

The background of the entire page is a soft-focus image of a white calculator and a white cup of coffee with a brown beverage and foam. The calculator is on the left, and the cup is on the right. The text is overlaid on this background.

# WASBO

CONNECT. **GROW.** LEAD.

WASHINGTON ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

# PURCHASING MANUAL

2023

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## Introduction

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The Washington Association of School Business Officials, WASBO, is a member-driven organization to provide the means to those engaged in the business administration and operations of the schools of Washington State can meet, discuss, and study all phases of school business administration. WASBO is affiliated with the Association of School Business Officials International. ASBO was founded in 1910 and is an organization that, through its members and affiliates, represents approximately 30,000 school business officials worldwide. WASBO is committed to providing programs, services, and networks to promote the highest standards in school business.

WASBO Purchasing Manual contains both required procedures and guidelines that apply to the purchase of goods and services, as set forth in statute and policy as well as describing best purchasing practices.

The policies and procedures in the WASBO Purchasing Manual are the minimum requirements that school districts must meet. Districts are encouraged to establish processes and systems to smoothly comply with these regulations and to take advantage of best practices. However, each District is governed by its own School Board Policies; as procurement practitioners, it is the strictest of requirements that one must abide by.

The power and authority to contract is the responsibility of the School Board and may be implemented by staff (RCW 28A.335.190). The mechanics of the purchasing function are usually delegated by the School Board through written Board policies, with the School Board having the sole authority to contract or to expend funds, except under certain very limited conditions (functions and acts specifically authorized).

Basic legal requirements governing purchasing for public school districts are to be found in the Common School Manual. Published by the Superintendent of Public Instruction, this is a manual of common school laws of the State of Washington, rules, and regulations of the State Board of Education, and rules and regulations of the Superintendent of Public Education.

State laws provide "ground rules" for taking of bids in various monetary brackets and provide certain exceptions to bidding requirements (See Chapter 3, Bids and Bidding). Provision is also made for the purchase of items without bid through:

- Department of Enterprise Services, Contracting & Purchasing
- Department of Enterprise Services, Information Technology Contracts (ITC)
- Department of Enterprise Services, Surplus Property
- State Penal institutions through Correctional Industries
- Contracts bid by Purchasing Cooperatives (i.e., KCDA, WSIPC, BuyBoard)
- Interlocal Agreements with Other Public Entities (i.e., ESD 112 DigitalEdge)

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## Objectives

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Purchasing for a school district is a service function. The statutes of the State of Washington and the direction of the School Board provide the guidelines for purchases made by and for public schools. The students, classroom teachers, and other school personnel, are the customers for the Purchasing Department. Statutes, School Board policies and good business practices are the criteria for a successful purchasing operation. The measurement of success of a district's total purchasing function depends upon how well the assigned functions are performed as measured against the objectives listed.

The objectives of any service-oriented purchasing department are:

- To support the institution's operations with an uninterrupted flow of supplies, equipment and services purchased in accordance with legal codes, school board policies and sound business practices.
- To buy competitively, effectively, and wisely by keeping informed of current trends that affect price and availability. This involves constant searching for better value and the best combination of price, quality, and service.
- To keep inventory investment and losses resulting from deterioration, obsolescence, or theft at a minimum.
- To develop reliable alternate sources of supply for use when usual sources are unavailable.
- To deal with all vendors fairly and without favor, and to develop good vendor relationships.
- To furnish maximum cooperation and service to all departments of the district.
- To train and develop professionally competent personnel dedicated to the success of the district as well as the purchasing department.
- To develop policies and procedures, which permit accomplishment of the above objectives efficiently, effectively and at the lowest possible operating cost.

