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July 2018

J. Francis Manning, Ed. D., District Superintendent
Members of the Board of Education
Onondaga-Cortland-Madison BOCES
110 Elwood Davis Road
Liverpool, New York 13088

Report Number: S9-17-36

Dear District Superintendent Manning 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 Onondaga-Cortland-Madison BOCES in this audit. Within the scope of this audit, we examined school milk bidding practices for the period July 1, 2015 through October 23, 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 Onondaga-Cortland-Madison 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 disagreed with our recommendation, but indicated they plan 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 Onondaga-Cortland-Madison BOCES (BOCES) officials generally received multiple bids for participating school districts (districts) in its milk bid service, if they considered other bidding methods for procuring milk to increase volume, their bid service may be more cost

effective for participating districts. BOCES solicited bids based on grouping the districts into three geographic zones during the audit period instead of combining their needs into a larger 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 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 two districts to the NYS Office of General Services (OGS) cooperative bid, the BOCES bid and prices obtained by an individual district by soliciting its own bid. On average, districts that participated in the BOCES bid paid \$0.03 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 \$0.01 more than the district that solicited its own bid.

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 of two geographical zones. Our estimates demonstrate that if BOCES officials had used a similar cooperative bid format, its component districts could have saved approximately \$148,000 (11 percent) or \$0.03 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 and the Syracuse City School District (Syracuse City SD). Combined, these component districts educate more than 54,000 students in Cortland, Madison and Onondaga counties.¹

Figure 1: Component Districts	
Baldwinsville CSD	Liverpool CSD
Cazenovia CSD	Lyncourt UFSD
Chittenango CSD	Marathon CSD
Cincinnatus CSD	Marcellus CSD
Cortland Enlarged City SD	McGraw CSD
DeRuyter CSD	North Syracuse CSD
East Syracuse Minoa CSD	Onondaga Central CSD
Fabius-Pompey CSD	Solvay UFSD
Fayetteville-Manlius CSD	Tully CSD
Homer CSD	West Genesee CSD
Jamesville-DeWitt CSD	Westhill CSD
LaFayette CSD	

The BOCES is governed by an 11-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 Manager of Central Services is responsible for managing the cooperative bidding service and supervising the assistant school purchasing officer who is responsible for organizing the milk bid.

The BOCES' budgeted appropriations totaled \$136.9 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)

¹ See Figure 2 for enrollment figures for each district.

with an average annual fee of \$3,350 during our audit period. However, not all districts that participated in the cooperative bid service, choose to participate in the school milk bid.

Districts must offer students milk 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 or participate in the OGS contract or other local government contract. For 2015-16 and 2016-17, 21 BOCES component districts, five non-component districts and one BOCES school from a neighboring BOCES used the bid results.

Figure 2: Milk Bid Sources			
District	2015-16 Enrollment	2015-16 Bid Source	2016-17 Bid Source
Baldwinsville CSD	5,544	BOCES	BOCES
Cazenovia CSD	1,469	Food Service Vendor ^a	Food Service Vendor ^a
Chittenango CSD	1,923	BOCES	BOCES
Cincinnatus CSD	563	BOCES	BOCES
Cortland Enlarged City SD	2,436	BOCES	BOCES
DeRuyter CSD	389	BOCES	BOCES
East Syracuse Minoa CSD	3,222	Food Service Vendor ^a	Food Service Vendor ^a
Fabius-Pompey CSD	666	BOCES	BOCES
Fayetteville-Manlius CSD	4,175	BOCES	BOCES
Homer CSD	1,987	BOCES	BOCES
Jamesville-DeWitt CSD	2,936	BOCES	BOCES
LaFayette CSD	850	BOCES	BOCES
Liverpool CSD	7,178	BOCES	BOCES
Lyncourt UFSD	340	BOCES	BOCES
Marathon CSD	704	BOCES	BOCES
Marcellus CSD	1,670	BOCES	BOCES
McGraw CSD	514	BOCES	BOCES
North Syracuse CSD	8,717	BOCES	BOCES
Onondaga Central CSD	812	BOCES	BOCES
Solvay UFSD	1,415	BOCES	BOCES
Syracuse City SD ^b	19,951	Onondaga County	Onondaga County
Tully CSD	859	BOCES	BOCES
West Genesee CSD	4,651	BOCES	BOCES
Westhill CSD	1,756	BOCES	BOCES
Cayuga Onondaga BOCES ^c	Not Applicable	BOCES	BOCES
Moravia CSD ^c	923	BOCES	BOCES
Port Byron CSD ^c	910	BOCES	BOCES
Skaneateles CSD ^c	1,394	BOCES	BOCES
Southern Cayuga CSD ^c	619	BOCES	BOCES
Union Springs CSD ^c	802	BOCES	BOCES
^a Vendors are contracted to operate all aspects of food service, including supplying milk, at selected districts.			
^b The Syracuse City SD is not a BOCES component district.			
^c Cayuga-Onondaga BOCES component districts that participated in the BOCES bid for 2015-16 and 2016-17.			

