

PURCHASING AND PROCUREMENT OVERVIEW

AASBO Certificate Program
September, 2020
Karen C. O'Bannon, CSFO
Madison County Schools
kobannon@mcssk12.org



Understanding Governmental Procurement

Government procurement, or public procurement, is the procurement of goods and services on behalf of a public authority, such as K-12 Public Education. As you can imagine, government procurement accounts for a substantial part of the global economy.

To prevent fraud, waste, or local corruption, the laws of most countries and states regulate government procurement to some extent. You will hear from others from the State Department of Education and the State Examiners regarding the laws and regulations for the State of Alabama, as well as Federal Procurement Laws.

Governmental Procurement

Federal and state law, court decisions, and local school board policy regulate the school purchasing process. Competitive bidding legislation adds to the purchasing agent's routine responsibilities, but it is a judicious protective safeguard.

These bidding restrictions need not limit the purchasing official; rather, board of education policies and routine can be structured to allow flexibility and professional judgment in procurement, while at the same time observing statutes that protect the public interests. It cannot be too strongly stated that a school district must perform the purchasing function in the manner the law prescribes; **there is no alternative.**

Governmental Procurement

Purchasing must be an integrated function since every phase of the operations of the school involves the use of supplies, equipment, and services. The relationship of the purchasing agent to all other school administrators must be clearly delineated and understood. Ethical conduct in managing the district's purchasing is an absolute essential. Each school district should adopt and strictly enforce a policies and procedures manual that governs practices in school purchasing/procurement.

The board of education should designate the person to whom the function of purchasing is delegated.

Regulation of Procurement for School Districts



Legal/Policy

Federal Procurements Requirements

U.S. Office of Management and Budget (OMB)



