

# FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

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## NATURE AND PURPOSE

Local Units of Administration (LUA) purchasing may be defined as the process LUAs use to procure goods and services. The primary purpose of the LUA's purchasing department is to gain more value for each non-salary budget dollar expended. Important purposes of the purchasing function are anticipation of goods and service needs, standardization of these goods and services to promote better pricing and streamlining the purchasing process. Anticipation of needs makes it possible to consolidate requirements so that larger unit purchases can be made at one time. This usually results in lower unit prices and saves time and effort by clerical personnel. A key element in all purchasing is to "encourage competition."

Standardization of commodities and school supplies can pave the way for annual contracts. Better products can be obtained at lower cost than when each school or department demands a slight variation in the same commodity. Standardization permits storage of supplies so that they are readily available and usually results in more suppliers bidding for LUA purchases.

Two primary objectives of a quality purchasing system are "economy" and "efficiency." Obtaining services, supplies and equipment at the lowest cost is important in this day and age of tighter operating budgets. Secondly, purchasing the goods and services that meet the specific needs of LUA personnel will assist them in completing their jobs in the most efficient manner.

However, some purchasing pitfalls that reduce the likelihood of achieving the above objectives include:

- The lack of adopted purchasing policies.
- The lack of good written purchasing rules, regulations and procedures.
- The lack of purchasing ethics.
- The use of influence regarding the choice of vendors.

In addition to the purchasing function, other responsibilities often assigned to LUA purchasing personnel include:

- Maintaining a central stores/warehouse.
- Maintaining capital asset inventories (see Chapter IV-7).
- Maintaining and repairing equipment
- Disposing of obsolete equipment.
- Processing accounts payable.
- Operating a print shop.
- Maintaining a records retention system (see Chapter V-3).

#### DEVELOPING PURCHASING FINANCIAL POLICIES

As Chapter IV-1 indicates, financial policies are the guidelines that school boards should establish and follow when making financial decisions about the future of their LUAs. The school board should concern itself with overall procurement policies. School board members can be most effective when they establish purchasing policies which include the scope and direction of LUA procurement.

Purchasing policy issues that school boards must consider include:

- Should the purchasing system be centralized?
- Should written purchasing rules and regulations be developed?
- Which purchases must be bid formally?
- Should local bidder preference be authorized?

- Should the LUA use Georgia governmental, educational, or consortium purchasing contracts?
- Who should award bid contracts?
- Who should be authorized to use financial transaction cards, and what can those cards be used to purchase?

Each of these policy issues are discussed below.

### Should the Purchasing System be Centralized?

Although the Georgia Department of Education (GA DOE) does not require that LUAs operate centralized purchasing systems, LUAs are encouraged to adopt centralized purchasing to the extent that it has enough personnel and other resources. Accordingly, LUAs must decide whether to use a decentralized or centralized purchasing system. School boards need to approve a financial policy addressing the type of purchasing system the LUA should use.

With a decentralized purchasing system, each school principal, department director or supervisor (e.g., maintenance supervisor) purchases goods and services from the vendors of their choice. A decentralized purchasing system deprives a LUA of economy of scale in its purchasing, thus reducing its purchasing power and control of this important operation.

Ideally, LUAs should centralize their purchasing system as explained below.

Centralized purchasing occurs when all LUA purchasing is centralized with a single person or office. The argument that purchasing is decentralized because "that is the way it's always been done" is not a valid argument in the current environment. The school board should adopt financial policies which require a centralized purchasing system.

Every centralized purchasing system should have a purchasing agent or director. Remember, to centralize a system, adequate personnel must be made available to complete this task or it will fail. Normally, the purchasing responsibility is assigned to the business function of the LUA.

Advantages of a centralized purchasing system are presented below:

- Lower unit costs should be obtained through bulk purchases resulting from consolidation of the requirements of the schools and other user departments.
- Small orders and emergency purchases will be reduced to a minimum under an efficiently operated centralized purchasing system by consolidating and scheduling purchases.

- Reduction in overhead costs through reduction of personnel, or a reduction in time allocated to purchasing could be achieved through the elimination or consolidation of the purchasing personnel in many separate departments. This reduction only will occur in larger LUAs.
- The volume of paper work should be reduced as a result of fewer purchase orders, bids, invoices, checks and related accounting documents.
- Procedures and processes will be standardized because of centralized control, resulting in savings of time and labor with increased efficiency.
- Standards and specifications should be reduced or unified to a large degree since a centralized purchasing system usually will require standardization of goods and services. This is particularly true in schools since most schools have similar supply and equipment needs.
- Delayed deliveries and rush orders should be minimized because of centralized control.
- Systematic schedules can be developed because bids and orders will be processed in a normal, orderly fashion.
- Increased efficiency should result from centralized supervision over inspection by sampling and testing of deliveries; storage, issuance, and distribution of supplies; interdepartmental transfers; and trade-in or sale of surplus or obsolete equipment.
- Closer accounting control over expenditures should bring savings through the consolidation of purchasing budgets and cooperation between the purchasing and budget offices.
- Buying techniques should be improved and favoritism discouraged through a consolidated grouping of trained buyers with knowledge of supply sources, requirements, market trends, prices, manufacturing processes and past purchasing records. In larger LUAs, buyers will be full-time personnel.
- Problems with suppliers should be simplified by a reduction in the number of orders and deliveries, by less paper work and bookkeeping, and by the convenience of having the purchasing activities in one location so that sales personnel can conduct their business on a "one-stop" basis with experienced purchasing personnel.
- Uniform prices should be obtained for identical items.