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.

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

³ New York State General Municipal Law, Section 103

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 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.

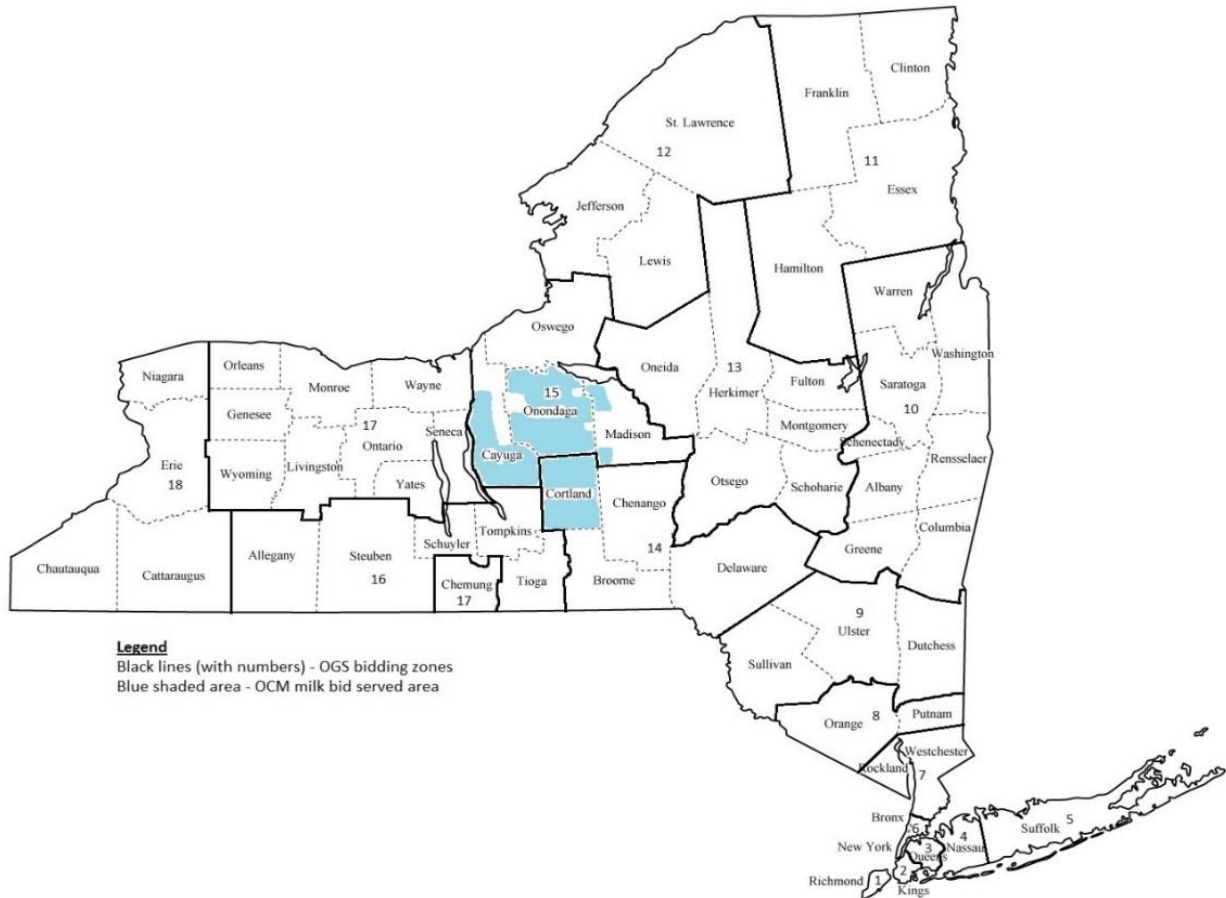
When soliciting bids, an advertisement is placed in the official newspaper. Solicitations could be supplemented by advertising in other local papers, posting to websites or maintaining a comprehensive list of prospective bidders. Participation by districts, through input and feedback on goods and services,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

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

In 2015-16 and 2016-17, vendors selected and submitted bids based on BOCES bid specifications requested for three geographic zones (Zone 1 – LaFayette and North, Zone 2 – South of LaFayette and Zone 3 – Cayuga-Onondaga BOCES districts) and offered the same pricing to all districts grouped in the same zone (Figure 3).

