

Elgin ISD
Internal Control Procedures: Purchasing

Goal: To ensure a systematic process to review and approve the purchase of goods and services in compliance with federal grants requirements, state law, Board Policy and local procedures.

Section 1. Purchase Order Approval Authority:

- The Superintendent has delegated the approval of all purchases less than \$50,000 as follows:
 - The Chief Finance Officer will approve purchases between \$5,000 and \$49,999.99
 - The Purchasing Director will approve purchases less than \$5,000
- The Board of Trustees retains the authority to approve all contracts for the purchase of goods or services for any single purchase that exceeds \$50,000.

Section 2. Statutes, Regulations and Board Policies Applicable to Purchasing

- The District will comply with all Texas laws, regulations and Attorney General Opinions related to the purchasing of goods and services.
- The District will comply with all local policies and procedures, such as School Board Policy CH Local and these written purchasing procedures.
- For all purchases with federal grant funds, the District will comply with the federal regulations, EDGAR related to the purchasing of goods and services. [2 CFR 200.317-200.326] effective July 1, 2015.
- All relevant statutes, regulations, board policies and procedures will be made available to all purchasing stakeholders, as appropriate in a paper or electronic format.

Section 3. Requisition and Purchase Order Processing

On-Line Requisition System:

- The District will use an on-line requisition system for all purchases, with the exception of the following:
 - Utilities
 - Game officials
 - Security officers
 - Meals, mileage, etc., as noted on the District's Travel Reimbursement Request Form (purchase orders should be issued for lodging)
 - Reimbursements via revenue accounts
- The Accounting Coordinator will approve all requisition system users/approvers and assign the appropriate account code(s).
- The Chief Finance Officer will approve, and the Accounting Coordinator will create, all requisition approval paths.

Purchase Requisitions:

- Requisitions are internal documents and should not be forwarded to a vendor to place an order.
- All requisitions from grant funds (state/federal) will comply with the TEA and Federal Guidelines for Related Costs and the District's Financial/Administrative Procedures Manual.
- The approval path of requisitions will be as noted below:
 - Principal/Dept. Head
 - Student Activity Fund Specialist in Business Office (if applicable)
 - Technology Department (if technology related)
 - Federal/State Special Revenue Administrator or Designee (if applicable)

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- Accounting Coordinator
- Purchasing Director
- Chief Finance Officer (\$5,000 and greater)
- The requestor (and/or the campus secretary/bookkeeper) will “submit” a purchase requisition using the on-line requisition system.
 - If the vendor that the requestor intends to purchase from does not exist in the vendor database, the requestor will notify the Purchasing Director in order to determine the most effective process for adding the proposed vendor.
 - If the account code(s) that the requestor intends to purchase from do not have sufficient funds, the requestor will follow the Budget Change/Amendment Procedures.
- The requestor will forward all attachments for requisitions such as order forms, registration forms, or other special instructions via email or inner-District mail. The attachment(s) will include the system-generated requisition number.
- The requestor’s supervisor (campus principal or department head) should receive an email notifying him/her that a requisition(s) are pending approval.
- The campus principal or department head will review and approve all requisitions.
- All requisitions from federal grant funds will be reviewed and approved by the appropriate grants manager.
- The Accounting Coordinator or Special Revenue Accountant will review all requisitions prior to releasing the requisition for review by the Purchasing Director or Chief Finance Officer.
 - The review will include the following:
 - A description of the item(s) to be purchased (The description should be complete enough for anyone to understand the item(s) being purchased);
 - The quantity needed/requested;
 - The proposal number, if applicable;
 - Vendor name (Use the LEA’s approved vendor list);
 - The code of the account to be charged;
 - Pricing;
 - Transportation (shipping) arrangements and cost, if any;
 - Requests for requisitions for Federal Grant funds must include justification back-up from the Campus/District Needs Assessment and Improvement Plan, where applicable;
 - Payment terms;
 - Discounts, if any.
 - If any deficiencies are noted with a requisition, the Accounting Coordinator or Special Revenue Accountant will contact the requestor to resolve the discrepancies.
 - If the discrepancies cannot be remedied, the Accounting/Purchasing Specialist will “return” the requisition to the requestor.
 - The Accounting Coordinator or Special Revenue Accountant will “approve” all requisitions that meet the required review.
 - The Accounting Coordinator or Special Revenue Accountant will notify the Purchasing Director if any requisitions are time sensitive.

