

PURCHASING OVERVIEW

Purchasing in the public sector environment presents numerous challenges including the requirements to comply with statutes, policies, legal interpretations, and procedures; the dynamic and diverse nature of the school district environment; the competition among vendors for school district business, the consistent oversight by interest groups and the many “gray” areas relating to purchasing methods and procedures.

2.01 Purchasing Procedure and Practice

The District’s objective is to purchase the best value of products, materials, and services at the lowest practical prices within relevant statutes, policies and procedures. School district staff members are not authorized to override the procedures found in this section, which have been written to comply with State laws and regulations, as well as preserve a level of internal accounting control necessary to demonstrate accountability, ethical conduct, and responsible behavior.

Accurate record keeping and documentation is a fundamental element of the procurement process. Precise and systematic record keeping and management must withstand the constant scrutiny of various interest groups including vendors, the general public, and outside agencies as well as internal groups which are the users or customers of the purchasing system.

2.02 Ethical Standards

There are certain common standards of ethics that govern the conduct of employees involved in the purchasing function, as follows:

1. It is a breach of ethics to attempt to realize personal gain through public employment with the school district by any conduct inconsistent with the proper discharge of the employee’s duties.
2. It is a breach of ethics to attempt to influence any public employee of the school district to breach the standards of ethical conduct set forth in this code.
3. It is a breach of ethics for any employee of a school district to participate directly or indirectly in procurement when the employee knows that:
 - The employee or any member of the employee’s immediate family has a financial interest pertaining to the procurement;
 - A business or organization in which the employee, or any member of the employee’s immediate family, has a financial interest pertaining to the procurement; or
 - Any other person, business or organization with whom the employee or any member of the employee’s immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
 - If a school district board member or other official has a substantial interest in procurement, that person shall abstain from discussion and decisions regarding the award of the procurement contract. ([Local Government Code, Chapter 171.](#)) for definition of substantial interest.) In addition, the board member should disclose this substantial interest by filing an affidavit with the district.

4. Gratuities

It is a breach of ethics to offer, give or agree to give any employee or former employee of the school district, or for any employee or former employee of the school district to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation of any part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal therefore pending before this government. Acceptance of gratuities may be construed as a criminal offense.

5. Kickbacks

It is a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any contract of a school district, or any person associated therewith, as an inducement for the award of a subcontract or order.

6. Contract Clause

The prohibition against gratuities and kickbacks prescribed above should be conspicuously set forth in every contract and solicitation therefore.

It is a breach of ethics for any employee or former employee of the school district to knowingly use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

For a definition of the penalties, go to the Texas Education Code – Subchapter B. -Sec. 44.032 and Local Government Code 271.029.

2.03 Purchasing System

A District Purchase Order is an offer. A contract is created between the District and the vendor only when the vendor accepts the terms of the Purchase Order by causing the goods or services requested on the order to be accepted. In other words, the District's offer (Purchase Order) is a presentation to the vendor of what the District requirements from the vendor are and under what conditions (terms). Purchase Orders provide a uniform way for the District to make offers to vendors with all terms in writing.

The purchasing system is designed to automate all purchase requests. The system will automatically encumber/expend funds and print the official purchase order. The following items must be followed to acquire goods or services in the name of GISD.

- Purchase orders must be obtained prior to the purchase or the service.
- Purchasing supplies requires a purchase order.

- Most contracted services require a purchase order.
- Furniture and equipment require a purchase order.
- All information on the purchase order must be completed in its entirety.
- Only vendors approved by the Purchasing Department may be used.
- The budget code must be correct.
- All instructions must be clear and understandable.
- Prepay purchase orders must have backup.
- Rolled purchase orders cannot be increased.

2.04 New Vendor Requests

If a new vendor is necessary, the campus or department must enter a new vendor request into Skyward. The vendor request must be completed in its entirety, including the address, phone number, fax number and contact information. **A completed W-9 form must be attached and the reason for the vendor request in the comment section.** Contact the Purchasing Department if you have issues obtaining the W-9 form.

2.05 Competitive Procurement Options

The District employs a variety of methods for procuring goods and services. Texas Education Code 44.031 (a)(b) states that all contracts, except contracts for the purchase of produce or vehicle fuel, valued at \$50,000 or more, for each 12-month period are to be made by the method or methods that provide the best value to the District. The Purchasing Department coordinates or causes for the coordination of the competitive procurement of goods and services for the District.

2.06 Purchasing From Outside Vendors

The principal, program administrator or department head has the responsibility of first approving any requisitions to outside vendors. The Purchasing Director or designee serves as the district-wide purchasing administrator/agent and is responsible for approving all requisitions before purchase orders are issued. Once the purchase order has received final approval, the campus/department may then print and process the PO.