⁴ Ibid.

Figure 3: Bidding Geographic Zones



The following are key features of the BOCES bidding service:

- All districts who want to participate are listed on the milk bid.⁵
- Districts are not under any obligation to use bid award throughout the bidding process.
- Items included in the milk bid specifications were half-pint milk cartons and other dairy items.⁶
- All costs are included in items bid and no additional fees allowed.
- Estimated quantities, equipment requests and detailed delivery requirements were listed for each district by school location on the bid document.
- The contract period was one-year with the option for four one-year extensions.

⁵ A vendor awarded the bid can allow only BOCES component and Cayuga-Onondaga BOCES districts to use the final contract results.

⁶ See Appendix A for details of items included in the 2016-17 bid.

- A predetermined annual deadline was established for interested milk bidders to submit their bids, along with a non-collusion certification⁷ and statement that items will be furnished as proposed in the bid at the prices quoted.
- Food service directors from participating districts meet with BOCES purchasing personnel before the bid's public release to discuss milk product needs and before the bid is awarded to review the bids.

The BOCES allows non-component districts to participate in its milk bid and provide direct input of their needs. However, several features of the bid service could reduce the responses from interested suppliers and result in higher milk prices. For example, restricting bid awards to the BOCES' component districts and Cayuga-Onondaga BOCES and using multiple geographic zones limit the potential of large scale purchasing. 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 2015-16 and 2016-17 to supply milk products to the participating districts (24 in 2015-16 and 25 in 2016-17) and one BOCES school based on the three geographic zones. The Board awarded the 2016-17 bids to three vendors and the 2015-16 bids to two vendors.

We reviewed the bids for the participants to determine whether officials correctly awarded the bids 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 for the two milk bids awarded during 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 on the zones, the price per half-pint carton of fat free chocolate milk ranged from \$0.22 to \$0.27 with an average of \$0.25 for 2015-16 and ranged from \$0.20 to \$0.21 with an average of \$0.21 for 2016-17.

Figure 4: Bidding Results for 2015-16 and 2016-17						
Zone	Number of Districts	2015-16 Student Enrollment	2015-16 ^c		2016-17 ^d	
			Bids Received	Bid Awarded for Fat Free Chocolate Milk (Half-pint)	Bids Received	Bid Awarded for Fat Free Chocolate Milk (Half-pint)
1	13 ^a	41,967	1	\$0.25	1	\$0.21
2	8	8,118	2	\$0.22	2	\$0.21
3	4 ^{a,b}	2,452	1	\$0.27	3	\$0.20
Totals		52,537	4		6	
^a One district in each of two zones used bid results but were not included in bid (Zone 1 – one district with 1,394 students in 2015-16 and Zone 3 – one district with 802 students in both years).						
^b Cayuga-Onondaga BOCES school included in total.						
^c The results of RFB 2016-07 was used in 2015-16.						
^d The results of RFB 217-05 was used in 2016-17.						