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Purchase Orders:

- Upon final approval by either the Chief Finance Officer or Purchasing Director, the requisition becomes a purchase order and is assigned a system-generated number.
- Purchase Orders are similar to a “promissory note” in the sense that it conveys to the vendor that if they provide the goods or services, the District promises to pay for the goods or services within a timely manner.
- The Business Office Administrative Assistant will print 4 copies of all purchase orders.
 - The Business Office Administrative Assistant will print purchase orders at 8:00 am-10:00 am, each morning.
- The Business Office Administrative Assistant will distribute the purchase orders as noted below:
 - 3-Campus copies
 - 1-Accounts Payable Specialist
 - Or, if check is needed:
 - 2-Campus copies
 - 2-Accounts Payable Specialist
- The Accounts Payable Specialist will file a district copy of all purchase orders in an alphabetic file pending receipt of the invoice, packing list, and receiving confirmation.
- The Accounts Payable Specialist will generate an Aged Purchase Order Report on a monthly basis and research all aged purchase order.
- At the end of the fiscal year, all purchase orders are reversed.

Section 4. Non-Purchase Order Purchases

Petty Cash:

- Petty Cash accounts must be approved by the CFO. According to the needs of the Petty Cash account, limits will be set by the CFO.
- Since petty cash remains with the department or on school premises, it is the responsibility of the department/campus administrator to exercise the maximum available protection of these funds.
- Petty cash should be used only in an emergency not used in place of a purchase order. It may be used for small items such as lost book refunds, etc. Open purchase orders can be used for routine small expenses.
- The department/campus administrative assistant shall be responsible for all petty cash transactions.
- Petty Cash accounts are reconciled at the end of the fiscal year by the Accounting Coordinator.
- For Petty Cash Operating Procedures, see the Activity Fund Manual on the District website under the Business Department.

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Section 5. Competitive Procurement Methods and Procedures Purchasing Methods:

Purchasing Thresholds

- The thresholds listed below incorporate all applicable requirements of federal, state and local guidelines. All purchases must be made from vendors who are either on an EISD contract, an approved purchasing cooperative list or an interlocal agreement.
 - Local and State Purchases
 - Purchases up to \$9,999.99: Encouraged to secure a minimum of 3 quotes. (If quotes are secured, all documentation concerning choice of vendor is to be kept by end user)
 - Purchases between \$10,000.00 - \$49,999.99: Must secure a minimum of 3 quotes. (All quote documentation concerning choice of vendor is to be kept by end user & a copy of the Bid Quote Summary must be provided to the Business Office)
 - Purchases \$50,000.00 or above: Business Office will work directly with campus/department to determine bid process
 - Federal Purchases
 - The LEA utilizes a more restrictive local purchasing threshold than the micro-purchase threshold for federal purchases.
 - The micro-purchase threshold must be considered in the aggregate, using locally-defined commodity codes for like-type items, over the entire period of applicable federal grants.
 - Purchases between \$10,000 - \$50,000 (referred to as Small Purchases) must secure a minimum of 3 quotes. (All quote documentation concerning choice of vendor is to be kept by end user & a copy of the Bid Quote Summary must be provided to the Business Office)
 - Purchases \$50,000 or above: Business Office will work directly with campus/department to determine bid process.

Local and State Purchasing Laws

- In compliance with TEC 44.031, Elgin ISD solicits bids from vendors through a series of quarterly catalog bid openings for the following categories:
 - Maintenance and Operations Goods and Services
 - Transportation Goods and Services
 - Athletics Goods and Services
 - General Merchandise
 - Instructional Supplies and Services
- State Purchasing Law TEC 44.031
 - The Texas Education Code (TEC) 44.031 addresses the requirement to competitively bid all LEA contracts for the purchase of goods and services valued at \$50,000 or more in the aggregate for each 12-month period, by the method that provides the best value for the LEA, according to the methods outlined in TEC 44.031:
 - competitive bidding;
 - competitive sealed proposals;
 - a request for proposals, for services other than construction services;
 - an interlocal contract;
 - a design/build contract;
 - a contract to construct, rehabilitate, alter, or repair facilities that involves using a construction manager;