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## Functions

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Each district varies and may require the purchasing department to perform any or all the following functions when a purchase is required:

- Verify that funds are available.
- Develop standards or specifications.
- Identify the most appropriate purchasing method.
- Obtain and evaluate prices, products, services, and sources.
- Negotiate prices, terms, and conditions of delivery.
- Prepare bid documents and contracts and recommend awards.
- Issue purchase orders, contracts, and agreements.
- Follow-up on delivery.
- Investigate short or damaged shipments.
- May perform some or all the receiving and invoice verification prior to payment.
- Arrange for return to vendors

The Purchasing Department may be assigned additional related functions, which often include the following:

- Operation of district centralized receiving department and/or coordinate decentralized receiving operations performed at district sites.
- Operate a central warehouse or storeroom: this would include determining the depth and range of items to be carried in the warehouse, ordering, receiving, issuing, storing, accounting for and performance of an inventory of warehouse stock.
- Perform the inventory control function for the central warehouse.
- Dispose of district-owned surplus and obsolete property.
- Operate the inventory accounting (fixed asset) system for accountable property.
- Operate a central reprographics or printing center.
- Coordinate the district's safety program, particularly those aspects, which involve the acquisition,
  - storage, use, and disposal of toxic and hazardous materials.
- Contract for public works projects.
- Contract for professional services.
- Purchase for Food Service and Maintenance and Operations Departments.
- Coordinate the district-recycling program.
- Coordinate the district records and/or textbook retention and destruction program.
- Maintain the district Safety Data Sheets.
- Contract Administration

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## Code of Ethics

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The success of a district's total purchasing function depends on how well the assigned functions are performed as measured against the objectives listed. The WASBO Purchasing Committee adheres to the National Institute of Governmental Purchase Code of Ethics which reads:

The Institute believes, and it is a condition of membership, that the following ethical principles should govern the conduct of every person employed by any public sector procurement or materials management organization:

A Seeks or accepts a position as head or employee only when fully in accord with the professional principles applicable thereto and when confident of possessing the qualifications to serve under those principles to the advantage of the employing organization.

- Seeks or accepts a position as head or employee only when fully in accord with the professional principles applicable thereto and when confident of possessing the qualifications to serve under those principles to the advantage of the employing organization.
- Believes in the dignity and worth of the services rendered by the organization and the social responsibilities assumed as a trusted public servant.
- Is governed by the highest ideals of honor and integrity in all public and personal relationships in order to merit the respect and inspire the confidence of the organization and the public being served.
- Believes that personal aggrandizement or personal profit obtained through misuse of public or personal relationships is dishonest and not tolerable.
- Identifies and eliminates participation of any individual in operational situations where a conflict of interest may be involved.
- Believes that members of the Institute and its staff should at no time or under any circumstances, accept directly or indirectly, gifts, gratuities, or other things of value from suppliers, which might influence or appear to influence purchasing decisions.
- Keeps the governmental organization informed, through appropriate channels, on problems and progress of applicable operations but by emphasizing the importance of the facts.
- Resists encroachment on control of personnel in order to preserve integrity as a professional manager. Handles all personnel matters on a merit basis, and in compliance with applicable laws prohibiting discrimination in employment based on

politics, religion, color, national origin, disability, gender, age, pregnancy and other protected characteristics.

- Seeks or dispenses no personal favors. Handles each administrative problem objectively and empathetically, without discrimination.
- Subscribes to and supports the professional aims and objectives of the National Institute of Governmental Purchasing, Inc.

Ethics in public service in Washington State are observed under RCW 42.52. The Executive Ethics Board was created in 11994 by legislation and effected on January 1, 1995. Ethics in procurement is the foundation to build trust that we are professionals that are honest and have integrity in fulfilling the responsibilities in which we are appointed. Training is available on the Washington State Executive Ethics Board website: <https://ethics.wa.gov/training/training-aids>

Additional Suggested Code of Ethics for school district employees:

- To purchase without prejudice, seeking to obtain the maximum benefit for each tax dollar expended.
- To obey local, state, and national laws and will adhere to the Code of Conduct, Chapter 181-87 of the Washington Administrative Code.
- To respect our obligations and to require that obligations to our school district are respected.
- To accord vendor representatives the same courteous treatment we would like to receive.
- To strive constantly for the improvement of our purchasing methods and of the materials we buy.
- To counsel and assist fellow purchasing agents in the performance of their duties.
- To cooperate with all organizations and individuals engaged in enhancing the development of the purchasing profession.
- To remember that we act as a representative of the school district and to govern those actions accordingly.