Generally, it is estimated that centralized purchasing should result in average savings of between 10% and 35% over a decentralized system.

A centralized purchasing function does not ignore school principals, teachers, department directors and supervisors in the purchasing process. Requisition for goods and services still would originate in schools. There would be better cooperation between the purchasing person and the school and department personnel who likely have more knowledge about the product or service being purchased. It is suggested that the LUA purchasing function involve these personnel in the following steps:

- Preparation of bid specifications;
- Selection of eligible bidders;
- Evaluation and award of bids to vendors;
- Supporting recommendations to the school board.

A sample policy regarding centralized purchasing follows:

"The local unit of administration (LUA) will maintain a centralized purchasing system where all LUA purchases will be coordinated by the purchasing department."

### Should Written Purchasing Rules and Regulations be Developed?

Because of the importance of purchasing rules and regulations, the school board should adopt a policy requiring the preparation and updating of these rules and regulations. Written rules and regulations provide the basis for a sound, efficient centralized purchasing system. In addition, it provides the vendors with a working knowledge of how the LUA purchasing process works.

It is suggested that two sets of purchasing rules and regulations be developed. First, a set should be developed for internal LUA personnel use. These rules and regulations would document the purchasing process and provide an excellent document for use by new LUA personnel. This document also will answer most of the day-to-day purchasing questions for purchasing personnel, school principals, department directors and supervisors. The board policy should include the rules and regulations governing the use of financial transaction cards such as credit cards and p-cards. The policies should adhere to requirements set forth in OCGA §36-8-24, as discussed further in this document.

Secondly, it is suggested that a separate document be prepared for use by vendors. Every formal bid that is mailed to bidders should indicate that the bidder (i.e., the vendor) has read the vendor rules and regulations and agrees to adhere to these rules and regulations. This document would not include internal LUA purchasing procedures, but would emphasize LUA policies relating to vendors, such as how to become a LUA bidder, how bids are awarded,

how to submit bid samples and grounds for rejection of bids.

The contents of each of these types of rules and regulations are discussed later in this chapter.

A sample policy regarding purchasing rules and regulations follows:

"The purchasing department will maintain purchasing rules and regulations for internal use and will maintain and distribute to all eligible vendors purchasing rules and regulations written specifically for these vendors."

### Which Purchases Must be Bid Formally?

A bid is considered a formal bid when competitive sealed bids are requested which are legally advertised, and there is a public bid opening. Georgia Code Section 20-2-520 requires LUAs to publicly advertise and award through an open and competitive process construction contracts over \$100,000. The best approach to use in determining when to bid selected items is to establish various levels of purchasing thresholds. A purchasing threshold is defined as the total estimated cost of the purchase in excess of an established dollar amount, resulting in some formal purchasing action (e.g., a formal bid). The amounts included in the thresholds may vary depending on the size of the LUA. The LUA should consider the size of the budget in setting thresholds. Thresholds established for a mid-sized LUA might be as follows.

- Purchases over \$10,000 - All purchases with an estimated total cost of \$10,000 or more require formal competitive sealed bids. (i.e., advertised with a public bid opening)
- Purchases \$5,000 to \$10,000 - All purchases with an estimated total cost between \$5,000 and \$10,000 require informal (non-advertised) sealed bids.
- Purchases \$5,000 to \$2,500 - all purchases with an estimated total cost between \$5,000 and \$2,500 require written quotations from at least three prospective bidders.
- Purchases \$2,500 to \$500 - all purchases with an estimated total cost between \$2,500 and \$500 require quotations (either in person, telephone, fax or written) from at least three prospective bidders.
- Purchases less than \$500- for all purchases with an estimated cost up to \$500, buyers are to use their professional judgment as to source of supply and the number of quotations to solicit.

## Should Local Bidder Preference be Authorized?

As mentioned earlier in this chapter, encouraging competition is an important factor in maintaining a quality purchasing system. Unfortunately, this principle conflicts with local bidder preference. Local bidder preference is defined as giving preference in awarding a purchase contract to bidders who are taxpayers of the community. If local bidder preference exists, this fact should be adopted in a LUA policy and all bidders should be aware of the policy (i.e., usually it is included in the adopted rules and regulations distributed to the vendors).

Generally, bids should be awarded to the bidder whose bid:

- Meets the specifications and other requirements of the invitation to bid.
- Is the lowest, most responsive, and best bid, considering price, responsibility of bidder and all other relevant factors.
- In the case of a proposal in which specifications are weighted more heavily than price, the vendor whose proposal best meet the goods or services requirements.

In addition to the above principles regarding the awarding of bids, an argument can be made that purchasing locally will help the local economy by providing revenues to local businesses (i.e., taxpayers) and providing employment opportunities to citizens as a result of this additional business. If local businesses do not earn adequate revenues, they may go out of business, thereby potentially reducing the value of both real and personal property which reduces LUA tax revenues.

