

Purchasing Basics

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Overview

- Purchasing Considerations
- Timeline Considerations
- Purchasing Tools
- Goods vs. Construction vs. Services
- 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

- Managing the Purchasing Process
 - Accountability for public money is the backbone of purchasing
 - Procedures must be in place that focus on getting the most value with taxpayer funds
 - Substantiation for purchasing decisions will come from the procedures

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Purchasing Considerations

- Do you have an estimate of the cost for the purchase?
- State Law
 - State Bid Limit, currently \$23,881 (updated every September)
- Board Policy
 - What does your Board policy require?
 - Board approval amount?
 - Quote amount
 - District Specific Considerations
- Funding Requirements (Grants, State, Federal, Bond, BSSF)
- What purchasing tools does your District utilize?
 - Purchasing Cards (P Cards), Purchase Orders (POs)

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Purchasing Considerations

- How Districts Procure Goods and Services
 - Districts obtain quotes, at the appropriate dollar threshold, on items to be purchased and then creates purchase orders to award the contracts based on Board of Education Approval
- Requisition system - used to acquire goods/services by purchase order and verify budget authority
- Purchase order – legal authority to spend
- Contracts – delineate specific terms
- Districts should purchase from responsible business entities

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Quiz Time!

What information is required to process an accounts payable invoice for payment?

- A. Verified budget authority for item, accuracy of price, items received, and correct account code.
- B. Accuracy with purchase order price, amount ordered, and correct account code
- C. Verified receipt of goods, price charged, and correct account code.
- D. Authorization to pay, goods received, accurate pricing, and correct account code.

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Answer

What information is required to process an accounts payable invoice for payment?

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- C. Verified receipt of goods, price charged, and correct account code.
- D. **Authorization to pay, goods received, accurate pricing, and correct account code.**

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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/Technical Work (blueprints/specifications)
 - 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 – PURCHASE ORDERS

Pros

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

Cons

- Cost (staff time)
- Tracking
- Time of process

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

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Purchasing Tools – OPEN ORDERS

Open Orders are also known as Open or Blanket Purchase Orders

Pros

- Encumbers funds for the year
 - Ease of payment
 - Easier to track purchases
 - Approval done upfront
- Consider using for goods/services you pay on a recurring basis
 - Supplies
 - Custodial Services

Cons

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

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Purchasing Tools - Pcards

Pros

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

Cons

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

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Purchasing Tools – SMALL DOLLAR

- What about day to day, smaller dollar reimbursements?
 - Options
 - Petty Cash?
 - Employee Reimbursements?
 - P Card?
- Always follow Board Policies/Guidelines and requirements
 - (ex: detailed receipts, limits, allowable purchase, etc.)

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Goods vs. Construction vs. Services

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

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Goods vs. Construction vs. Services

Item	Bid Required	Advertise in newspaper	Post to State site	Public Opening
Construction MCL 380.1267	Yes, if over bid limit	Yes, once	Yes, for 14 days	Yes
Supplies, etc. MCL 380.1274	Yes, if over bid limit	No	No	No
Services	No	No	No	No

Caveats:

*Bid limit changes yearly at beginning of State fiscal year

*MCL 380.1274 - Exceptions for cooperative bulk purchasing program operated by Michigan Department of Technology, Management and Budget (e.g. REMC program)

*Unless your Board policy requires bidding, advertising and public opening

Definition:

MCL – Michigan Compiled Laws

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Goods vs. Services vs. Construction

● MCL 380.1274, 380.623a (Supplies, materials & equipment)

- Board policy, with district written procedure(s), is required
 - Must post this policy on Transparency Page as of 12/1/15
- "Competitive bids" - (Board policy may specify process)
 - No advertising requirements
 - Public bid opening NOT required
- Board approval is required over the bid limit
- Iran Linked Business affidavit (P.A. 517 of 2012) is required before Board award
- Allows Districts a Michigan based businesses preference
- Allowed to use State bids in lieu of bidding out
- Food purchases in a single transaction < \$100,000 does not require bidding

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Goods vs. Construction vs. Services

- **MCL 380.1267 (Construction, addition, renovation, repairs)**
 - Requires “competitive bids”; establishes a “sealed bidding process”
 - Public bid opening
 - Formal advertising requirements
 - Familial disclosure statement (MCL 380.1267) is required
 - Iran Linked Business affidavit (P.A. 517 of 2012) is required
 - Allows Districts a Michigan based businesses preference
 - Sales tax on construction (anything permanently incorporated into realty)
http://www.michigan.gov/documents/treasury/RAB_2016-18_Sales_and_Use_Tax_in_Construction_Industry_534977_7.pdf
 - Requires Bid Bond
 - Requires Performance and Payment Bonds after bid is awarded