## Organizational Staffing

Generally, the size of the district and the number of functions performed by the purchasing office will determine staffing requirements. In smaller districts, the purchasing function typically falls to the business manager or finance manager. In medium districts, one person, generally designated as purchasing agent, may perform the bulk of all purchasing tasks directly under the supervision of the assistant superintendent or business manager or another administrator in the



business services office. In larger districts, several buyers and support personnel, as well as central warehouse and receiving staff, may function under the direction of a director, manager, or supervisor of purchasing and warehouse.

There are literally hundreds of different statutes and regulations found in the Revised Code of Washington (RCW's), Washington Administrative Code (WAC), **Code of Federal Regulations**. There are also the Professional Codes, Labor Code, the Uniform Commercial Code, and others, which govern the procurement of goods and services for public school districts and community colleges in the State of Washington. There are also many different purchasing procedures, methods and strategies that may be employed to acquire goods and services. It is useful to have the procurement functions of a district consolidated under a central purchasing system to ensure that the best procedures are employed which will comply with the appropriate laws and regulations.

Centralization also affords the opportunity to benefit through specialization. As might be expected, the degree of specialization that will be found generally increases as the size of the district increases. In large districts it is not uncommon to find a department, headed by a manager or a director of purchasing, which may include senior buyers, buyers, specification writers, purchasing clerks, clerk typists, secretaries, warehouse supervisor, warehouse workers, inventory control clerks, receiving clerks, delivery drivers, etc. The following is a list of various positions that might typically be found in a centralized purchasing operation. The list provides a brief statement defining the responsibilities usually associated with each.

Director of Purchasing or Purchasing Agent - Generally manages the central purchasing office and staff in addition to some related functional areas such as: stores, warehousing, contract management, property and records control, reprographics, etc. They are expected to develop policy and procedures as well as implement them and manage the organizational elements, which accomplish them.

- **Purchasing Managers** - Generally implement directives and regulations developed by others and manage day-to-day functions assigned to the purchasing department.
- **Purchasing Supervisor** - Generally found where the purchasing department functions are limited to the procurement of supplies and equipment, and where there are few subordinate levels of supervision.
- **Senior Buyer** - An experienced, professionally trained buyer capable and responsible for performing the complete purchasing cycle. This includes identifying the purchasing strategy to be employed, selecting potential sources, preparing invitations to bid or requests for proposals for major purchases, evaluating bids, negotiating price, terms, delivery and evaluating vendor performance. The senior buyer frequently trains and supervises other purchasing personnel.
- **Buyer** - Performs the complete purchasing cycle but generally under the direction of or with the help of a Senior Buyer or Manager, especially in the areas of preparing complex specifications, selecting the appropriate purchasing strategy, and selecting vendors.



- **Assistant Buyer** - An entry level buyer position with responsibilities for contacting vendors, soliciting prices, terms or delivery and payment, comparing, and evaluating prices, and making recommendations to award on routine, repetitive and less complex purchases. Generally, works under supervision of or as an assistant to a more experienced buyer.
- **Purchasing Clerk/Assistant/Secretary** - Generally performs clerical level tasks associated with purchasing functions such as maintenance of bid lists, vendor files, purchasing records, and the preparation of purchasing correspondence (purchase orders, contracts, agreements, etc.), distributes purchase documents to various offices, requisitioners, receiving points, files, etc. Prepares purchase orders using word processing, data processing equipment or data terminals.
- **Warehouse Supervisor/Manager** - Supervises the operation of a district central warehouse employing more than one employee. Responsible for inventory process, receiving, inspection, storing, issuing, distributing, and delivering supplies and equipment and the operation and housekeeping of the district warehouse. May supervise stock workers, delivery workers, drivers and receiving clerks.
- **Inventory Control Clerk** - Maintains perpetual inventory records of items carried in a central warehouse and is responsible for posting issues and receipts, maintaining available balances, setting reorder points, and identifying when items reach reorder points, determining requisitioning objectives, and calculating the amount of stock to be ordered. May place orders for warehouse stock and expedite delivery of items from predetermined sources on agreements or bids established by others. Establishes retention limits and identified excess and slow-moving stock for disposition. May perform these functions using either manual or computerized inventory control systems. May also maintain fixed asset records.
- **Storekeeper/Stock Worker/Warehouse Worker/Delivery Driver** - Receives, inspects, counts, issues, and delivers material. Maintains the warehouse locator system, picks, packs, and stages materials, and delivers to requesting sites. Maintains open order files, processes receipt documentation and issues documents, takes inventory and marks accountable property.