⁷ Statement that they have complied with GML

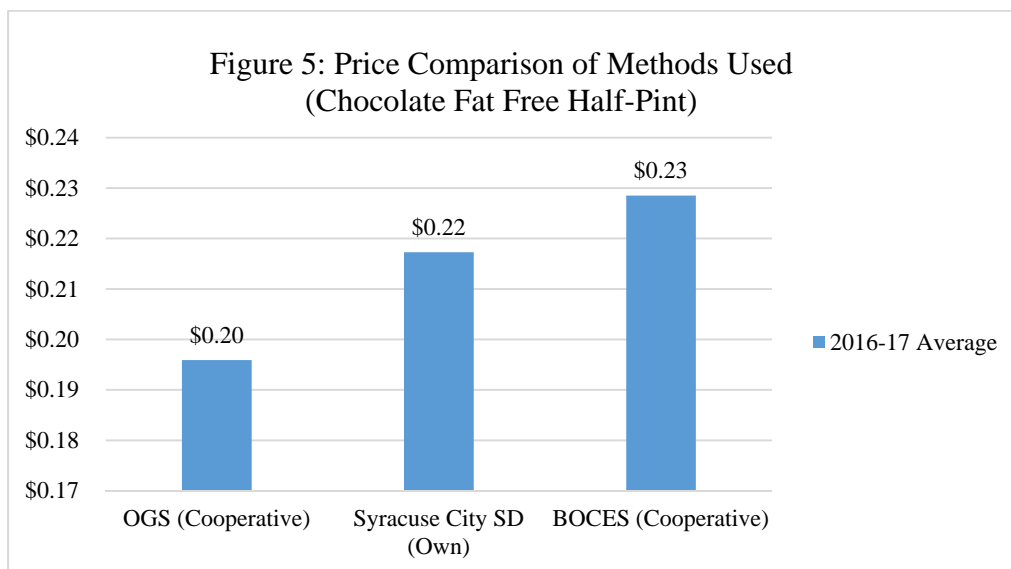
For the milk awards that were bid during our audit period, BOCES officials correctly awarded the milk contract to the lowest overall bidder who bid on the majority of items in each zone. The 2016-17 bid showed two additional vendors participated in Zone 3 than in 2015-16, which may have contributed to the lower prices received that year due to more competition. In addition, district food service directors reviewed and provided feedback regarding a sole vendor’s price bid on half-pint cartons of fat free chocolate milk. As a result, BOCES officials told us that they successfully persuaded this vendor to lower its price on this item for districts in Zone 1.

All the districts and the BOCES school participating in the bids received bids from at least one vendor for both years. While the total number of bids received increased from 4 in 2015-16 to 6 in 2016-17, the overall number of bids received by each district remained the same (except for Zone 3, which increased from receiving one bid in 2015-16 to three bids in 2016-17).

We contacted the two BOCES 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. Both districts used a food service vendor for both years, who included purchases of milk for the districts. In addition, we contacted the Syracuse City SD, and officials told us that Onondaga County (County) prepares the district’s bid.

To determine which bid methods (i.e., using the OGS contract, BOCES bid or a County bid) resulted in the lowest prices, we compared prices obtained by two districts with similar locations and prices from the OGS contract⁸ over two months during 2016-17. Included in our test were OGS contract prices, a district that used the BOCES bid and the Syracuse City SD.

When compared, the cooperatively bid OGS contract had the lowest price per unit for fat free chocolate milk, which was on average \$0.03 less per carton when compared with the district that used the BOCES bid. On average, the district that participated in the BOCES bid paid \$0.01 more per half-pint carton for fat free chocolate milk as compared to the district that solicited its own through the County (Syracuse City SD).



⁸ Although no districts currently participate in the OGS contract, OGS allows school districts and BOCES to participate in its milk contract as a possible purchasing option.

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 not used as many zones in its cooperative bidding method⁹ (similar to the OGS bidding method)¹⁰ and allowed unrestricted use of the bid results by other districts.

We assumed that vendors would bid on school milk items and service all districts and the BOCES and that districts would be required to use the bid award. 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 \$148,000 or \$0.03 for each fat free chocolate milk half-pint purchased that year, an 11 percent total cost savings.

Figure 6: Projected 2016-17 Costs

Zone	Districts Grouped By Zone	Annual District Cost Extended	Annual District Cost Extended (OGS Price)^a	Difference	Percentage Difference
1	Baldwinsville CSD, Chittenango CSD, Fayetteville-Manlius CSD, Jamesville-DeWitt CSD, LaFayette CSD, Liverpool CSD, Lyncourt UFSD, Marcellus CSD, North Syracuse CSD, Skaneateles CSD, Solvay UFSD, West Genesee CSD, Westhill CSD and Syracuse City SD	\$1,071,000	\$939,000	\$132,000	12%
2	Cincinnati CSD, Cortland Enlarged SD, DeRuyter CSD, Fabius-Pompey CSD, Homer CSD, Marathon CSD, McGraw CSD and Tully CSD	\$170,000	\$160,000	\$10,000	6%
3	Moravia CSD, Port Byron CSD, Southern Cayuga CSD and Union Springs CSD	\$64,000	\$58,000	\$6,000	9%
Totals		\$1,305,000	\$1,157,000	\$148,000	11%

^a We calculated the OGS price for Zone 2 of \$0.2160 per carton (we estimated the price by using the price for 1 percent half-pint chocolate milk and deducting the average difference from other counties for fat free and 1 percent chocolate milk). For Zones 1 and 3, the cost was \$0.1962 per carton.