- Purchase orders are among the most commonly used method for procuring goods and services.
- This document serves as a formal order for goods, materials and/or services from a vendor.
- A purchase order, once approved, is a binding commitment for the District to remit payment to the vendor after the item(s) and an invoice are received.
- It contains information on the expenditure to be made and the account code to be charged.
- Funds are encumbered as the purchase is issued, and serves as an expenditure control mechanism.

- The purchase order is utilized in the accounts payable process as it documents that an order has been received and accepted by the user and payment can be made to the vendor.
- The Finance Department is responsible for any changes or canceling of purchase orders.

The District uses an online purchase order system, which when properly executed, becomes an official document authorizing the purchase. No person has the authority to make purchases prior to the completion of the purchasing process.

A DISTRICT EMPLOYEE WHO PURCHASES OR ORDERS ANY ITEM OR SERVICE IN THE NAME OF GISD OR WHO OBLIGATES THE CREDIT OF THE DISTRICT WITHOUT FOLLOWING THE DISTRICT'S PURCHASING POLICIES AND PROCEDURES SHALL BE PERSONALLY LIABLE FOR PAYMENT TO THE VENDOR OR RETURN OF THE ITEM.

Remember that a purchase can only be paid when the goods arrive and/or services are rendered and are accompanied by a properly prepared invoice.

2.07 Quotes

Purchases wanting to be placed with a non-awarded vendor must be limited. Price quotes must be on file for these purchases (purchases made from a non-awarded vendors). The annual aggregate thresholds is \$10,000 to \$49,999 for consumable supplies, services and capital outlay, and \$250,000 for cooperative awarded vendors for Technology and Construction. (All purchases order to non-awarded vendors between \$10,000 and \$49,999 are required to have a minimum of three quotes **attached**.) The Purchasing Department reserves the right to require quotes at any time.

2.08 Micro-Purchase Procedures

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. The Procurement by Micro-purchase may be the most frequently used method due to the frequent purchase of goods or services that are less than the current threshold of \$10,000. The District shall purchase goods and services under this method from among qualified vendors, but will not competitively procure the micro-purchases, unless in the aggregate in a 12-month period (fiscal year), the District exceeds the state law thresholds, or the District's threshold in Board Policy CH Legal or Local.

2.09 Bids – Purchases over \$49,999

Purchases requiring a formal bidding process shall be made in. The request shall include a description of the item(s), the budget code, estimated cost, and the signature of the appropriate budget manager. The Purchasing Director or Purchasing Manager will contact the requestor and/or budget manager to develop a timeline, specifications, and evaluation criteria (if applicable).

2.10 Blanket (Open) Purchase Orders

Campus or departments may issue blanket purchase orders on a limited basis. Blanket purchase orders allow for a purchase to be made quickly and allows for supplies and services to be available. A blanket (open) purchase order is issued to an approved vendor to authorize purchases from that vendor over a period of time. The blanket PO should encumber an amount “not to exceed” the planned budgeted amount.

2.11 Sole Source Vendors

Purchases, which meet sole source criteria, are exempt from competitive bidding. There are many reasons why a purchase might be possible or practical from only one vendor:

- There is no competitive product. The product or service is a one-of-a-kind or patented product, copyrighted publication available from only one source, or a unique item such as artwork.
- The product is only available from a regulated or natural monopoly, (ex: utilities). It must be confirmed that there is only one price due to exclusive marketing or distribution rights for an item or product.
- The product is a component of an existing system and is only available from one supplier. (A replacement or repair part available only from the original supplier.)

Documentation from the vendor that clearly delineates the reasons, which qualify the purchase to be made on a sole source basis, must be obtained.

Process:

1. If the requisitioning party determines that the item is a sole source purchase, they must attach to the PO one of the following:
 - a. Letter from the source, as outlined above.
 - b. A statement indicating that they have contacted a sufficient number of vendors to determine that only one practical source of supply exists, or states the reasons why only one source of supply exists.
2. Complete a Purchase Order according to procedures.
3. If the Purchasing Department determines that the item is a sole source purchase, a copy of the statement/letter shall be maintained in the purchase file.

2.12 Back Orders

Unfortunately, the great number of items a school requires and the frequency of changes by manufacturers make back orders an expected condition of purchasing. These circumstances require a procedure for back orders that is flexible. It is the practice of the District to permit each campus or department the option to accept or cancel items that are back ordered within ninety days of the purchase order date. Items that were ordered and not received within ninety days should be canceled by the campus/department unless extenuating circumstances exist that would dictate keeping a purchase order on the accounting books.