Those that oppose local bidder preference indicate that if the LUA pays more for a good or service because the bidder is local, in essence, the LUA is subsidizing one taxpayer (i.e., the business receiving the bid award) from all other taxpayers. In other words, the LUA is paying more than it would if it would purchase the good or service from the low bidder (i.e., an out-of-town bidder). In the long run, normally the LUA loses financially when a local bidder preference policy exists.

One LUA uses the following local bidder preference policy which allows them to buy locally at no additional cost. The LUA purchasing office is given authority by the school board, after all sealed bids are opened, to negotiate with the next low LUA bidder (assuming that an out-of-town bidder submitted the lowest best bid) when a bid by the local bidder is not more than 3% higher than that of the low out-of-town bidder. Acceptance must be made in writing with 48 hours by the LUA bidder. Negotiations may be utilized in procurement up to \$20,000. An example of how this policy would work follows:

Bidder "A" an out of town LUA bidder bids	\$10,000
Bidder "B" a LUA bidder bids	\$10,250
Bidder "C" a LUA bidder bids	\$10,400

Bidder "B" will be contacted and given 48 hours to meet the bid of Bidder "A" since the local bidder's bid is within 3% of the out of town bidder. If Bidder "B" agrees to meet the bid price of Bidder "A" by written confirmation, the school board may award the contract to Bidder "B." If Bidder "B" declines to accept the award, Bidder "A" would be awarded the bid since Bidder "C's" (a second local bidder) bid is not within 3% of the low out-of-town bid. If a LUA decides to adopt this type of policy, it is suggested that the policy be reviewed by legal counsel prior to adoption.

If a LUA chooses not to offer a local bidder preference, no financial policy would be necessary. However, if a school board desires to offer local bidder preference, a sample policy (using the above example) follows:

"If all other relevant factors are met, the purchasing department is authorized to negotiate with a local bidder to reduce its bid to that of the lowest bid received from an out-of-county bidder if the local bid is within 3% of the lowest bid. Negotiation is limited to purchases up to \$25,000."

Another option would be to give preference to a local bidder in the event of a tie.

### Using Georgia Statewide Purchasing Contracts

There are various options available to LUAs to purchase quality products at low costs through Georgia State Contracts issued by the Department of Administrative Services (D.O.A.S.) or the Georgia Technology Authority (G.T.A.), United States General Services Administration (G.S.A.), Western States Contracting Alliance (W.S.C.A.), and U. S. Communities. If the LUA wishes to take advantage of these options, an exception may be included in the purchasing policy exempting a purchase from the requirement to bid if obtained through other government sources.

Three primary sources exist:

- The Georgia Department of Administrative Services (DOAS) <http://www.doas.georgia.gov>
- Georgia Correctional Industries <http://www.gci-ga.com>
- Georgia Industries for the Blind <http://www.vocrehabga.org/>

The DOAS provides a listing on their website of products and services that may be obtained by state and local government under statewide contracts. In addition, DOAS offers a free web-based advertising system for publicizing government contract opportunities. The Registry's popularity among its users ensures that contract opportunities are quickly and widely disseminated to the vendor community.

The Georgia Correctional Industries provides a listing of their products on their website. They also offer sales representatives by county. Products available include furniture, garments, signage, chemicals, and print services. Orders may be submitted by phone, fax, or mail.

The Georgia Industries for the Blind sells janitorial supplies, office supplies, plastic cutlery, and safety products. They also do screen printing. Orders are taken via phone, mail, or email.

### Who Should Award Bid Contracts?

After a decision is made regarding the award of a formal invitation to bid, the question regarding who should award the bid needs to be answered. In smaller LUAs which award very few formal bids, usually the school board will award the bid through formal action. However, in larger LUAs, often the purchasing department can award the bid with no subsequent formal action required by the school board. In these instances, the school board may receive notification of the award as information.

Normally, most of the items included in formal invitations to bid originally were approved by the school board during the budget adoption process. Therefore, the school board should not need to discuss detailed information regarding the bid award, since a similar discussion should have occurred during the budget adoption process. A second drawback to having the school board approve each invitation to bid is that the purchasing process is slowed down waiting for board meetings.

If a school board decides not to award each invitation to bid, no policy is necessary. However, some school boards may award all formal bids in excess of a specific dollar total. A sample financial policy regarding school board approval of bids follows:

"The purchasing director is delegated the responsibility to award all formal "invitations to bid" totaling less than \$50,000. In these instances, subsequent notification to the school board is required. Only the board shall award all formal "invitations to bid" that total \$50,000 or more."

### Who should be authorized to use financial transaction cards, and what can those cards be used to purchase?

State laws relating to LUA purchasing allow the LUA to issue Financial Transaction Cards (Purchasing Cards or P-Cards) to designated officials and/or elected officials if approved by a public vote. State Law governing the use of Financial Transaction cards dictate what the

LUA policy will include and provides specific penalties for unauthorized use of the Financial Transaction Cards.

A school board should develop and approve a policy to follow in authorizing and the use of financial transaction cards. Requirements for the policy and procedures are detailed further in this chapter.

