



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer

COMPTROLLER



MANAGEMENT AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Department of Education's Awarding of Milk Distribution Contracts

PERCENTAGE OF MILK DISTRIBUTION AWARDED

SEPTEMBER 2008



77%

**BEYER
FARMS**



17%

**ELMHURST
DAIRY, INC.**



6%

**BARTLETT
DAIRY**

PERCENTAGE OF MILK DISTRIBUTION

FOUR WEEKS LATER - OCTOBER 2008



31%

**BEYER
FARMS**

0%

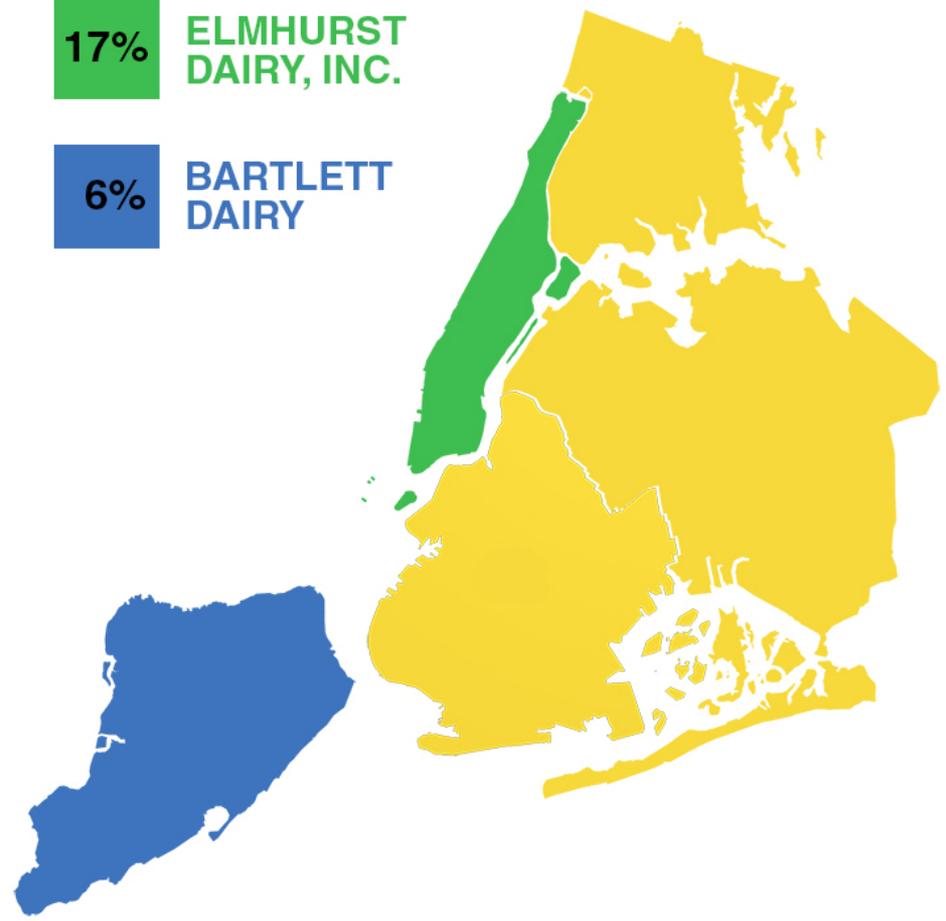
**ELMHURST
DAIRY, INC.**



69%

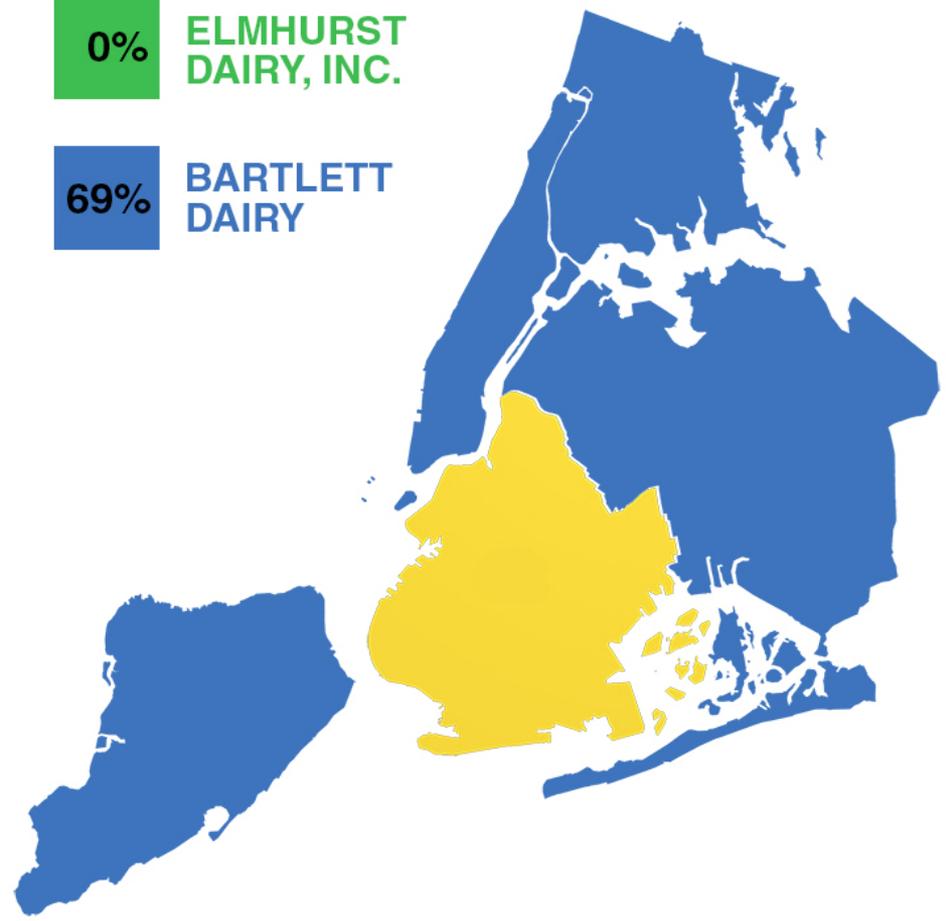
**BARTLETT
DAIRY**

- 77% BEYER FARMS
- 17% ELMHURST DAIRY, INC.
- 6% BARTLETT DAIRY



PERCENTAGE OF MILK DISTRIBUTION AWARDED
AUGUST / SEPTEMBER 2008

- 31% BEYER FARMS
- 0% ELMHURST DAIRY, INC.
- 69% BARTLETT DAIRY



PERCENTAGE OF MILK DISTRIBUTION
AFTER SUBCONTRACTING OCTOBER 2008

Before