(NOTE: No effort has been made to include actual position descriptions in this manual. It is generally best to contact a similar sized district for sample job descriptions for various purchasing related descriptions under consideration or review.)

## Accountability Considerations

Many of the functions related to purchasing involve substantial public trust and provide considerable opportunity for abuse and must be closely controlled to minimize the probability that they will be misused or abused. The purchasing function should be organized to minimize such temptations employing some or all the following concepts:

- No one position should be given the authority to create and approve requisitions, place orders, receive and certify receipt of goods and services, and issue payment. Users may initiate requests, which should be approved by others. Buyers should place orders. Individuals working in another part of the organization should be designated to receive, inspect, and certify the acceptance of goods and services. Others should issue payments for goods and services. The accounts payable function is performed by the accounting department rather than the purchasing department for this reason. Similarly, the purchasing office staff should not perform the receiving function for goods and services.
- The inventory control function should be performed outside the warehouse organization, and the inventory control clerk and records should not be under the supervision or control of the warehouse supervisor or warehouse employees. This will make it more difficult to alter records, to conceal losses or to misappropriate warehouse stock.
- Purchasing and receiving of materials by Maintenance and other user departments should be kept to a minimum and be carefully controlled. Procedures will undoubtedly be necessary to expedite acquisition of repair parts and supplies for personnel who perform emergency maintenance and repair functions
  - Generally, however, the purchasing department should control the issuance of purchase orders for all such purchases in a way which will permit them to know what is required, the approximate cost, the vendor to be used, and the nature of the emergency.
  - Those to whom such emergency purchase order authorizations are issued should be required to submit confirming requisitions immediately showing the cost, descriptions of items acquired and identifying the work order or jobs for which the material was acquired. They should be directed to ensure that the vendor had proper billing instructions.
- "Open" or "blanket" purchase orders should be kept to a minimum, and the individuals who are authorized to call for and pick up material should generally not be authorized to certify receipt. Require that goods picked up or delivered under open orders be signed and received by others designated to perform such receiving certification at sites.
- No one person shall be allowed to select a vendor or contractor, specify the goods or work to be performed, place the order, and receive and certify the acceptability of goods and services. In most recent instances where purchasing abuses or improprieties have occurred, this principle was not strictly enforced. In cases where such improprieties have occurred, the district director or manager of purchasing was found to be partly responsible or negligent for permitting such abuses to occur even though the perpetrators were not under their direct control.
- Those who prepare specifications should not be allowed to control or limit the bidder's list. It will often be necessary to have requisitioners prepare detailed specifications and recommend vendors, particularly for complex equipment such as telephone, word

processing, or data processing systems; however, they should not be allowed to totally control or limit the vendors from whom bids, or proposals will be obtained.

- Limit accesses to highly pilferable material. In cases where several employees have access to a central warehouse or storage facility in which materials such as technology, office equipment, athletic equipment or custodial supply may be received and or stored, it may be desirable to establish locked security cages, which are accessible to a single employee. The person is then personally responsible for all material stored therein and holds the only key. Similar security cages may be required for pilferable materials that are in the process of receipt and awaiting delivery. The spare keys for such security cages should be kept in a safe, in a sealed envelope, and the cage custodian's signature affixed across the flap. If emergency entrance is ever required, it will be mandatory on the next working day for the regular custodian to reseal the spare key, in a new envelope, with a new signature and thereafter check for the presence of all items.

