

Purchasing and Procurement Overview

AASBO Certificate Program
September 2018

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PURCHASING AND PROCUREMENT OVERVIEW

- *Contract Procurement Law*
- *Understanding Governmental Procurement*
- *Roles and Responsibility of the Purchasing Officer/Director*
- *Legal Requirements*
 - Alabama Laws
 - Federal Procurement Requirements
 - AG Opinions and Other Legal Issues on Procurement
 - Bid Requirements
- *Centralized vs. Decentralized Purchasing*
- *Surplus Property*
- *Purchased services*
- *Record Retention*

GOVERNMENTAL PROCUREMENT

Government procurement, or public procurement, is the procurement of goods and services on behalf of a public authority, such as a government agency. With 10 to 20% of GDP, **government procurement** accounts for a substantial part of the global economy.

To prevent **fraud**, **waste**, **corruption**, or local **protectionism**, the laws of most countries regulate government procurement to some extent. Laws usually require the procuring authority to issue public **tenders** if the value of the procurement exceeds a certain threshold.

• \$2.1B AL LEAS 2017

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 code of ethics to govern practices in school purchasing.

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

Regulation of Procurement School Districts



Regulation of Procurement for School Districts

- State law mandates very specific competitive purchasing procedures for purchases over \$15,000 and public work projects over \$50,000

Purchasing Agents Duties and Responsibilities

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

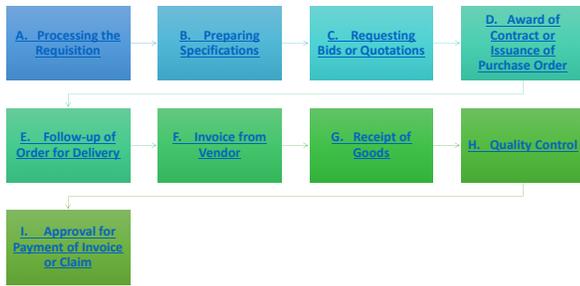
How Does Procurement Work in Your District?



- 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





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
- ❖ Manage Inventory

PURCHASING AGENT DUTIES AND RESPONSIBILITIES

- Purchasing and Acquisition
- Vendor Relations and Conflict of Interest Disclosures
- Payment Procedures
- Financing Personal Property Purchases
- School Properties Disposal
- Vendor Background Checks

SUPPORT OPERATIONAL REQUIREMENTS

Supporting this flow requires purchasing to:

- Understand business requirements
- Buy products and services
 - At the right price
 - From the right source
 - At the right specification that meets users needs
 - In the right quantity
 - For delivery at the right time
 - To the right internal customer

SUPPORT OPERATIONAL REQUIREMENTS

Internal customers of purchasing include:

- ❖ School Site- Instruction Program
- ❖ Operations
- ❖ Transportation
- ❖ Administration
- ❖ Federal Programs
- ❖ CNP

**MANAGE THE PROCUREMENT PROCESS AND THE SUPPLY BASE
EFFICIENTLY AND EFFECTIVELY**

To manage the procurement process and supply base efficiently and effectively procurement must follow the following key steps:

- Identify opportunities
- Manage internal operations
- Achieve objectives

Identify opportunities where the purchasing adds true value:

Evaluation and selection of suppliers

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

**MANAGE ITS INTERNAL OPERATIONS
EFFICIENTLY AND EFFECTIVELY**

Management 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

**MANAGE ITS INTERNAL OPERATIONS
EFFICIENTLY AND EFFECTIVELY**

- Develop Relationships with other Departments
- Knowledge of department budgets
- Support Organizational Goals and Objectives
- Acting as the primary contact with supplier
- Determining the method of awarding contracts



National Institute of Governmental Purchasing

<http://www.nigp.org/>



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



The screenshot shows the NIGP website interface. At the top, there is a navigation bar with the NIGP logo and a search bar. Below the navigation bar, there are several menu items: "HOW PROFESSIONALLY", "FIND PROCUREMENT RESOURCES", "ATTEND EVENTS", "MEMBERSHIP", and "ABOUT NIGP". The main content area features a "GLOBAL BEST PRACTICES" section with a globe icon and a "VALUES AND GUIDING PRINCIPLES" section with a balance scale icon. A video player is also visible in the bottom right of the screenshot.

Best Practices in Procurement

-  Purchasing Policy Manual
-  Centralized Purchasing
-  Standardized Bid Template

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 procures 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
- Purchases Orders and P Cards
- Equipment Purchases
- Surplus Property

Purchasing Policy and Procedure Manual

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

**PURCHASING
POLICY AND
PROCEDURE
MANUAL**

- Competitive Bid Process
 - \$ Thresholds
 - Competitive Bid Law
 - Public Works Law

**PURCHASING
POLICY AND
PROCEDURE
MANUAL**

- Bidding Process
 - Time line
 - Development of specs
 - Advertisement
 - Pre-Bid Conferences
 - Recommended on all bids
 - Bonding Requirements
 - Insurance/license requirements for vendors
 - Emergencies