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Goods vs. Construction vs. Services

- Note regarding exceptions
 - No single source exception to the bid requirement
 - There is not such thing as a sole source
 - Emergency purchases
 - NO exception for supplies, materials and equipment purchases
 - 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. Construction vs. Services

- Advertisement (required for construction & food service)
 - The ad must specify:
 - Date and time bids are due
 - Date, time and place where bids will be opened and read aloud
 - District will not accept late bids
 - Each bid shall include a familial affidavit, won't accept a bid without it
- Other items to include:
 - Bid bond/certified check of 5% of bid



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Goods vs. Construction vs. Services

- Further Considerations
 - Area specific consultants (i.e. roofing, paving)
 - Construction Managers
 - Insurance Review (by your insurance company) (Risk Assessment)
 - Attorney review

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Goods vs. Construction vs. Services

• Services

- No requirement to bid out for services
 - EXCEPT Food Services Management Companies (FSMC) – Federal Law and MDE require a specific RFP process
- If outsourcing, especially when employees are in a union, contact your legal team early
 - Note: your union has an “opportunity to bid on an equal basis as other bidders” but can not be part of the specification process for the bid
 - Note: Union and political issues when outsourcing
- As with bids for goods and construction, review bid documents and your Board policy

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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
 - For informal price requests
 - Can attach some terms and conditions
 - Can have a quick response time
 - Can use when below the State Bid Limit
 - Check Board policy for dollar limits

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RFQ vs. ITB vs. RFP

- ITB - Invitation to Bid
 - Construction, supplies, materials and equipment
 - Clean, well-define specifications
 - Public Bid Opening
 - Award to the lowest responsive and responsible bidder
 - Inflexible

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RFQ vs. ITB vs. RFP

- RFP - Request for Proposal
 - Services, software, more complex solutions
 - Publish the evaluation criteria in the bid
 - Proposals not opened publicly
 - Evaluation teams rate the technical aspects
 - Purchasing Dept rates pricing
 - Bidders ranked on total score
 - 2nd phase presentations and/or demonstrations can be required/requested
 - Award based on price and other factors (best value)

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RFQ vs. ITB vs. RFP

- Items to include in your bids (consider including in your quotes)
 - Board waiver
 - The Board of Education reserves the right to accept or reject any or all bids in whole or in part; or for reasons of establishing uniformity, delivery time or preference, to award the contract to other than the low bidder.
 - Insurance requirements (contact your insurance agent before issuing the bid or quote)
 - Bid documents and bidder's response will become contractual obligations
 - The contents of the RFP/ITB/RFQ and the Bidder's Proposal will become contractual obligations, if a contract ensues, Any contract shall incorporate the contents of this RFP/ITB/RFQ and the Bidder's Proposal.

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RFQ vs. ITB vs. RFP

- Samples/templates for bids and quotes
 - Review MSBO – School Purchasing Pages
 - Contact colleagues through MSBO or County Listserv
- Always read through samples or templates
 - Know why clauses are in the document, don't just use them

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Quiz Time!

Request for Proposals (RFP) must include which of the following items?

- A. Payment terms.
- B. Project budget.
- C. Proposal due date.
- D. Manufacturer and brand.

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Answer

Request for Proposals (RFP) must include which of the following items?

- A. Payment terms. (optional)
- B. Project budget. (NEVER)
- C. Proposal due date.**
- D. Manufacturer and brand. (good idea)

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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
- 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?)
 - Fees for using the cooperative
 - Terms and conditions

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Cooperative Purchasing

- Examples of Cooperatives
 - State of Michigan
 - REMC – computers, supplies
 - MiDEAL – road salt, vehicles
 - Charges an annual fee
 - School districts, ISDs, counties
 - Organizations (regional, state and national)
 - MSBO
 - School Bus Purchasing Cooperative
 - U.S. Communities, NJPA , AEPA, MHEC, RCPN, PEPPM, E&I

Purchasing Resources

- Michigan School Business Officials (www.msbo.org)
- Michigan Public Purchasing Officers Association (www.mppoa.org)
- National Institute of Governmental Purchasing (www.nigp.org)
- National Association of State Procurement Officials (www.naspo.org)
- Institute for Supply Management (www.napm-md.org)
- Oakland Schools' Cooperative Contracts Network (www.cooperativecontracts.com)

Questions?

