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Auditor Recommends Bringing DCPS Food Services Back In House

Washington, D.C. – In a report on the privatization of school food services, the D.C. Auditor has called for the District of Columbia Public Schools to bring the school lunch and other feeding programs back “in house” in order to broaden participation and reduce local taxpayer expenditures.

“Our review makes clear that the savings promised when we privatized food services have not occurred across several management companies, nor have we seen the level of participation that we would like to see,” said D.C. Auditor Kathy Patterson on releasing the report, *Contracting Out School Food Services Failed to Control Costs as Promised*. “Bringing this critical service back under the control of individuals who are directly accountable to the Mayor and the Council offers the hope of better participation by students, and a reduction in District outlays.”

The report highlights the experiences of several other major school systems including two --Philadelphia and Detroit -- which contracted out food services, then brought the program back in house, with better participation and reduced costs. In the school year that ended in June, DCPS paid its food service vendors between \$4.16 and \$4.24 for each school lunch served, received federal reimbursement for most meals at \$3.15, and paid the difference from District funds, close to \$9 million in FY2015. “DCPS’s cost per meal served is notably higher than any of the other school systems profiled, all of which are self-operating and, therefore, do not pay a markup or profit to food service management companies,” the report notes.

The report faults DCPS for negotiating new contracts that call for a fixed unit price per meal, which means that any expansion in meals provided to students, or any savings effected by improved management, will simply mean greater profits for the management companies. The Auditor recommends renegotiating the arrangement in subsequent contract option years, and transitioning to a self-operated system over time.

The District chose to contract for all DCPS food services in 2008 with a promise of at least a 5% overall savings in District expenditures, an amount required by law when privatizing a government service. The initial contracts were cost-reimbursable contracts and it had been envisioned that increased participation would improve the District’s financial posture through economies of scale. DCPS was unable to secure savings, however, and moved to a fixed-unit-price contract in 2012.

In its written response to the report DCPS cited steps that will be taken to improve the program and control costs. With regard to the recommendation to bring the program back in-house, the letter from Interim Chief Operating Officer Carla D. Watson notes “there are many immediate risks that inform our decision to not move forward with such an initiative at this time.”

Read the complete report [here](#). For more information on the Office of the District of Columbia Auditor, visit dcauditor.org or call 202-727-3600.