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, the BOCES per unit price was lower than the supermarket price.

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 14 covers the Cortland County area and OGS Region 15 covers the Onondaga-Cayuga-Madison County area.

While BOCES officials generally received multiple bids for districts participating in their milk bid service, if they considered other bidding methods for procuring milk to increase volume, their bid service may be more cost effective for participating districts.

Recommendation

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

1. Consider other bidding methods, such as a larger 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 Onondaga-Cortland-Madison BOCES for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

BID DETAILS

Figure 7: 2016-17 Combined Bid Items^a		
Unit Measure	Item Description	Quantity
½ Pint	Fat Free Chocolate Milk, 8 oz.	3,680,440
½ Pint	Fat Free Strawberry Milk, 8 oz.	142,603
½ Pint	Fat Free White Milk, 8 oz.	411,363
½ Pint	1% White Milk	597,403
1 Quart	Buttermilk	917
1 Gallon	Fat Free White Milk	285
½ Pint	Milk, Lactose Free, Fat Free	5,970
12 oz.	Fat Free White Milk	3,610
12 oz.	Fat Free Chocolate or Strawberry	53,125
½ Gallon	1% White Milk	665
12 oz.	2% White Milk	5,000
½ Pint	Whole White Milk	8,000
12 oz.	Chocolate Milk	11,500
1 Case	Creamers, 0.38 oz.	42
12 oz.	Milk, Cappuccino	11,500
12 oz.	Apple Cider	5,000
1 Container	Cottage Cheese, Low Fat, 5#, Small Curd	168
1 Container	Cottage Cheese, Low Fat, 10#, Small Curd	20
1 Container	Cottage Cheese, No Fat, Small Curd, 1#	130
4 oz. Carton	Juice, Apple, 100% Juice	829,625
4 oz. Carton	Juice, Grape, 100% Juice	64,250
4 oz. Carton	Juice, Orange, 100% Juice	812,060
4 oz. Carton	Juice, White Grape. 100% Juice	9,150
½ Pint	Juice, Apple, 100% Juice	500
½ Pint	Juice, Orange, 100% Juice	1,500
1 Container	Sour Cream, Low Fat, 5#	292
1 Case	Eggs, Large, Grade A, 15 Dozen/Case	186
1 Case	Yogurt, 6 oz. Cups - Vendor List Flavors	175
1 Case	Yogurt, Low Fat, 6 oz.	10,478
1 Case	Yogurt, Low Fat, Bulk 5#	758
1 Case	Yogurt, Probiotic, Vanilla, 2#	265
1 Case	Yogurt, Low Fat, 4 oz.	329
32 oz.	Yogurt, Low Fat, Vanilla	200
1 Container	Cheese, Ricotta, 10#	15
Total		6,667,524
<p>^a To illustrate the combined quantities and items from the 2016-17 bid for 25 districts that submitted requested quantities (Baldwinsville CSD, Chittenango CSD, Cincinnatus CSD, Cortland Enlarged City SD, DeRuyter CSD, Fabius-Pompey CSD, Fayetteville-Manlius CSD, Homer CSD, Jamesville-Dewitt CSD, LaFayette CSD, Liverpool CSD, Lyncourt UFSD, Marcellus CSD, Marathon CSD, McGraw CSD, Moravia CSD, North Syracuse CSD, Onondaga Central CSD, Port Byron CSD, Skaneateles CSD, Solvay UFSD, Southern Cayuga CSD, Tully CSD, West Genesee CSD, Westhill CSD) and one BOCES school (Cayuga-Onondaga BOCES).</p>		

APPENDIX B

RESPONSE FROM BOCES OFFICIALS

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

J. Francis Manning, Ed.D.
District Superintendent
OCM BOCES
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(315) 431-8555
jmanning@ocmboces.org

June 11, 2018

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

Dear Ms. Singer,

Onondaga-Cortland-Madison (OCM) BOCES is in receipt of the Office of the State Comptroller's (OSC) draft report (Report Number: S9-17-36) relating to the audit of milk bidding practices for four New York State BOCES for the period July 1, 2015 through October 23, 2017 of which OCM BOCES was included in the scope of the audit.

The BOCES appreciates the work and professionalism of your audit team throughout the review of milk bidding practices provided through the OCM BOCES Purchasing Department. OCM BOCES strives to ensure that public funds are expended in a fiscally responsible and cost effective manner while providing services of the highest quality to the school districts and BOCES we serve.