## **GEORGIA LAW RELATING TO PURCHASING**

State laws relating to LUA purchasing are very limited. O.C.G.A. § 20-2-500 of Georgia statutes authorizes the GA DOE to promulgate rules and regulations for LUA contracts or purchases over \$100 for or on behalf of students.

O.C.G.A. § 20-2-506 authorizes LUAs to enter into multiyear lease, purchase, or lease purchase contracts of all kinds for the acquisition of goods, materials, real and personal property services, and supplies, provided that any such contract shall contain certain provisions. Chapter IV-5 explains these provisions.

The 2009 Session of the General Assembly enacted legislation requiring LUAs, in purchases over \$100,000, to give preference to supplies, materials, equipment, agricultural products, and school buses produced in Georgia. Instructional materials and beverages for immediate consumption are excluded from the provisions of the legislation. The LUA must consider, in the bidder's estimate, of the multiplier effect on the gross state domestic product and the effect on the decision to purchase Georgia manufactured or produced goods, as opposed to out-of-state manufactured or produced goods. This estimate must be in writing as a part of the bidder's submitted bid. The legislation specifically prohibits the division of a contract or purchase of these items over \$100,000 to circumvent this requirement. Quality shall not be sacrificed to satisfy the preference of an in-state bidder.

The 2015 Session of the General Assembly enacted legislation imposing restrictions on the use of purchasing or credit cards. O.C.G.A. §36-80-24 prohibits LUA's from issuing purchasing or credit cards to elected officials unless approved by a public vote and promulgated specific policies governing the use of such cards. Specific penalties were also established for violating the approved use of the purchasing or credit cards.

The 2019 Session of the Georgia General Assembly amended legislation to provide for the advertisement of certain bid or proposal opportunities. O.C.G.A. §36-80-27 states the following: "If a bid or proposal opportunity is extended by a county, municipal corporation, or local board of education for goods, services, or both, valued at \$100,000.00 or more, such bid or proposal opportunity shall be advertised by such respective local governmental entity in the Georgia Procurement Registry, as established in subsection (b) of Code Section 50-5-69, at no cost to the local governmental entity. Such bid or proposal opportunity shall be advertised on such registry for the same period of time, as set by ordinance or policy, if any, as the county, municipality, or local board of education advertises bid or proposal opportunities in the official legal organ or other media normally utilized by the local

governing entity. Each advertisement shall include such details and specifications as will enable the public to know the extent and character of the bid or proposal opportunity. The link is located on the DOAS website: [https://ssl.doas.state.ga.us/PRSapp/PR\\_login.jsp](https://ssl.doas.state.ga.us/PRSapp/PR_login.jsp)

Further, the GaDOE State Board of Education has updated State Board Rule 160-5-4-.18 to include the requirements for construction-related bids. The Facilities Division also includes a worksheet to complete to indicate the assurance of advertising on the Procurement Registry website: <https://www.gadoe.org/Finance-and-Business-Operations/Facilities-Services/Pages/Facilities-Services-Resources.aspx>

## FEDERAL GUIDELINES RELATED TO PURCHASING

When developing purchasing policies and procedures, newly issued Uniform Grant Guidance which became effective for school districts for Fiscal Year 2016 (procurement was delayed until Fiscal Year 2017), details guidelines which must be included in these procurement and purchasing policies. Additionally, these guidelines will become part of the federal monitoring for LUA's. The Uniform Grant Guidance (UGG) requires procedures that address:

- Written Conflicts of Interest Policy - §200.318(c)
- Written Procurement Procedures - §200.319(c)
- Written Method for Conducting Technical Evaluations of Proposals and Selecting Recipients - §200.320(d)(3)
- Documented Open Competition
- Vendor Selection and Cost/Price Analysis - §200.320
- Solicitation of bids and protest procedures
- Contract provisions and administration
- Conflicts of Interest
- Separation of Duties

Micro-Purchases: The purchase of supplies or services not exceeding \$10,000 do not need competitive quotes; however, the price must be reasonable.

Small purchase procedures are defined as purchases or the procurement of services, supplies or other property greater than \$10,000 and up to \$250,000. Price or rate quotes must be obtained from an adequate number of qualified sources.

More detailed information on Federal purchasing guidelines can be found in the Uniform Grant Guidance. Additionally, the [Federal Programs Handbook](#) contains updated information related to purchasing supplies and services with federal funds.

## PURCHASING RULES AND REGULATIONS

As discussed above, purchasing rules and regulations are critical for LUAs to have a high-quality purchasing program. Generally, there are three types of purchasing rules and regulations:

- Those designed primarily for the vendor use.
- Those designed exclusively for internal use.
- Those designed for both internal and vendor use.

### Purchasing Rules and Regulations for Vendor Use

Purchasing rules and regulations designed for vendors not only provide vendors with an overview of the LUA purchasing process but also protects the LUA from vendors who indicate that they were not aware of certain purchasing procedures. Normally, any vendor on the bidder's list should receive a copy and must indicate, when they complete the bidder's list application that they read, understand and will adhere to its contents. A sample table of contents for vendor purchasing rules and regulations follows:

- Introduction.
- Eligibility to bid.
- Solicitation of bids.
- Submission of bids.
- Handling of bids and quotations.
- Awarding of invitations to bid.
- Performance by successful bidder.
- Deliveries
- Other procedures.