It is the purpose of this chapter to emphasize the need for purchasing ethics and to suggest selected Board and administrative policies concerning the procurement functions applicable to school districts. These suggestions are listed as guidelines for consideration by each district. Each suggestion should be carefully considered and evaluated before adoption by any school board.

The school board has a business as well as an educational function. In both fields, the Board is the policy maker, for one affects the other. Efficient and economic business procedures should be established in accordance with sound principles of business administration compatible with the needs of the educational program. These principles of administration should be governed by an established Code of Ethics and by General Policies of the Board.

### Suggested Board Policies (Written)

- The procurement function is one of the major business responsibilities of the Board.
- The Board has the authority and responsibility for all purchase contracts of the district. This authority and responsibility can be implemented by staff with certain restrictions under provisions of various statutes.
- The purchasing authority and responsibility should be centralized under a purchasing manager or such other person who is officially designated by the school board. This permits the purchasing function to be supervised by a professionally qualified person and permits the establishment of uniform policies for internal and/or external purchasing functions.
- The purchasing manager should ensure performance within the limitations prescribed by law, by legal opinions, and in accordance with Board policies. This does not mean that the purchasing manager must be a legal expert, nor that they should not rely upon their own judgment when questionable points arise. It is only important that the purchasing manager learn basic school purchasing fundamentals so that they will recognize the need for legal guidance and obtain it when necessary.

- Six fundamental functions of the purchasing department are:
  - Buy the lowest total cost to the organization, consistent with required quality and service.
  - To develop and maintain good supplier relationships to ensure that suppliers will furnish the organization with innovative ideas, products and continuous improvement in pricing and service.
  - To promote a competitive atmosphere in performance and pricing.
  - To minimize the total cost of ownership by identifying and removing non-value adding activity through the supply chain and end use.
  - To hire, develop, motivate, and train personnel to provide a reservoir of talent.
  - To furnish data for forecasting, budgeting and decision making on availability, pricing trends and innovations.
- Approvals of purchase orders, if required by board policy, should be recorded in the minutes. Warrants (checks) for payment against purchase orders require approval in accordance with R.C.W. 28A.330.080. Districts may require the school board to approve a purchase order list as well as a list of warrants or a list of warrant registers.
- Specifications governing supplies, equipment and services are a joint responsibility of the educational and business departments. In the procurement function, the purchasing manager should do their utmost to ensure that the items and services specified will meet the needs of the educational program. It is the duty of the purchasing manager to stress the importance of standardization where possible.

## Suggested Administrative Rules and Regulations

- Specific Purchasing Assignments
  - The purchasing department should conduct all major purchase transactions for the district in accordance with district policies.
  - The purchasing department should identify, evaluate, and recommend products and services that meet criteria in line with the organizational goals.
  - The purchasing department should establish practical and efficient office procedures, reports, records, and systems that will allow the department to give maximum effort to the acquisition of supplies, equipment and services including the tracking of environmentally preferred products for the educational program and assist the administration in its role of management.
  - The purchasing department should maintain contracts and make them available for district use. For example, interlocal agreements, bid awards, small works rosters, etc.

