

Purchasing Basics

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Overview

- ▶ Purchasing Considerations
- ▶ Timeline Considerations
- ▶ Purchasing Tools
- ▶ Goods vs. Services vs. Construction
- ▶ RFQ vs. ITB vs. RFP
- ▶ Cooperative Purchasing
- ▶ Purchasing Resources

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Purchasing Considerations

Basics - what do you want to purchase?

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Purchasing Considerations

- ▶ Is there a need for the items that aligns with your Guiding Principles
- ▶ Do you have an estimate of the cost for the purchase?
- ▶ Revised School Code
- ▶ Board Policy
 - ▶ What does your Board policy require?
 - ▶ Board approval amount?
 - ▶ Quotes
 - ▶ District Specific Considerations
- ▶ State Law (State Bid Threshold - \$23,230)
- ▶ Funding Requirements
 - ▶ What purchasing tools does your District utilize?
 - ▶ Purchasing Cards, Purchase Orders, Open Orders

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Timeline Considerations

Once you know what you want to purchase - what is your timeline for purchase?

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Timeline Considerations

- ▶ Work Backwards
- ▶ Considerations
 - ▶ Board Approval
 - ▶ Lead Times for Goods
 - ▶ Start Dates for Services
 - ▶ Outsourcing services - need to have adequate time
 - ▶ Warranty dates/license dates
 - ▶ Communication is critical
 - ▶ Establish reasonable expectations and understandings with stake holders - lack of planning does not constitute an emergency purchase

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Purchasing Tools

What tools does your District/ISD have and when are they used?

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Purchasing Tools - PCARDS

Pros

- ▶ Quick
- ▶ Efficient
- ▶ Cost
- ▶ Can set limits (single purchase, monthly, MCC)
- ▶ Potential rebate program (MSBO)

Cons

- ▶ Approval process (purchase made before approval given)
- ▶ Reconciliation requirements - still need the detail
- ▶ Limitations
- ▶ Payment Terms

- Establish set guidelines and policies for purchasing using a credit card
- Ensure total credit limit stays within guidelines
- Transparency requirement related to cardholders (website reporting)

Purchasing Tools - PURCHASE ORDERS

Pros

- ▶ Tracking/audit trail
- ▶ Warranty information and invoice payment approval
- ▶ Budgeting

Cons

- ▶ Staff time
- ▶ Tracking

- Determine what instances would work best for your District to use a PO vs. other forms of payment

Purchasing Tools - OPEN ORDERS

Pros

- ▶ Encumbers funds for the year
- ▶ Ease of payment
- ▶ Easier to track purchases
- ▶ Approval done upfront

Cons

- ▶ Cost (staff time)
- ▶ Individual purchases are not approved
- ▶ Speed

- Consider using for goods/services you pay on a recurring basis
 - Catering
 - Custodial Services

Purchasing Tools - SMALL DOLLAR

- ▶ What about day to day, smaller dollar reimbursements?
 - ▶ Options
 - ▶ Petty Cash?
 - ▶ Employee Reimbursements?
 - ▶ Pcard?

- ▶ Always follow Board Policies/Guidelines and requirements
(ex: detailed receipts, limits, allowable purchase, etc.)

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Goods vs. Services vs. Construction

What is the difference between purchasing goods (materials, supplies, equipment) vs. services vs. construction projects?

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Goods vs. Services vs. Construction

▶ Goods

- ▶ Power to purchase comes from Revised School Code 380.1274
- ▶ School Code dictates "Except as noted in subsection (4) or (5), a school district or public school academy shall not purchase an item or group of items in a single transaction costing [STATE BID THRESHOLD] or more unless competitive bids are obtained for those items and the purchase of those items is approved by the school board or board of directors."
- ▶ Cannot separate out purchases to get around the above requirement

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Goods vs. Services vs. Construction

▶ Exceptions:

- ▶ 380.1274 (4) : "...not required to obtain competitive bids for items purchased through a cooperative bulk purchasing program operated by the department of management and budget..."
- ▶ 380.1274 (5) : "...not required to obtain competitive bids for purchasing food unless the food is purchased in a single transaction costing \$100,000 or more."