State Laws

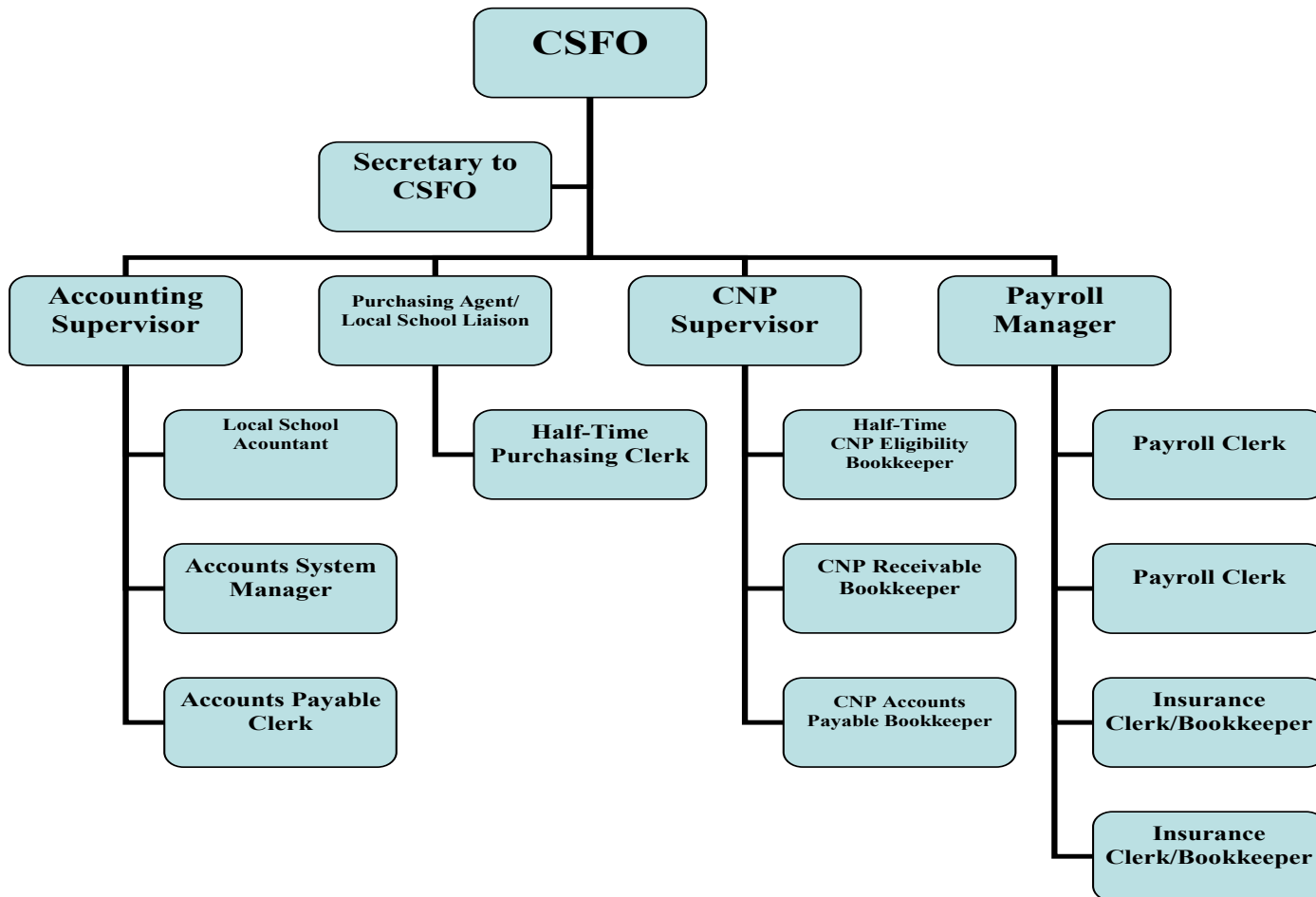
Competitive Bid Law
Public Works Law



Local/District Requirements

Policies and Procedures Manual

Madison County Board of Education Business Office



Roles and Responsibilities of Purchasing Agent

- Standardization of Purchasing Process
 - Purchasing Manual
 - Requisition Process
 - Competitive Bid Process
 - System Goals



How Does Procurement Work in Your District?

- Last Minute Decision Making
- Reactionary Management
- Constant Fire Fighting
- Lack of Communication
- Lack of Direction
- **Lack of Planning**



How Does Procurement Work in Your District

Communication



Involve Departments on Budget Needs



Planning



Quality



Utilization of Technology

Purchasing Agent Duties and Responsibilities

A purchasing agent has the authority to use district funds to procure everything the district uses to most effectively and efficiently administer business. To accomplish that, there are a number of duties and responsibilities a purchasing agent must undertake.

- Review and Update Transaction Histories
- What Do We Buy and How Much
- Evaluate Available Goods and Products
- Compare and Negotiate Prices
- Establish Time Periods for Bids to Remain in Effect in Order to Maximize Cost Efficiency and Overall Product Availability
- Manage Inventory

Centralized Purchasing and Purchasing Department Management

Contract Procurement and Purchasing is an integral part of management and should be organized to function accordingly. The Purchasing Department is designed to encompass all aspects of the purchasing function, including contract procurement for material, services, disposals, and sales.

The Purchasing Department is the line of communication between the supplier's representatives and the various departments that specify and/or use materials and services. Information and ideas must be exchanged to ensure the acquisition of the most suitable materials, and/or services at the best price available.

The overall objective of the Purchasing Department is to obtain, at the best prices, the highest quality material or service at the appropriate time so that the educational process is not interrupted or impeded.