- The purchasing department should, when warehousing responsibilities are assigned, maintain a system of warehouse inventory control to account for available equipment and supplies. A catalog of current warehoused items should be maintained and available to relevant departments.
- The purchasing department should handle the disposal of all personal property declared surplus or obsolete by the school board. Consideration will be given to maximize the monetary return to the district in this process.
- Purchasing and Staff Relationships
  - When possible, requests for prices and purchases should be made through and by the purchasing department.
  - All communications with vendors should be through the purchasing department, except in special cases where the technical details make it advisable to delegate authority to others. Copies of all pertinent correspondence between vendors and district staff should be forwarded to the purchasing department.
  - In discussions with vendors and contractors, school district employees should be reminded that only the purchasing department has the authority to commit the expenditure of funds for supplies, equipment, and services. Information about prices paid for only the purchasing department should furnish specific items (i.e., contract pricing, bid pricing, bid information, etc.).
  - Purchases from district employees or their immediate family should be avoided. (It is suggested that the purchasing manager check with legal counsel on this matter for possible conflict of interest.)
  - The purchasing department should strive constantly to increase its knowledge of new equipment, materials, services, sources, prices, and processes in manufacturing, and should keep other departments informed.
  - There should be relationship and dependence between the instructional areas and the purchasing department to meet the goals and objectives when procurement is necessary.
  - Purchasing department personnel should seek competent counsel from its colleagues regarding matters of common interest.
  - It is the responsibility of each department using to determine the quality and kind of supplies, equipment and services required, however, the purchasing department may question and/or make recommendations relative to quality, safety, health, and economy. Disagreements that cannot be reconciled between the purchasing department and the requisitioners should be forwarded to the proper staff members or committee for a final decision.

- Purchasing and Vendor Relationships
  - Opportunity shall be provided to all responsible vendors to do business with the district. The School Board of a school district should adopt a policy regarding relationships with vendors. Vendor visits should be promptly acknowledged, and interviews granted or not, depending upon the circumstances. The purchasing manager must be the judge and should let the vendors know their preference in handling visits. Purchasing personnel are not required to place their time absolutely and indiscriminately at the disposal of all salespersons.
  - The purchasing department should not extend favoritism to any vendors. Each order should be placed based on quality, price, service, delivery, and any other applicable factors.
  - The purchasing department should conduct all necessary negotiations for any purchase order changes.
  - The purchasing department should not solicit funds or materials from vendors for any purpose or publicly endorse or promote commercial products.
  - The purchasing manager and staff should visit suppliers' places of business to acquaint themselves with the product lines carried and with the vendors' ability to serve the district.
  - When applicable, the purchasing department shall expedite the completion or required documentation (considering applicable discounts) to vendors.
- Policies Relative to the Bidding Activity
  - The purchasing department should periodically estimate requirements of standard items or classes of items and make quantity purchases to affect economies. Whenever storage facilities or other conditions make it impractical to receive all any items at one time, the total quantity should be bid, and staggered delivery dates made a part of the bid specifications. As an alternative, estimated quantities may be bid with delivery to be made "as requested." Negotiations may be entered into with the supplier whereby items may be stored at the supplier's warehouse for a minimal fee or for no fee at all.
  - Bid instructions and specifications should be clean and complete, setting forth all necessary conditions conducive to competitive bidding.
  - The purchasing department should seek bids from those sources able to offer the best prices consistent with quality, quantity, and delivery service. When available, bids will incorporate directly or by reference of independent third-party standards and certifications to meet set health, environmental, federal, state, and local code requirements for certain products and services. The bidder must be both responsive and responsible. The bids should be publicly opened and read aloud at the prescribed time and place and tabulated for recommendation to the school board.

- After bids have been opened and tabulated, they shall be made available for public review. They should not be removed from the purchasing department.
- Advertised bids received after time set for opening must, by law, are not accepted and/or returned unopened to the bidder.
- When two or more identical bids are received, the Board or its official designee may determine, by lot, which bid shall be accepted.
- Whenever it appears to be in the best interest of the district, the purchasing department may participate in cooperative contracts with other school districts, County, State, and governmental agencies.
- Supplies, materials, and services may be purchased on a continuing contract for work, services, apparatus or equipment. Contracts for leases are not to exceed 5 years in compliance with RCW 28A.335.170. Best practices for materials or supplies contracts should not exceed 3 years.

## Approval of Forms

Forms of a legal nature such as those used for advertising for bids, bid invitations, purchase orders, and contracts should be approved as to form and language by legal counsel.