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Goods vs. Services vs. Construction

- ▶ Note regarding exceptions
 - ▶ No single source exception to the bid requirement
 - ▶ No “emergency” exception for supplies, materials and equipment purchases
 - ▶ Emergency exception applies only to repair to school buildings
 - ▶ “Failure to repair school building would have detrimental effect on building or on the health, safety or welfare of students or occupants of the school building.”

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Goods vs. Services vs. Construction

- ▶ Services
 - ▶ No requirement to bid out for services EXCEPT
 - ▶ Food Services - Federal Law and MDE require a specific RFP process
 - ▶ Contact your legal team early for services if you are replacing work currently being done in house
 - ▶ If outsourcing work, you need to give your union “opportunity to bid on an equal basis as other bidders”
 - ▶ Union and political issues
 - ▶ If you do go out to bid, review your documents
 - ▶ Again, review your Board policy

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Goods vs. Services vs. Construction

► Construction

- 380.1267 : “(1) Before commencing construction of a new school building, or addition to or repair or renovation of an existing school building, except repair in emergency situations, the board of a school district or intermediate school district or board of directors of a public school academy, shall obtain competitive bids on all the material and labor required for the complete construction of a proposed new building or addition to or repair or renovation of an existing school building.”

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Goods vs. Services vs. Construction

- Requirements (380.1267 (2) : Advertise in “at least once in a newspaper of general circulation of area where building or addition is to be constructed or where the repair or renovation of an existing building is to take place and by posting an advertisement for bids for at least 2 weeks on the department of management and budget website on a page on the website maintained for this purpose or on a website maintained by a school organization and designated by the department of management and budget for this purpose. If the department of management and budget designates a school organization website for this purpose, the department of management and budget shall indicate this fact on its website and include a link on its website to the school organization website.”

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Goods vs. Services vs. Construction

- ▶ Ad must
 - ▶ “(a) Specify the date and time by which all bids must be received by the board, intermediate school board, or board of directors.”
 - ▶ “(b) State that the board, intermediate school board, or board of directors will not consider or accept a bid received by the board, intermediate school board, or board of directors after the date and time specified for bid submission.”
 - ▶ “(c) Identify the time, date, and place of a public meeting at which the board, intermediate school board, or board of directors or its designee will open and read aloud each bid received by the board, intermediate school board, or board of directors by the date and time specified in subdivision (a).”

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Goods vs. Services vs. Construction

- ▶ Ad must (continued)
 - ▶ “(d) State that the bid shall be accompanied by a sworn and notarized statement disclosing any familial relationship that exists between the owner or any employee of the bidder and any member of the board, intermediate school board, or board of directors or the superintendent of the school district, intermediate superintendent of the intermediate school district, or chief executive officer of the public school academy. A board, intermediate school board, or board of directors shall not accept a bid that does not include this sworn and notarized disclosure statement.”

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Goods vs. Services vs. Construction

▶ Additional Requirements

- ▶ “(4) The board, intermediate school board, or board of directors shall require each bidder for a contract under this section to file with the board, intermediate school board, or board of directors security in an amount not less than 1/20 of the amount of the bid conditioned to secure the school district from loss or damage by reason of the withdrawal of the bid or by the failure of the bidder to enter a contract for performance, if the bid is accepted by the board, intermediate school board, or board of directors.”
- ▶ “(5) The board, intermediate school board, or board of directors shall not open, consider, or accept a bid that the board, intermediate school board, or board of directors receives after the date and time specified for bid submission in the advertisement for bids described in subsection (3).” 21

Goods vs. Services vs. Construction

▶ Additional requirements (continued)