After



77%

**BEYER
FARMS**

PERCENTAGE OF MILK DISTRIBUTION AWARDED

SEPTEMBER 2008



17%

**ELMHURST
DAIRY, INC.**



6%

**BARTLETT
DAIRY**

PERCENTAGE OF MILK DISTRIBUTION

FOUR WEEKS LATER - OCTOBER 2008



31%

**BEYER
FARMS**

0%

**ELMHURST
DAIRY, INC.**



69%

**BARTLETT
DAIRY**

Department of Education Ignored Red Flags



THREE BIDDERS REPORTED THAT THEY WOULD ALL USE ELMHURST AS THEIR MILK PROCESSOR



BIDDERS HAD VARIOUS FINANCIAL OBLIGATIONS TO EACH OTHER



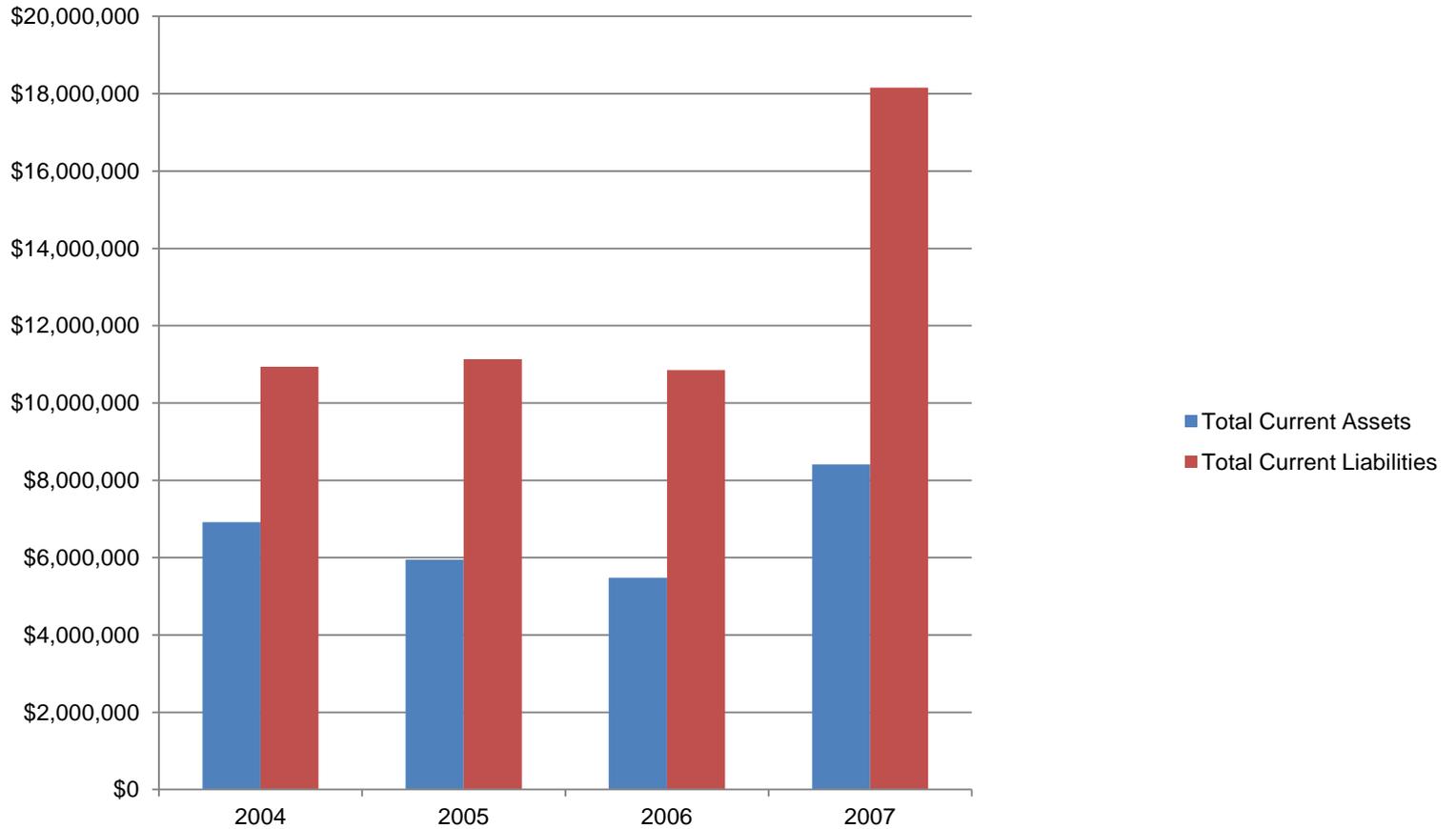
AN INDIVIDUAL WAS CONNECTED TO 2 BIDDERS AT THE TIME OF THEIR SUBMISSIONS TO THE CITY



TWO OF THE BIDDERS HAD PRIOR CONVICTIONS OF PRICE FIXING RELATED TO MILK CONTRACTS FROM THE 1980S

- Large ~~to~~ # of car notes (22)
- Notes secured by equipment.
- Truck leases
- Line of credit received by corporate assets
- Notes payable to other companies (Lunenburg, Tuscan etc.)
- Everything (the whole company + effort) appears to be on "margin". What measures have you (Bayer) taken to ensure survival should the credit lines/loans get called by the lender.

Comparison of Beyer's Total Current Assets to Total Current Liabilities for Calendar Years 2004–2007





Comptroller's Office Recommendations to the Department of Education

1. DOE should develop and implement adequate written procedures to detect the warning signs of possible collusion.
2. The Agency should put written procedures in place to identify and flag troubling bidders before it is too late.
3. DOE should develop and implement procedures to ensure that a comprehensive analysis of the financial capacity of low bidders is conducted prior to any contract award.



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