

PURCHASING PROCEDURES

The Board of Education should ensure that a comprehensive set of purchasing procedures is developed and uniformly followed throughout the school district. This responsibility is generally delegated to the School Business Official and the staff of the purchasing office.

The goal of efficient and economical purchasing of needed goods and services will not be attained unless comprehensive purchasing procedures are established and district staff adhere to such procedures. Without the latter, the best set of purchasing policies and guidelines will be meaningless. The purchasing agent designated by the Board normally will be responsible for running the purchasing program in compliance with the procedures and Purchasing Regulation. The purchasing agent should constantly be alert to ways in which the procedures can be improved.

Among the areas addressed by a comprehensive purchasing procedure are:

1. the manner in which goods and services are requisitioned;
2. how and by whom purchase orders are generated or canceled;
3. standard supply lists;
4. the various forms to be used in each aspect of the purchasing function and where they are routed and filed;
5. the procedures for receiving, storing and inventorying goods and supplies;
6. the procedures for auditing and paying bills and claims for purchases;
7. the procedures for soliciting quotations and competitive bidding;
8. the procedures for informal (non-competitive) and open order purchases; and
9. relations with vendors and sales representatives.

All of these procedures should ensure that: (a) legal requirements are satisfied; (b) budgetary control is maintained; (c) supply shortages are prevented; and (d) the quality of the goods and services meets the specifications.

Nevertheless, the procedures should be as simple and economical as possible; excess documentation is detrimental since it will unnecessarily complicate the function. Procedures also must be flexible to meet changing conditions and emergencies. Above all, the procedures should help the school district accomplish its educational goals and overall mission.

The scope and detail of purchasing procedures will depend, in large part, upon the size of the district and the number of people involved in the purchasing function. There are certain elements that are common to any good procedure. For example, regardless of size, the authority to purchase should be centralized and all purchases and contracts should be coordinated through the purchasing agent or office. In every district, all contracts should be approved or authorized by the Board as required by law. Written requisitions, signed by the appropriate building or department administrator, should be required for all purchases, except occasional urgent, minor purchases of supplies. Requisitions also should be

checked to ensure that a purchase is covered by a budget line authorization and that there is a sufficient unencumbered balance, prior to the issuance of a purchaser order to the vendor. Purchase orders should be serially numbered and kept in the possession of the purchasing agent.

The Office of the State Comptroller has identified a variety of additional considerations that are generally applicable to procedures in any size district. These include the need to establish a cyclical purchasing schedule; the maintenance of files for vendor performance, catalogs, specifications, state contracts, alphabetical and numerical purchase orders, paid claims and other files necessary to document all purchasing activities and facilitate future purchasing; and the implementation of internal controls to prevent embezzlement, theft or other diversion of assets.

The importance of internal controls cannot be over-emphasized. The use of internal controls is a way to ensure that district employees are following all district purchasing policies and procedures, as well as state and local laws.

There are relatively uncomplicated practices that can yield substantial loss control benefits. For example, in the area of purchasing, different individuals should have the authority to approve requisitions and the duty of entering the transaction in the accounting records. There should be strict control of and accounting for pre-numbered forms such as requisitions and purchase orders.

Other sensitive areas, such as receiving, should be adequately protected against loss. It is essential that all orders be checked against shipping documents for shortages and conformity of goods.

Additional practices likewise promote efficiency and control. The State Comptroller recommends that, to the extent possible, school districts should eliminate the routine use of "confirming orders" that are placed verbally and later confirmed in writing. This practice bypasses the encumbering process and prevents the purchasing agent from consolidating similar purchases and obtaining competitive prices. The use of such orders should be limited to emergency situations.

Attention should also be given to following up on back ordered items and nonconforming performance by vendors. These problems will not resolve themselves if left unattended.

It should be remembered at all times that the district's purchasing practices directly affect its reputation with the business community and the general public. It is essential that the Board ensure adherence at all times to the policies and procedures it adopts in this sensitive area.

Installment Purchase Contracts

Section 109-b of the General Municipal Law generally authorizes installment purchase agreements to acquire, erect, construct, or renovate buildings, or to acquire equipment, machinery and apparatus. Section 1725-a of the Education Law specifically authorizes school boards, with the prior written approval of the Commissioner, to enter into agreements for the installment purchase of equipment, machinery and apparatus. An installment purchase contract is an agreement which provides for periodic payments to be applied toward the purchase price or transfers title at the end of the term to the school district automatically or for a nominal sum, or for an option price which is an amount less than the fair market value at the time of purchase. Such agreements are subject to competitive bidding requirements if the total amount to be paid over the life of the agreement, including finance charges, exceeds the statutory threshold.

In an effort to compare the relative costs of such purchasing with more traditional means, Boards may solicit alternative bids both for an installment purchase and an outright purchase.

By statute, installment purchase contracts are subject to various restrictions:

1. they must be approved by the Board;
2. any down payment may not exceed ten percent of the full contract price;
3. payment installments must be substantially equal;
4. no payment may be financed by the proceeds of bonds or notes, nor are payments considered an object or purpose for which bonds may be issued;
5. such contracts are not deemed as indebtedness for gross indebtedness purposes or as evidence of indebtedness under the Local Finance Law;
6. the term of an installment purchase contract, including all renewals, cannot exceed thirty years or the period of probable usefulness as set forth in section 11 of the Local Finance Law;
7. in certain circumstances the contract may be subject to a referendum of the voters of the district; and
8. the contract must contain an "executory clause" which limits liability under the contract to the amount of moneys actually appropriated and available for the contract.

The effect of this last restriction is to avoid characterization of such contracts as unauthorized debt of the district. It also precludes the contract from being considered an ordinary contingent expense of the district in the event of a budget defeat. In such case, the contract would terminate pursuant to the executory clause and the equipment would be returned to the vendor, unless the contract provided otherwise.

The Board must utilize installment purchasing prudently. Fiscal ramifications of imprudent action may be harsh. Therefore, careful analysis of such methods of acquiring equipment must be undertaken before it is determined to use that acquisition route instead of traditional methods. Consultation with the school attorney in connection with such contracts is strongly recommended.

Adoption date: March 23, 2006

Revised: June 22, 2020