OCM BOCES is pleased that the scope of work of the auditors from your office resulted in no findings of operational improprieties, fraud, waste, or abuse and that our cooperative milk bid was administered in accordance with General Municipal Laws around procurement.

We wish to point out several areas of concern with the proposed audit response.

Geographic Zones and Economies of Scale

Noted in the summary of findings section of your draft report on page 2 and page 9, the findings suggest that OCM BOCES should consider other bidding methods. Specifically, the report suggests that OCM BOCES group all participants into one large geographic zone similar to the NYS OGS bid, which groups multiple counties into a regional award, in order to increase product volumes and seek economies of scale. Please note that the creation of three geographic zones was a result of OCM BOCES previously utilizing this singular zone concept and award strategy; however, upon review, participating school districts expressed this large-scale approach caused several negative effects. The most significant effects identified were:

See
Note 1
Page 14

1. Such a large geographic zone undermined competition as only a few vendors (perhaps only a single vendor) had the size and capability to service such a large area. Participating 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. This approach did not foster competition and created the potential for a monopoly; not the intent of the State's objective in the bidding requirements contained in the General Municipal Law.
2. For those school districts in more rural areas in which milk production and dairies are a staple of the local economy, a singular large geographic zone threatened the loss of jobs locally and created a negative community environment due to the loss of business in the local economy. There was a significant concern amongst our participating school districts of the financial ripple effects this could have in the local economies.

See
Note 1
Page 14

Ms. Ann Singer
June 11, 2018
Page 2

For these and other reasons, OCM BOCES utilized the geographical zones bidding structure. By creating regions at the advisement of our participating school districts, OCM BOCES believed it fostered further competition and participation in the bidding process.

Pricing Comparison to OGS Bid/Syracuse City School District Bid

The audit compared pricing to OGS contract prices and the Syracuse City School District (the “SCSD”) contract prices. We believe that using these two bids for comparison is not a fair and equitable basis for comparison.

See Note 2 Page 14

To our knowledge, participants using the New York State OGS bid award for milk products tend to be larger institutions with massive delivery needs in fewer delivery locations. These institutions have fewer delivery stops and require less deliveries per week. These needs vary drastically from the needs of the school districts that participate in the OCM BOCES bid. School districts have complex delivery needs and require frequent smaller deliveries to multiple elementary, middle and high school delivery locations. It is our understanding that vendors responding to the OGS bid price their response accordingly, understanding the participant demographic is not the same as a participating OCM BOCES school district.

OCM BOCES believes the circumstances involved with the SCSD method of procurement are similar to those of the OGS bid in that the needs and factors of the SCSD are unique as they pertain to quantities needed, delivery logistics and frequency of delivery. Again, it’s our understanding that vendors responding to the County’s bid price their response accordingly, understanding the SCSD demographic is not the same as a participating OCM BOCES bid school district.

Development of a corrective action plan is under way and will share and discuss your suggestions with our participating school districts to determine which bid award methods will best meet their needs going forward.

Thank you for your review of our cooperative milk bidding process and suggested recommendations for improvement.

Sincerely,

J. Francis Manning, Ed.D.
District Superintendent

APPENDIX C

OSC'S COMMENTS ON BOCES' RESPONSE

Note 1

BOCES helps school districts save money by providing opportunities to pool resources and share costs. A BOCES can use the power of a cooperative to help districts get access to high quality goods and services at affordable costs. The basic principal behind cooperative purchasing is that items can often be purchased for substantially less if bought in 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.

Note 2

Our report compared the bid methods that resulted in awards for milk procurement options (OGS contract, BOCES bid or district's own bid) in a similar location. While no districts currently participate in the OGS contract, OGS allows school districts and BOCES to participate in its milk contract as a possible purchasing option. In addition, the bid prepared for the Syracuse City School District is specific to that district and was identified as such (Figure 5).

APPENDIX D

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 overall lowest bidder.
- We surveyed officials in all BOCES component districts, five Cayuga-Onondaga BOCES component districts that participate in the BOCES milk RFB, and the Syracuse City SD 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 resulted in the lowest price.
- We compared invoice prices of half-pint fat free chocolate milk at two districts with comparable 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 fat free milk with the invoice prices paid by all districts, the Syracuse City SD and one BOCES school 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.
- 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 dairy items.
- 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.