

Digest of A Review of the Use of Vending Machines in Public Schools

We estimate that Utah's secondary schools earned about \$3.25 to \$3.75 million in vending revenues in fiscal year 2005. Total revenues and revenue per-student varied widely among schools. We believe that vending operations in schools can be improved, particularly procedures for contracting with vendors and financial controls.

Vending Revenues Vary Widely, Are Generally Used for Students

The statewide revenues were estimated for middle, junior, and senior high schools with student-accessible vending machines. Wasatch Front schools get significantly more vending revenue per student than schools off the Wasatch Front, and middle/junior high schools earn less revenue than do senior high schools. These revenues are generally used at principals' discretion to benefit students, but little policy exists to provide guidelines on how vending revenues may be spent.

Some Expenditures Do Not Directly Benefit Students. Because vending revenues are discretionary funds, schools use them in a variety of ways. We observed that some expenses are not clearly student-related, though many principals told us vending revenues are primarily used to benefit students. If school districts intend that vending revenues be used for student benefit, then districts should develop guidelines for the use of these funds.

Some Contracting Practices Fall Short of Best Practices

While many schools have formal, written contracts in place with beverage and snack vendors, 33 schools (46 percent) in our sample use vendors' proposals or an oral agreement in place of at least one vendor contract. In a related area, we found that schools do not always solicit competitive bids from vendors prior to entering into an agreement.

Vending Programs May Be Run by an Outside Vendor or a School. Most frequently, schools with vending machines enter into full-service contracts where vendors own, stock, and service the machines. Payment takes the form of commissions on sales, lump-sum payments, and non-monetary considerations (e.g., free product). Some schools do all or part of the work themselves, avoiding the need to share revenue with a vendor.

**Financial Controls
Over Vending
Funds Can
Improve**

**Changes Coming
for School Vending**

Some Practices Do Not Meet Accepted Contracting Standards. For at least one of their agreements, 33 of 64 schools with outside vendors have oral agreements or rely on vendor proposals instead of using written, signed contracts. Schools should formalize these agreements in writing.

Competitive Bidding Is Not Always Used. Some schools did not use competitive bidding when setting up vendor agreements. Failure to solicit multiple bids may not provide the most beneficial arrangement for a school. Seeking bids also gives businesses an opportunity to compete for a state contract, thereby meeting the intent of public procurement policy.

School districts can increase the guidance provided to schools on how to account for and spend vending revenues. Just 21 percent of school districts have issued policies on how vending funds should be recorded or spent, while 34 percent reported involvement in the contracting process. About 34 percent of districts regularly obtain financial reports on school vending. Schools use a variety of accounting procedures, and some records we reviewed did not show how the revenues were spent.

During our review, beverage companies, including Pepsi-Cola and Coca-Cola, agreed to new guidelines for school vending. The beverage companies have stated their intent to assist in limiting beverage portion sizes and providing only calorie-capped drinks in schools, including water, juice, and sports drinks. Recent federal legislation requires schools to develop and implement wellness policies. Utah's schools have been finalizing these policies for the 2006-07 school year, and some schools have nutritional requirements for their vending machines.

1. We recommend that school districts provide their schools with written guidelines on how vending monies can be spent.
2. We recommend that schools put written contracts in place, ensuring that terms and conditions are adequately detailed therein.
3. We recommend that, when possible, schools obtain multiple bids to ensure getting the best available contract terms.
4. We recommend that school districts require schools to maintain clear, detailed accounting records for their discretionary funds and provide periodic reports to the districts as they do for appropriated funds.