2.13 Receiving Merchandise (Deliveries)

Because the Purchase Order becomes a contract between the vendor and the District, when the goods or services are delivered, it is critical to the purchasing process that the campus or department receiving the goods or services immediately follows the process below:

Upon receipt of merchandise ordered, receiving personnel should:

1. Compare items received to the purchase order.
2. Note all exceptions on the receiving report which is then dated (**use true receiving date**), signed and used as a source document by the Finance Department as proof the item has been received and the invoice can be paid.
3. Notify the Purchasing Department when damaged merchandise or incorrect orders are identified for return.
4. Failure to report damage in accordance with Federal or State Commerce Commission regulations may result in a liability to the District for the material delivered.

Steps To Take At Time of Delivery To Protect Against Loss or Damage

1. Verify count – Make sure the delivery includes as many cartons as are listed on the receiving report (usually the purchase order). If any shortage is discovered, note exactly how many cartons are short on the carrier's delivery receipt and have the driver note the shortage on the District's copy.
2. Carefully examine each carton for damage – **If damage is visible, note this fact on the delivery receipt and have the driver clearly note it on the District copy.** The driver should not be given a clear delivery receipt (one signed without exception) if there is the slightest crush, crease, scuff or puncture on any carton. It is vital to note the condition of any bruised or damaged cartons - such as "slight crush, top right corner" - on both copies of the delivery receipt. If a carton has the appearance that its contents may be damaged, it must be opened immediately in the presence of the driver, to make a joint inspection of the contents. Any concealed damage discovered should likewise be noted on the delivery receipt and the District copy.
3. Immediately after delivery – Open all cartons and inspect for concealed damage. Even though the driver is gone, all cartons should immediately be opened and the cartons inspected for possible concealed damage.

Steps To Take When Visible or Concealed Damage Is Discovered

1. Retain damaged items – Not only must the damaged items be held at the point where received, but the containers and all inner packing materials must be held until an inspection is made by a carrier inspector.
2. The campus or department should call the carrier to report the damage and request inspection immediately upon discovery of the damage. Under no circumstances should it be put off longer than 15 days after delivery. Failure to report concealed damage within this 15-day period will almost certainly result in the carrier denying the claim.

3. Confirm call in writing – It is now a mandatory carrier regulation that all calls reporting discovery of concealed damage and request for inspection is confirmed in writing. Be sure to retain a copy of the confirming letter for filing. Send a copy of the letter to the Purchasing Department referencing the vendor and purchase order number.

Steps To Take When Carrier Makes Inspection of Damaged Items

1. Have damaged items in receiving area: Allow inspector to inspect damaged items, inner packing materials, and freight bill. Retain the delivery receipt as a supporting document when the claim is filed.
2. After the inspector fills out the inspection report, carefully read it before signing – If there is disagreement with any facts or conclusions made by the inspector on the report, do not sign it. Unless repairs will be completely satisfactory, be sure the inspector requests replacement on the inspection report. A new item can be ordered only if the inspection report specifies "REPLACE."
3. Forward a copy of the inspection report and delivery receipt to the Purchasing Department.

Steps To Take After Inspection Has Been Made

1. Continue to retain damaged merchandise – Even though inspection has been completed, damaged items cannot be used or disposed of without permission from the carrier.
2. Do not return damaged items to shipper – Return of such items should not be made without written authorization of the supplier.
3. Secure a receipt from the carrier if damaged items are picked up for salvage. Be sure to get a receipt from the driver when items are picked up. Retain a copy of the receipt and send the original to the Purchasing Department.

2.14 Return of Merchandise Ordered on a Purchase Order

- Notify the vendor in writing of any merchandise that is returned to them.
- A “return receipt request” or “RMA” number must be initiated and noted in the letter.
- Campus or department will forward the letter to the vendor.
- Campus or department must include in the letter the purchase order number, quantity, item description, and reason for returning the merchandise.
- A copy of the letter shall be sent to accounts payable. Accounts payable will then delete or adjust the purchase order according to the instructions contained in the letter.

2.15 Receiving and Paying Invoices

Two steps must take place before an invoice (or “prepay”) can be paid to a vendor.

1. All merchandise must be received physically and electronically in Skyward. Prepays will require the purchase orders to be received in Skyward to allow for prepayment.

2. The original invoice must be received and posted by accounts payable, which states the cost of the goods or service.

A “prepay” may exist under the following conditions:

- vendor required payment prior to shipment of merchandise or services;
- Some travel related expenses of students and staff;
- Some subscriptions or periodicals. Before a “prepay” check can be released, the campus or department must provide the proper documentation to accounts payable.

Accounts payable checks are released to vendors on a weekly basis according to the check cycle. Anything delivered by June 30th needs to be paid out of the current year’s budget.

2.16 Vendor Communications

The campus principal, program administrator or department head (or his or her representative) shall have the authority to contact a vendor regarding an order that originated from that campus or department. All non-routine communications involving problems with an order shall be coordinated through the Purchasing Director.