## Purchasing Rules and Regulations for Internal Use

Purchasing rules and regulations prepared for internal use provide an excellent tool to document the LUA's purchasing system. A sample table of contents follows:

- Introduction.
- Purchasing objectives.
- Purchasing policies.
- Duties and functions of the purchasing department.
- Duties and functions of the user schools and departments.
- Authorization and use of purchasing and credit cards.
- Purchasing cycle flow chart.
- Purchase requisitions.
- Bids and contract procedures.
- Posting on the Georgia Procurement Registry
- Quotation procedures.
- Emergency purchases.
- Petty cash purchases.
- Purchase orders.
- Request for voucher check.
- Receiving merchandise.
- Vendor performance evaluation.
- Purchasing ethics.

## THE PURCHASING PROCESS

The purchasing process will vary between LUAs depending upon their size and sophistication. However, most of the following steps are required in the purchasing cycle:

- Requisitions for items are received from the schools and user departments.
- Budget availability is determined.
- When formal bidding is required, decisions must be made regarding:
  - Which items must be bid?
  - Who may bid?- Bid specifications.
  - Bid openings.
  - Bid evaluation.
  - Bid award.
- With informal bidding (e.g., quotations), decisions must be made regarding.
  - Which items must be quoted?
  - Who will receive quotations?
  - Quotation awards.
- With purchase orders, consider:
  - When must they be issued?
  - Who issues them?
  - What information should they include?
- When receiving merchandise or services:
  - Who receives the merchandise/acknowledges receipt of services?
  - How is receipt validated?

- Invoice payments require decisions regarding:
  - Who validates payments?
  - The flow of paperwork.

## Requisitioning Goods and Services

Basically, there are two types of purchasing cycles used by LUAs as discussed below:

- Type I

To start the purchasing process, normally the goods or services must be requisitioned. Some LUAs incorporate the requisition process within the budget process. If the LUA is using a "top down" budget approach (see Chapter IV-2 regarding this budget approach), a school principal will receive a per pupil allotment and then submits requests for specific supplies and equipment as part of the budget process. Once the budget is approved, these requests serve as the requisition for the supplies and equipment and no further action is required by the school principal. An advantage to this approach is that all the budget requests can be summarized and included in formal bids for all schools.

- Type II

The other method most commonly used requires the school principal or user department to submit a "purchase requisition." Normally this form is standardized for all requestors. The following information might be included on a purchase requisition:

- Sequentially assigned number.
- Requesting department or school.
- Date of request.
- Budget code to be charged.
- Quantity required.
- Description, model number, or other specifications of required purchase.
- Desired delivery date and location.
- Estimated unit price.

- Authorized signature.

### Validating Budget Availability

Obviously, no goods or services should be requisitioned unless they have been included in the annual approved budget. In most LUAs, someone checks all purchase requisitions to ensure that an adequate budget is available before the requisition is processed. Some LUAs assign the budget responsibility to the school principal or user department, therefore once the budget initially is approved, additional budget approval is not required at the central office level to proceed with the purchasing process.

### Formal Bidding

One of the first bidding issues to be addressed is, which items must be bid? As discussed earlier in this chapter, several factors should be weighed in establishing a bid limit (i.e., the dollar amount of purchase when a formal bid is required). The lower the dollar threshold, the more formal bids would be required resulting in more competition. On the other hand, there is a cost associated with the soliciting of bids. It takes time and materials to go through the formal bid process. However, if the bid limit is set too low resulting in many formal bids, there can be delays in supplying schools and user departments due to the time required for the bid process. One factor in determining the formal bid threshold should be the total dollar volume of purchases. If the LUA is large and makes substantial purchases, the bid threshold should be fairly high to ensure timeliness of receipt of goods and to avoid excessive associated costs. If the purchase volume is small, the bid threshold should be lower.

Under no circumstances should local LUAs split a purchase order into two or more smaller orders in order to avoid a bid limit. This practice occurs sometimes when the bid limit is too low. The bid limit normally applies to the total cost of purchase or could apply to unit cost of the purchase.

### Who May Bid?

LUAs should require vendors to pre-qualify for formal bidding eligibility. Pre-qualifying bidders reduces the likelihood that the LUA will be sending bids to bidders who really have no interest in bidding. If bidders are required to pre-qualify, it should indicate that they have a sincere interest in doing business with the LUA.

Normally to pre-qualify, a vendor must complete an application and the LUA should search the federal and state debarment lists to ensure the vendor is not listed. Some of the important elements that should be included on the application follow:

- Business name and address.
- Federal identification number.

- Persons authorized to sign bid.
- Whether the vendor has a business license within the city or county.
- Bank reference.
- Minimum financial data.
- A statement indicating that all applicable real and personal property taxes are paid.
- Should the LUA have a Policy on Equal Opportunity, the affidavit of compliance by the vendor should be included in the application
- Should the LUA have limited purchasing staff, an option could be to have the vendor certify non-collusion and debarment through certificates
- The vendor should submit compliance with the Georgia Security and Information Compliance Act of 2006
- Proof of the following policies listing the LUA as an additional insured, should be included, if applicable; general liability, professional liability, property damage, automobile liability, umbrella excess insurance, environmental impact liability and/or pollution liability.
- The LUA should include a hold harmless agreement against LUA employees and the LUA.