Support Operational Requirements

Internal customers of purchasing include,

- Instruction
- Operations
- Transportation
- Administration
- Federal Programs
- CNP

Manage Internal Operations

Efficiently and Effectively

Managing of procurement staff

Developing and maintenance of policies and processes

Introducing and leveraging appropriate technology and systems

Defining procurement strategy and structure

Developing plans and measures

Providing procurement leadership to the district

Providing professional training

Identify Opportunities Where The Purchasing Adds True Value

Evaluation and selection of suppliers

- All purchases should go through the approved procurement process
- District personnel should not be allowed to enter contractual agreements without purchasing's involvement
- Request departmental input
- Review specifications
- Review the requirements for the material or service being provided
- Suggest alternatives that can save the organization money

Advance and Seasonal Estimates of School Requirements

It is essential that the Purchasing Agent knows well in advance the character and volume of materials to be purchased for the school system. This information will allow for consolidation and lower unit pricing.

Again, the Purchasing Agent shall obtain information regarding future school system requirements through the use of:

1. Annual budget estimates.
2. Historical records of past purchases.
3. Seasonal estimates. (the Warehouse Supervisor will submit reports as required to the Purchasing Department on the usage of specified materials).
4. Actual records of quantities purchased from vendors.



Ethics

Doing the right thing. This value is essential to deserve the public's trust.



Impartiality

Unbiased decision making and actions. This value is essential to ensure fairness for the public good.



Accountability

Taking ownership and being responsible to all stakeholders for our actions. This value is essential to preserve the public trust and protect the public interest.



Professionalism

Easily accessible and understandable policies and processes. This value is essential to demonstrate responsible use of public funds.



Service

Obligation to assist stakeholders. This value is essential to support the public good.



Transparency

Easily accessible and understandable policies and processes. This value is essential to demonstrate responsible use of public funds.

Procurement/Purchasing Policy Manual

- Best Practice-School districts should develop a policy manual that clearly defines authority, responsibility, and the **Procurement Procedures and Policies** for the district.
- The purchasing procedures and policies should be communicated to all district employees.
 - Written procedures on the procurement process for the school district
 - Employees/Department Heads and Supervisors
 - Vendors

Developing a Procurement Policy Manual

- Procurement Policy –
 - Purpose/Authority
 - Roles and Responsibilities
 - Contact
- Ethics
- Purchasing Process
- Bid Law Requirements – District Procedures
- Purchase Orders and P Cards
- Equipment Purchases
- Surplus Property/Disposal
- Federal Programs



Objectives:

- Provide for increased efficiency, economy, and flexibility in public procurement activities and maximize to the fullest extent the purchasing power of the entity
- Safeguard the integrity of the procurement system and protect against corruption, waste, fraud, and abuse
- Ensure appropriate public access to contracting information
- Ensure equal opportunities that are in line with legal requirements, and in the policies and practices of suppliers and subcontractors wishing to do business

Purchasing Policy and Procedure Manual

- Procedures
 - Approval process
 - \$ thresholds
- Procurement Process
 - State and Local Funds
 - Federal Programs
 - CIS Funds
- P Card Program

Purchasing Policy and Procedure Manual continued

- Bidding Process
 - Timeline
 - Development of specs
 - Advertisement
 - Pre-Bid Conferences recommended on all bids
 - Bonding Requirements
 - Insurance/License Requirements for Vendors
 - Emergencies

Purchasing Procedures

Purchase Requisitions

- A completed purchase requisition should be submitted for approval by a local school Principal or Department Head/Supervisor. (Each employee is responsible for filling in the proper account number before the requisition is submitted to the Purchasing Department for a purchase order.)
- The purchasing agent or the bookkeeper (for local school paid items) should check the purchase requisitions for accuracy before issuing a purchase order. The department head/supervisor should receive a copy of the purchase order indicating the requisition has been approved. (Purchase Orders are signed as approved by the Purchasing Agent/Purchasing Clerk or CSFO).