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- a job order contract for the minor construction, repair, rehabilitation, or alteration of a facility;
- the reverse auction procedure as defined by Section 2155.062(d), Government Code; or
- the formation of a political subdivision corporation under Section 304.011, Local Government Code.
- In determining the best value for the District, the following will be considered when determining to whom to award a contract:
 - Purchase price
 - Reputation of the vendor and of the vendor's goods or services
 - Quality of the vendor's goods or services
 - Extent to which the goods or services meet the district's needs
 - Vendor's past relationship with the district
 - Impact on the ability of the district to comply with laws and rules relating to historically underutilized businesses
 - Total long-term cost to the district to acquire the vendor's goods or services
 - Any other relevant factor specifically listed in the request for bids or proposals
- Competitive Bidding: The District shall award a competitively bid contract at the bid amount to the bidder offering the best value for the District.
- Competitive Sealed Proposal: The District shall select the offeror that offers the best value for the District based on the published criteria and on its ranking evaluation.
 - The District shall first attempt to negotiate a contract with the selected offeror.
 - The District may discuss with the selected offeror options for a scope or time modification and any price change associated with the modification.
 - If the District is unable to negotiate a satisfactory contract with the selected offeror, the District shall, formally and in writing, end negotiations with that offeror and proceed to the next offeror in the order of the selection ranking until a contract is reached or all proposals are rejected.

Federal Purchases

- Micro-Purchases (Purchases up to \$9,999) 2 CFR §200.320(a)
- Small Purchase Procedures (\$10,000 - \$49,999)
 - The end user must attempt to secure a minimum of 3 quotes.
 - The micro-purchase threshold must be considered in the aggregate, using locally-defined commodity codes for like-type items, over the entire period of applicable federal grants.
- Purchases Between \$50,000 - \$250,000
 - The end user shall work in consultation with the Purchasing Director.
 - The Purchasing Director will determine the bid process (CSP, RFP, RFQ, etc) working directly with the campus or department.
 - Newspaper advertisement is required. Award to be made by best value determination.
 - Any single, budgeted purchase of goods or services that costs \$50,000 or more, regardless of whether the goods or services are competitively purchased, shall require Board approval before a transaction may take place.
- Purchases Over \$250,000 (Purchases over \$250,000 are subject to the more restrictive federal law that restricts the procurement method to competitive bidding by sealed bids or competitive proposals)

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- Sealed Bids (Formal Advertising/ Also known as “Competitive Bidding” in TEC 44.0351)
 - For federal purchases over \$250,000, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.
 - If sealed bids are used, the following requirements apply:
 - Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publically advertised;
 - The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
 - All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
 - A firm fixed price contract award must be made in writing to the lowest responsive and responsible bidder.
- Competitive Proposals/ Also known as “Competitive Sealed Proposals” in TEC 44.0352
 - For federal purchases over \$250,000, the technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded.
 - If this method is used, the following requirements apply:
 - Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
 - Proposals must be solicited from an adequate number of qualified sources; and
 - Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
 - The LEA may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.
 - If competitive bidding is chosen as the purchasing method, the Purchasing Director, as the Superintendent’s designee, shall prepare bid specifications. All bids shall be in accordance with administrative regulations. The LEA does not accept electronic bids. All bidders shall be invited to attend the bid opening. Any bid may be withdrawn prior to the scheduled time for opening. Bids received after the specified time shall not be considered.

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Noncompetitive Proposals

- Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:
 - The item is available only from a single source
 - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
 - The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the LEA
 - After solicitation of a number of sources, competition is determined inadequate

Section 6. Vendor Selection and Relations

Vendor Selection

- The Purchasing Director will oversee the selection of vendors and the maintenance of the District's approved vendor database.
- The Accounting Specialist will maintain the vendor database in the TxEIS Finance System in accordance with the Internal Control Procedures: Vendor Management.
- Vendor selection – The District will select vendors that are qualified and capable to providing the goods and/or services to the District. The vendor selection criteria for competitively procured goods and services will include:
 - Purchase price.
 - The reputation of the vendor and of the vendor's goods and services.
 - The quality of the vendor's goods or services.
 - The extent to which the goods or services meet the District's needs.
 - The vendor's past relationship with the District.
 - The impact on the ability of the District to comply with laws relating to historically underutilized businesses.
 - The total long-term cost to the District to acquire the goods or services.
 - Any other relevant factor specifically listed in the request for bids or proposals. Education Code 44.031(b). [Examples: Vendor response time, compatibility of goods/products purchased with those already in use in the District.]
- In addition to the criteria list above, the District will establish and publish in construction services specifications, the relative weights of each criteria.
- The District will not use vendor selection criteria that restricts full and open competition among qualified vendors.
 - Specifically, the District will not consider the following in selecting vendors for purchases or goods or services with federal grant funds (EDGAR), as this criteria may restrict full and open competition among qualified vendors:
 - Unreasonable requirements on firms for them to qualify to do business,
 - Requiring unnecessary experience and excessive bonding,
 - Noncompetitive pricing practices between firms or between affiliated companies,
 - Noncompetitive contracts to consultants that are on retainer contracts,
 - Organizational conflicts of interest

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- Specifying a brand name instead of allowing an approved-equal product in specifications,
- Any arbitrary action in the procurement process.
- Vendor removal – The District will investigate all vendor complaints such as non-responsiveness, poor quality of goods or services, or other documented, substandard performance. In the event that the complaint is verified and not remedied on a timely basis by the vendor, the Purchasing Director will notify the vendor [in writing] that they will be removed from the District’s approval vendor database.