After a vendor is eligible and is added to the pre-qualified bidder's list, a procedure should be established to remove vendors from the list for a variety of reasons such as:

- Past delivery of goods or services which did not comply with the specifications of the vendor's contract with the LUA.
- Failure to make delivery within the time specified in the contract or order from the LUA.
- Failure to keep offer firm for length of time specified by vendor in bid.
- Failure to provide performance bond when required by invitation to bid.
- Delinquency in payment of taxes.
- Evidence of prior collusion with other bidders or prospective bidders to restrain competitive bidding.

- Providing information in an application for inclusion on the bidders' list that later is found to be false or materially misleading.
- Any substitution of an item, even though of the same quality, without securing the written consent of the LUA.
- Bankruptcy or other evidence of insolvency of the vendor.
- Failure to respond to bids.

### Preparing Bid Specifications

An essential requirement of a centralized purchasing program is that goods be standardized and purchased in accordance with carefully developed specifications. Standardization takes advantage of lower prices that result from buying in bulk. It also lowers the administrative cost of purchasing by reducing the total number of purchases made. Purchasing officials should attempt to minimize the number of different kinds of items which must be purchased.

To begin the development process for specifications, conduct a careful study of the types of materials and equipment in use and the services which they support. Frequently it is found that different sizes and qualities of the same item are being used. For example, envelopes are items that often are not standardized. Some differences may be justified, but others are not defensible when the unit cost reduction, resulting from standardization, is considered. Other materials which lend themselves to standardization include stationery, gasoline, cleaning compounds, paper towels, hand tools, instructional supplies, computers and office supplies.

LUA purchasing agents should take the initiative in establishing a standardization program. However, standardization should not be forcibly imposed upon schools or departments. Instead, it is more effective to encourage school principals, teachers, and department heads to reach agreement about what items should be standardized.

If bid specifications are written clearly, the bid evaluation process can be reduced almost to a clerical process. It is essential for the bid specifications to be clear and accurate. Specifications should include a clear and complete description of the essential qualities which products should have if they are to meet the acceptable purchase requirements of the LUA. A vendor must meet or exceed specification requirements if his/her goods or services are to be considered for purchase. Specifications may be in the form of written descriptions, drawings, commercial designations, industry standards, or other descriptive references. They become an integral part of the purchase order or contract.

Specifications should not require materials of a higher quality than is needed. Also, they must prescribe the methods of inspection and testing which will govern the acceptance or

rejection of ordered materials or equipment.

Well-written specifications are essential if the twin objectives of economy and efficiency are to be achieved. Quality specifications help to ensure that maximum value is being obtained for the public funds spent. Additional benefits include

- All qualified suppliers, large or small, can compete on an equal basis.
- Disputes centering upon whether a delivered product is what was ordered are minimized.
- It is much easier to make cost-saving cooperative purchases with other LUAs if commonly accepted specifications are used.

Responsibility for preparing specifications varies depending upon the particular resources of a LUA. Large LUAs depend upon school principals, teachers, department directors, the purchasing department and consultants to prepare and maintain specifications. Involving the user departments or schools in the development of specifications helps minimize subsequent problems in purchasing process.

LUAs should use the assistance of agencies which specialize in preparing and maintaining specifications. The State of Georgia, DOAS, Purchasing Division, offers prepared specifications for a wide range of supplies and equipment for the items on State contract. Most are posted with the State Contract list. If the specifications are not listed, contact the contract person listed on the particular bid for that information. In addition, the General Services Administration publishes an Index of Federal Specifications and Standards which can be used to obtain specifications. This index covers a more comprehensive number of goods than the State's list.

Specifications can be obtained by contacting DOAS's Specifications Section which keeps the federal specifications on file.

LUAs capable of preparing their own specifications should remember certain points:

- Use specification writing assistance whenever available.
- Keep specifications clear and accurate.
- Update specifications regularly to reflect changes in technology.
- Avoid the use of unfair specifications which preclude or reduce competition.

## Bid Openings

At the bid opening, the purchasing director should open all bids received by required deadline and read the vendor name and bid amount aloud. This information should be recorded on a bid tabulation sheet.

Under no circumstances should the purchasing director or the person abstracting the bids answer any questions about the award of the bid at the bid opening.

## Disposition of Late Bids

Late bids should be retained unopened until after the award of invitation to bid. Subsequently, the bid, unopened, should be returned to the bidder by certified mail indicating that the bid was received too late.

## Bid Evaluation

It is strongly suggested that school principals, teachers and/or department users become involved in the bid evaluation. The product user should have the most knowledge about whether a specific bid meets the bid specifications. Obviously, these same personnel should have been involved in determining the bid specifications.

Check each bid carefully and thoroughly to be sure that the evaluators are aware of its contents. Sometimes, bid samples are required and used to evaluate bids (e.g., copy paper, colored markers, floor wax).