Purchasing Procedures continued

- The individual receiving the material should date and sign his/her copy of the purchase order stating that he/she received the material. The Principal or Supervisor will forward a copy of the signed receipt back to the Accounts Payable Department in the Business Office or to the bookkeeper in the Local School.
- An invoice should be obtained for each purchase before payment is made.
- The invoice should provide
 - Pre-printed vendor name & address
 - Description of purchase
 - Itemized listing of items purchased and item price
 - Shipping & handling charges
 - Total amount of the purchase

Purchasing Procedures continued

- The school employee receiving the items should sign the invoice to verify the items billed were actually received.
- The invoice should agree with the purchase order or be reconciled before processing payment. Once the purchase order and invoice are received in accounts payable with the proper signatures, payment is made (check or virtual pay).

Procurement Purchasing Cards

A Procurement Purchasing Card can be issued to school employees; i.e., Operations/Maintenance and Transportation Department individuals. A Commercial Card Agreement should be signed by the card holder for pickup items. Pick-up items are defined as those unanticipated non-stocked items less than \$1,000.00 (or whatever your local Board Policy allows) needed to complete a particular project during normal operating hours. Purchases after business hours, weekends and holidays may also be necessary to complete a project that would otherwise jeopardize the safety, security and life safety code of personnel and school property.

Note: The normal purchase order procedure should be followed for tools, stock items, or orders exceeding \$1,000.00 (or again, whatever your local Board Policy allows).

Procurement Purchasing Cards continued

- All pickup items should have an itemized delivery ticket and/or invoice copy with the signature of the employee receiving the merchandise. The person requesting the items will verify that purchases are authorized and the prices are correct based on any bids or contracts that are applicable.
- At the end of each week, all delivery tickets/invoice copies and the Receipt Log are to be submitted to the Operations and Transportation Supervisors.
- The Operations and Transportation Supervisors should designate the account number and the name of the project or job on the Receipt Log and sign the Receipt Log thereby confirming the purchase of the item or items.
- Once signed and approved, the paperwork should be submitted to the Accounts System Manager in the Business Office.

Surplus/Obsolete Property

- Definition
- Disposal Methods
- Other Guidelines and Responsibilities

Surplus/Obsolete Property continued

Defining Surplus/Obsolete Property

- Surplus property is property that the Board has legal title but is no longer needed for support of the school system's operations. Obsolete property is school system property which is no longer usable in the service for which it was purchased and cannot be utilized safely or economically in any other manner. It shall be the responsibility of the Board's Supervisors and Account Systems Manager to determine the property that meets these criteria and to submit a list of such property to the central office for designation as surplus or obsolete property.
- Once supervisory approval has been given, the Purchasing Agent, with assistance from the Account Systems Supervisor, will be responsible for disposal in accordance with the Board's policies, including establishing a fair market price when sale of property is required. Other disposal methods shall be the responsibility of the Director of Operations and Auxiliary Services or whomever is designated with your school district.

Surplus/Obsolete Property continued

Method of Disposal

The Purchasing Department shall be responsible for the sale of surplus and obsolete property. Sales may take place in one of the following manners:

- A. Sealed bids
- B. Public auction
- C. Sale to another government agency for a fair market price
- D. Gov. Deals

The Board, as its discretion, may transfer asset(s) to another governmental agency **or any non-profit organization** for nominal consideration.

The Board has the right to reject any or all bids for school surplus or obsolete property.

Summary/Procurement

Purchasing Department:

Communication

Timeliness

Preparedness

Efficient

Effective

Summary

Purchasing and Procurement Overview

- Legal Requirements
 - Board Policies and Procedures
 - Alabama Laws
 - Federal Procurement Requirements
 - AG Opinions and Other Legal Issues on Procurement
 - Bid Requirements

Sources

- New York State Education Department-Education Management Services **Purchasing/Purchasing Handbook (July 2010)**
- National Institute of Governmental Purchasing (<http://www.nigp.org>)
- Government Finance Officers Association – **Procurement Financial Policies**

PURCHASING AND PROCUREMENT OVERVIEW

AASBO Certificate Program
September, 2020
Karen C. O'Bannon, CSFO
Madison County Schools
kobannon@mcssk12.org