed the draft report. Based on this review and the exit phone conference with Comptroller staff on May 3, 2018, we are pleased with the results. We appreciate that the report formally recognized the additional purchasing power our milk bids provided the participating districts and agree with the results contained in the report.

As there were no recommendations made in the report, we would like for this audit response to also serve to meet our Corrective Action Plan requirement.

We sincerely thank your team for its efforts and the professional manner in which they conducted this audit.

Respectfully submitted,

Jo Anne L. Antonacci
District Superintendent

Dennis Laba
President, BOCES Board

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- 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 lowest overall bidder.
- We surveyed officials in 19 Monroe 1 and Monroe 2-Orleans BOCES component school districts, and the Rochester City School District to document their milk bidding process for the 2015-16 and 2016-17 school years. We also compared invoice prices paid by the same districts to determine which bid method (BOCES or school district) resulted in the lowest price.
- We compared invoice prices of half-pint chocolate fat free milk at two districts with comparable student population and location to determine which bid method (BOCES or school district) resulted in the lowest price.
- We judgmentally selected October 2016 and obtained the OGS contract prices for that month. We compared the OGS price for half-pint chocolate fat free milk with the invoice prices paid by districts, Monroe 1 school and a BOCES school. 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 the selected districts to determine whether the BOCES or the supermarket had a lower price on four judgmentally selected items.
- We reviewed methods used by BOCES officials to encourage bids and determined whether all vendors capable of participating in the cooperative 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.