## Bid Rejection

In addition to not meeting the basic bid specifications, some grounds for the rejection of bids include the following:

- Non-responsive bids.
- Incomplete bids.
- Collusive bids.
- Late bid submission
- Disqualified vendors

## Award of Bid

The bid award should be made to the vendor providing the "best bid." The best bid means the bid with the lowest cost and highest value (including cash discounts) that meets the specifications. Considerations other than cost might include:

- Vendor experience if services are bid
- Warranty period
- Convenience - it might be easier to purchase gasoline from a supplier who is located near the bus garage.
- Administrative ease - if one low cost item on a bid is awarded to a single vendor with all other items awarded to another vendor, it might be less costly to award the total bid to the second bidder eliminating the need to prepare an additional purchase order.

These other considerations should be included either in the invitation to bid or preferably in the purchasing rules and regulations. In other words, all bidders should understand the rules of the purchasing LUA.

Should local bidders be given any preferences in the award of the bid? This question is discussed earlier in this chapter. Generally, if local bidders are awarded bids for which they are not low bidder, this policy may result in a greater cost to the LUA and potentially can reduce the amount of competition if non-local bidders decide not to bid in the future.

## Informal Bidding

Informal bidding should be used for those purchases with estimated costs less than the formal bid threshold. With informal bidding, many of the same procedures discussed above are used. Informal bidding may use the same procedures as formal bids; however, the bids are not advertised nor is there a public bid opening.

Informal bids often are termed "quotations." These may be written, telephone, email or faxed quotes. Any of these procurement processes are appropriate.

## Emergency Purchases

Sometimes LUA have emergency purchases. An emergency purchase is warranted only in a true emergency situation. Emergency situations are those in which operations of the schools or departments would be seriously hampered, or when the protection or preservation of LUA public properties would not be possible by submitting a requisition in the usual manner. Failure to plan properly is not justification for an emergency purchase. Emergency purchases can be costly because they are made hurriedly, often on a non-

competitive basis. Every effort should be made to keep purchases of this type to an absolute minimum.

Usually with emergency purchases, special procedures might apply. For example, for emergency purchases during working hours, the school or department should notify the purchasing office which will authorize the purchase verbally. If the emergency occurs outside of working hours, the purchasing director or designated person (e.g., the LUA superintendent) should be contacted for approval. If no one is available, the purchaser should use his/her best judgment regarding the emergency purchase with subsequent formal approval.

The Georgia Department of Administrative Services provides guidance on emergency purchases in the Georgia Procurement Manual:

#### 1.3.5. Emergency Purchases

*In accordance with (O.C.G.A.) Section 50-5-71, State Purchasing Division has granted the authority to state entities to purchase urgently needed items arising from unforeseen causes, including, but not limited to, extreme weather conditions or official declared emergencies.*

*Emergency purchases are an exception to the Order of Precedence. An emergency procurement is handled outside of the normal competitive process for purchases greater than \$24,999.99 because of the urgency of the circumstances, such as the immediate welfare of the general public. Therefore, State Purchasing Division approval is not required in advance of the emergency purchase. Poor planning or the pending expiration of funds does not constitute a valid justification for an emergency purchase. It is always good business practice and considered to be in the best interest of the state of Georgia to make any procurement as competitive as time permits. The state entity is authorized to handle the emergency purchase whether or not the dollar amount of the emergency purchase falls within the state entity's delegated purchasing authority.*

#### Purchase Orders

Once bids are awarded or purchases authorized, a purchase order should be issued. In LUAs, purchase orders serve two primary purposes:

- The order for goods or services.
- A document which will result in the encumbering of the budget appropriation line item.

In a centralized purchasing system, all purchase orders should be issued by the purchasing department. Some LUAs issue purchase orders for all purchases such as utilities, travel, etc. This use allows for the appropriate encumbering of budgeted resources.

Generally, the contents of a purchase order include:

- Requisition number.
- Purchase order number.
- Terms of payment.
- Name and address of vendor.
- Shipping destination.
- Account number to be charged.
- Quantity.
- Unit of purchase.
- Item requested.
- Unit cost.
- Total cost.
- Authorized signature.

The distribution of a purchase order varies widely from LUA to LUA. The purchase order may be submitted to the vendor as evidence of the order. In addition, a copy is typically maintained either physically and/or electronically to match against the packing slip and invoice.

### Receiving Orders

The process of receiving, inspecting and testing the contents of an order can become a sophisticated process, or a simple one. Inspection and testing of delivered materials or equipment usually occurs at the time of delivery. Receiving departments should exercise care to ensure that the quantity and quality of the delivered goods are as ordered. LUAs spend many hours in formal bidding, so it is important to carefully check to ensure that the items received are as ordered. In the case of certain types of items, the user department may not have the technical knowledge or facilities to perform adequate testing. Another problem occurs in LUAs when deliveries are made to schools during the summer when only the custodian is available to determine if the correct order was received. Those larger LUAs with a central warehouse eliminate this problem if all goods and services are delivered to the warehouse.

One of the roles of the purchasing agent is to assist with inspection and testing on a spot basis, and to develop a systematic program to ensure that school and department personnel are trained properly in this function.

If goods are received as ordered, school or department personnel complete a receiving report to certify their receipt. The receiving report may be a copy of the purchase order or the packing slip received with the item. In any event, proof of receipt should be signed by an authorized individual. The receiving report is forwarded to purchasing and then to accounting, or directly to accounting. It is critical that the receiving report be processed as promptly as possible. Some vendors offer a discount if paid within a certain time period (e.g., ten days). Payment cannot be made until the receiving report is audited and checked against the purchase order and invoice.