**Madison County Board of Education
Purchasing & Procurement Policy**

TABLE OF CONTENTS

		Page No.
Chapter I	Centralized Purchasing and the Purchasing Department	3
Chapter II	Purchasing Manual and Ethics in Purchasing	5
Chapter III	Purchasing Procedures and Policies	6
Chapter IV	Procurement Policy/Bidding Procedures	10
Chapter V	Vendor Insurance Requirements	17
Chapter VI	Price Quotes	21
Chapter VII	Conflict of Interest Policy	22
Chapter VIII	Disposal of Surplus/Obsolete Property	24

PURCHASING POLICY AND PROCEDURE MANUAL

- Simplify, clarify, and reflect the laws governing procurement
- Establish uniform procurement policies throughout the organization
- Build public confidence in public procurement
- Ensure the fair and equitable treatment of everyone who deals with the procurement system

Objective

- 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, in
- the policies and practices of suppliers and subcontractors wishing to do business

Best Practices
in
Procurement



Centralized
Purchasing



Purchasing
Procedure Manual



Standardized Bid
Template

Developing
System/Standard
Procedures for
Local Bids

- Centralized Purchasing
 - Ideally one person should be responsible for the Procurement function
 - Knowledge of laws and procedures governing procurement
 - Knowledge of quantity and quality of goods or services needed by the district
 - Knowledge of department budgets and account codes
 - Independent of departmental preferences for particular product or vendor
- Standardized procedures even for small districts

Centralized
purchasing

- Maintains files for all bids and contracts
 - Inventory control
 - Risk Management
 - Building Insurance
 - General Liability
 - Vehicles

Best Practices in Procurement



Centralized Purchasing



Purchasing Procedure Manual



Standardized Bid Template

Request for Information

- A request for information (RFI) is a standard business process whose purpose is to collect written information about the capabilities of various suppliers. Normally it follows a format that can be used for comparative purposes. An RFI is primarily used to gather information to help make a decision on what steps to take next.- RFP/Bid

Request for Proposal

- RFP-A Request for Proposal (RFP) is a less formal method of seeking competition for public contracts where competitive bidding is not required by law and where price is not the sole criterion for award of the contract

Competitive Bid

- Transparent [procurement method](#) in which bids from [competing](#) contractors, suppliers, or vendors are invited by openly advertising the [scope](#), specifications, and [terms and conditions](#) of the proposed [contract](#) as well as the [criteria](#) by which the bids will be evaluated. Competitive bidding aims at obtaining [goods and services](#) at the lowest prices by stimulating [competition](#), and by preventing [favoritism](#). In (1) [open competitive bidding](#) (also called open bidding), the sealed bids are opened in full view of all who may wish to [witness](#) the bid opening; in (2) [closed competitive bidding](#) (also called closed bidding), the sealed bids are opened in presence only of authorized [personnel](#).



- Bid Calendar- A schedule of types of supplies, equipment, and services, setting up dates when each will be bid.
- Bidders List- A list of vendors maintained in purchasing as possible sources of supply for items listed on bid proposal. The list is usually maintained by type of supplies, equipment, or services.
- Notice to Bidders- A public announcement of intent to receive bids on specified equipment, supplies, or services under specified conditions, and an invitation to potential vendors to submit bids.
- Bid Proposal- A formal notice by the bidder to the buyer stating the conditions and price under which the bidder will furnish the equipment, supplies, or services set forth in the specifications. This is customarily submitted on a bid form furnished by the school district
- Lowest Responsible Bidder- That responsible bidder furnishing required security and offering to furnish the item of supply or equipment indicated or to perform the services required in a given specification at the lowest price
- Contract- The agreement entered into between the board of education and the supplier after an award has been made to the lowest responsible bidder meeting specifications

Template for the Competitive Bid Process

- Objective
 - Standardization
 - Legal compliance
 - Best product at lowest price
 - Eliminates errors

Bid Template Components

- General Instructions
 - Item
 - Bid Date/Time
 - **Mandatory Pre-Bid Conference**
 - Delivery Instructions
 - Instructions for bid forms
 - Alabama Immigration Law Compliance Term

Bid Template Components

- GENERAL INFORMATION
- SPECIFIC INSTRUCTIONS FOR ALL BIDS
- METHOD OF AWARD
- CONTRACT PERIOD

Bid Template Components

- Pricing
- Shipping
- Quantity
- Back Orders
- Default

Bid Template Components

- Special Requirements
 - Errors
 - Licenses Insurance Requirements
 - Warranties
 - Termination of Contract
 - Disqualification of bids
 - Funding/Appropriation Language

Bid Template Components

- Specifications and Substitutions
- Forms
 - Substitution Request Form
 - Certification /Company Information
 - Bid Checklist
 - Bid Tab

Documentation of Results

- To whom bid was awarded
- Reasons for not awarding to the lowest bidder
- Request legal council assistance
- Bid file shall be open for public inspection

- Document-Document-Document



Purchasing
Department

Communicate

Timely

Efficient

Effective

Plan

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 - *Alabama Laws*
 - *Federal Procurement Requirements*
 - *AG Opinions and Other Legal Issues on Procurement*
 - *Bid Requirements*

Sources:

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

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