Vendor Relations:

- The District operates under a centralized purchasing system; therefore, the Business Office sends purchase orders back to the campus/department for distribution to the vendors and corresponding with vendors regarding pending purchase orders.
- No District employee will forward a purchase order to a vendor, unless prior authorization has been approved by the Business Office.
- Purchase order initiators, such as campus-based or department-based staff, are strictly prohibited from ordering goods or services from vendors without a purchase order. Such orders, if any, may be the financial responsibility of the initiator.
- Business Office staff and purchase order initiators are strictly prohibited from establishing close, personal relationships with vendors as these types of relationships may result in a conflict of interest or a perception of improper vendor relations.

Section 7. Receiving & Distribution

- The District will utilize a centralized receiving system for all goods ordered through the purchase order process.
- Inventory is received at the LEA’s warehouse.
- The warehouseman inspects the property to make sure it’s in good condition and that it matches what is listed on the purchase order and packing slip. Then the items are delivered to the appropriate campus/department.
- The following items are tagged by the warehouseman and the information is submitted to the Business Office to enter the information into the inventory software.
 - Technology equipment and software costing \$500 - \$4,999 and technology items subject to inventory control that cost less than the \$500.
 - All other non-consumable items costing \$500 - \$4,999 and all other items subject to inventory control that cost less than \$500.
- The technology department is responsible for configuring, distributing and/or installing all technology equipment and/or computing devices.
- TxEIS does not generate a receiving report. The warehouseman will print a copy of the PO when the item is received. The warehouseman will sign the copy of the PO to verify receipt and the campus/department staff will sign to verify delivery of goods. Signed copies of POs are filed in the warehouse. Information includes vendor, end user, items purchased, date received and by whom, date delivered to school/department and received by whom.

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Section 8. Disposal of Obsolete and Surplus Property Purchased with Federal Funds

- When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the program manager will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions.
- All dispositions of equipment and surplus supplies purchased through TEA Federal Pass-Through grants require approval by TEA, regardless of the dollar amount of the current fair market value. The LEA will use the required TEA disposition form, available on the TEA website, to seek disposition approval prior to the actual disposition of the equipment/supplies. (For direct federal grants, all dispositions of equipment and surplus supplies, will be handled according to the applicable federal guidelines.) Reasons for removal may include that the equipment is no longer operable, was destroyed, was stolen, or is no longer needed.
- The program manager is responsible for requesting and submitting the disposition request to TEA or the appropriate federal entity.
- Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of \$5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency, after receiving approval by TEA. If the item has a current FMV of more than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.
- If acquiring replacement equipment, the LEA may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.
- If the LEA chooses to sell the equipment, the Purchasing Director is responsible for the process.
- Approved equipment may be sold under one of the following conditions:
 - By competitive bidding through the Business Office. At least two offers must be received.
 - By negotiated bid for items valued under \$5,000 as approved by the Business Office.
 - By a public auction.
- If the federal awarding agency is entitled to the federal share of the current market value or sales proceeds, the Business Office is responsible for the accounting and submittal of the funds.
- Every effort should be made to determine if a need for the equipment exists anywhere in the LEA before a sale or trade is allowed. The Business Office is responsible for determining the appropriate method of disposition.
- Equipment considered as surplus and/or unfit for further economical usage (including scrap material) may be transferred to the Warehouse for temporary storage or for ultimate disposition.
- All supplies and equipment which are deemed to be surplus (not of any use to the LEA), will be recommended to the Superintendent or designee for sale via auction. Auctions will be scheduled as needed. If the supplies or equipment were originally purchased with federal funds, approval of disposition must first be received from TEA.
- Auctions may be advertised in the local newspaper. The LEA may also use an online auction service for surplus property sales.
- The Purchasing Director is responsible for the administration of auctions.

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- Neither LEA supplies, nor equipment, will be sold or conveyed other than via auction, unless authorized by the Superintendent or designee.