- ▶ “(6) At a public meeting identified in the advertisement for bids described in subsection (3), the board, intermediate school board, or board of directors or its designee shall open and read aloud each bid that the board, intermediate school board, or board of directors received at or before the time and date for bid submission specified in the advertisement for bids. The board, intermediate school board, or board of directors may reject any or all bids, and if all bids are rejected, shall readvertise in the manner required by this section.” 22

Goods vs. Services vs. Construction

- ▶ Further Considerations
 - ▶ Construction Managers
 - ▶ Contact your Insurance Agent (Risk Assessment)
 - ▶ Performance Bond

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Requests for Quote vs. Invitations to Bid vs. Request for Proposal

What are the differences?

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RFQ vs. ITB vs. RFP

- ▶ RFQ - Request for Quote
 - ▶ Can be used as informal price request
 - ▶ Can attach some terms and conditions, but not as lengthy as a typical RFP or ITB
 - ▶ Quick response time
- ▶ ITB - Invitation to Bid
 - ▶ Know what materials/equipment/supplies you want to purchase
 - ▶ i.e. "I want 22 of XX Camera and needs to include A, B and C accessories"

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RFQ vs. ITB vs. RFP

- ▶ RFP - Request for Proposal
 - ▶ Not quite sure what you need, have a general idea
 - ▶ Rely on vendor's expertise to give you advice, suggestions, recommendations
 - ▶ Examples
 - ▶ Playground Equipment
 - ▶ Custodial Services (remember - not required by law to go out to bid for services)

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RFQ vs. ITB vs. RFP

- ▶ In your bid/proposal requests, you may want some terms and conditions to be standard
 - ▶ Reserve the right to retain all bids submitted, and to use any ideas
 - ▶ Reserve the right to reject any and all bids
 - ▶ Reserve the right to split award
 - ▶ Award for best value, not just lowest cost (other considerations - warranty, customer service, lead times, etc.)
 - ▶ Insurance requirements (contact your insurance agent)
 - ▶ Bid documents, response and mutually negotiated addenda constitute the entire agreement
 - ▶ Watch vendors who want to make their terms and conditions supersede proposal/bid terms and conditions

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RFQ vs. ITB vs. RFP

- ▶ Review MSBO - School Purchasing Pages
 - ▶ Samples
- ▶ MSBO or County Listserv
 - ▶ Have other districts requested the same goods/services?
- ▶ However, always REVIEW

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Cooperative Purchasing

When is it appropriate to use a cooperative?

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Cooperative Purchasing

- ▶ Cooperatives can be a good way to purchase without having to go through the bid process
- ▶ From 380.1274 (4) (reference in slide 8)
- ▶ Considerations before purchasing through a cooperative:
 - ▶ Does it follow your Board policy?
 - ▶ How bids are requested (i. e. sealed, public bid opening)
 - ▶ Insurance requirements
 - ▶ How bids are awarded (competitive pricing?)
 - ▶ Fee for using the cooperative
 - ▶ Terms and conditions

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Cooperative Purchasing

- ▶ Examples of Cooperatives
 - ▶ MSBO
 - ▶ School Bus Purchasing Cooperative
 - ▶ County-Wide Cooperative Purchasing Agreements
 - ▶ REMC \$AVE Bid Project
 - ▶ Supplies and Materials
 - ▶ Computers and Networking
 - ▶ MiDeal
 - ▶ Fee to use

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Questions?

- ▶ Purchasing Resources
 - ▶ MSBO Purchasing Pages
 - ▶ <http://www.schoolpurchasingpages.org/ScriptContent/Index.cfm>
 - ▶ State of Michigan - Revised School Code
 - ▶ <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-act-451-of-1976.pdf>
 - ▶ REMC Cooperative Purchasing
 - ▶ www.remcbids.org
 - ▶ MiDeal
 - ▶ <http://www.michigan.gov/localgov>

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