#### Invoice Payments

Normally when the receiving report is received in the accounts payable section of the finance office, it is matched up with a copy of the purchase order and the invoice. Then the invoice is processed for payment. Some LUAs have the school board approve all invoice payments. Others write checks periodically without approval of the school board.

#### JOINT PURCHASING WITH OTHER LUAs

Cooperative purchasing can be defined as the joint-purchasing of common goods or services by more than one unit of LUA. LUAs can choose several ways to cooperatively purchase goods and services.

1. In a joint association between two or more LUAs, a larger LUA can provide purchasing resources to one or more smaller LUAs at no increased cost to the larger LUA.
2. Smaller LUAs can join to purchase more and better services, the increased cost being distributed proportionately among them.
3. A new legal entity, such as a regional purchasing council or association, can be created to serve member LUAs. In Georgia a purchasing consortium known as the Cooperative Purchasing Agency provides procurement services to LUAs served by Regional Education Service Agencies (RESAs) located in north Georgia. Member LUAs receive substantial savings from the bulk purchasing power of the cooperative.

Among the advantages of cooperative purchasing are:

It enables LUAs to buy at sizeable quantity discounts not otherwise available to single LUAs. Not only does a combined purchasing organization save the taxpayers' money, but also it pays for itself, usually within the first few months

of operation.

- Joint buying provides LUAs with the means for hiring a full-time professional purchasing agent, which small LUAs can seldom afford individually, to administer their purchasing programs. A joint purchasing group which includes a large LUA with an established professional staff could simply expand the existing purchasing function without hiring an additional agent (i.e., the large LUA profits by increased savings and joint support for the staff).
- Combining the purchasing functions of LUAs increases staff and clerical resources and provides greater flexibility in adjusting to fluctuations in workload. Additional personnel from participating units can supplement the central staff during peak periods, eliminating lay-offs or short-term hires, and resulting in more productivity and smoother workflow. A centralized administrative staff also can deal more effectively with unexpected major snags such as partial deliveries, improper adherence to specifications, difficulties in inventory accounting and budget procedures, and tracking back orders.
- A cooperative purchasing arrangement also provides LUAs with procedures and resources to handle both short and long-term planning. For example, a cooperative purchasing agency provides the fiscal and administrative framework for defining objectives for a capital improvements program, implementing perpetual inventory control systems, transferring operations to a data processing system, and coordinating purchases that might be made with a nonmember agency such as a city or hospital.
- A combined purchasing operation can relieve the pressures on over-worked LUA personnel caused by public purchasing requirements and the restrictions set on LUA officials. For example, LUAs often require that every purchase order over a specified amount be subject to competitive bidding, but staffs frequently do not have personnel to administer this key function adequately. Lack of time, materials, and knowledge result in expensive delays in servicing operating departments.

#### PURCHASING OR CREDIT CARDS

OCGA §16-9-30 discusses the illegal use of financial transaction cards. The code section explicitly includes school systems in the definition of government. OCGA §16-9-37 further indicates the authorization of the use of the financial transaction cards must be in writing. Code Section 16-9-37 states “Any person who has been issued or entrusted with a financial transaction card by a government for specifically limited and specifically authorized purposes, provided such limitations are in writing, and who uses the financial transaction card in a manner and for purposes not authorized shall be punished...”

OCGA §36-80-24 prohibits the use of financial transaction cards by elected officials of local school systems unless the following parameters are met:

- Purchases are solely for items or services directly related for public duties
- Purchases are in accordance with guidelines adopted by the local school system.
- Documents related to such purchases by elected officials shall be available for public inspection

OCGA §36-80-24 further states no school system shall issue government purchasing or credit cards to elected officials on or after January 1, 2016 until the governing authority of the local school system, by public vote, has authorized such issuance and has promulgated specific policies regarding the use of such cards for elected officials.

The LUA Policy for use of financial transaction cards shall include the following:

- Designation of officials authorized to be issued card
- Requirement for authorized users to sign and accept agreement for use of card
- Transaction limit
- Description of what purchases will be authorized
- Description of what purchases will not be authorized
- Designation of the purchasing or credit card administrator
- Process for auditing and reviewing purchases
- Procedures for addressing violations

## PURCHASING ETHICS

LUA officials must avoid all situations in which their public actions may be affected by or come into conflict with their personal interests. LUA officials also would be wise to avoid situations that, even though legally permissible, appear to place them in a conflict of interest situation.

Public confidence in the integrity of the LUA purchasing practices is very important. As a general rule, LUAs should not accept any gifts from vendors.

In no instances, should LUA personnel purchase items through the LUA, to take advantage of lower costs or to avoid the Georgia sales tax. Some LUA personnel may be tempted to purchase goods or services through the LUA and then reimburse the LUA for these costs. This practice is considered unacceptable.

## SUMMARY

The purchasing process in LUAs is very important. There are many groups interested in the process and each has a stake. These groups include the purchasing department, the school board, the user department or school, the vendor and the general public. All efforts should be made to formalize and professionalize the purchasing function.