Legal provisions are included in various statutes. Several services may be rendered by the Educational Service District, the Superintendent of Public Instruction, by one District for another, and by several Districts in cooperation. The statutes pertaining to school Districts are listed in the common school manuals, which is updated each year by OSPI.



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## Methods of Purchasing

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Historically, school purchasing departments have used the requisition, the purchase order, and the invoice process as the main method of acquiring products. This process is used for most purchases.

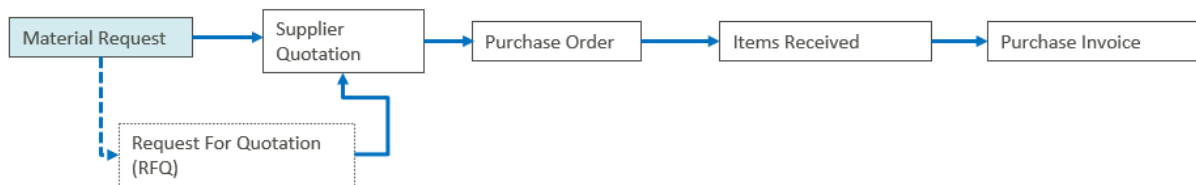
In today's economic climate, school Districts need to also consider alternative purchasing methods. The following methods are offered for consideration in the operation:

### Requisition/PO Process

A purchase order is a legal contract between the district and a vendor. It should contain a clear description of each item listed and/or a statement to the effect that supplies, equipment and services furnished herewith shall be in accordance with specifications and conditions as per Bid No. XXX, (or quote number), catalog, price list, etc. A purchase order should also include, at a minimum, the following information:

1. Identification of form (i.e., "Purchase Order")
2. Name of school District
3. Address including District mailing/billing address, delivery address,
4. Receiving hours and "mark for"
5. District telephone number and fax number
6. Purchase Order number
7. Vendor's name and address (usually for window envelope) and vendor number if applicable
8. Provision for office information, i.e., requisition number, accounting classification, warrant numbers, etc. Columns for quantity, item number, unit description, unit price and extension
9. Space for authorized signature
10. Instructions for shipping, required delivery date, labeling and billing
11. Space for date and terms

### Process Overview



### Procurement Card (P-Card Program)

RCW 43.09.2855 authorizes the use of credit cards for official government purchases and acquisitions. An efficient, cost-effective method of purchasing and payment for small dollar

transactions, it eliminates a variety of manual transactions and reduces accounts payable invoices. The procurement card is used like a credit card at the supplier location. The supplier receives payment within three days. Cardholders maintain signed receipts and reconcile these receipts with the monthly statement. School Board Policy may govern the amount and type of such purchases.

The P-Card is a “corporate” credit card that can be used to make small dollar purchases necessary to conduct business. The P-Card is administered and managed by the Purchasing Office.

The following is an example that is representative of policies developed by many Washington State School Districts:

1. Each user shall read and sign the Memorandum of Understanding for District-issued Credit/Procurement Card prior to entering a District procurement card transaction. This signed document shall be kept on file by the site manager.
2. The card user is responsible to obtain budget authorization for each purchase.
3. Usage is restricted and identified in a site-based purchasing definition and in a Memorandum of Understanding for the District-issued Credit/Procurement Card.
4. Monthly and per transaction limits shall be set in accounting for each card holder which will vary depending on purchasing needs, budget capacity, and type of school site.
5. When placing orders by telephone the purchaser shall record:
6. Vendor name
7. Item description
8. Order confirmation number
9. Person with whom they spoke.
10. Date order was placed.
11. Total price (including shipping, handling, and tax)
12. Each week accounting will send to each site the Cardholder Reconciliation Memo for verification of each detail of the purchase transaction. The cardholder shall review for accuracy, note correction as needed, assign a budget account number, complete, and sign the "Procurement Card Transaction Summary," and return all documentation to the accounting department within five days of receipt.
  - a. Notify accounting if a vendor is not able to accept the procurement card or if you discover an error on your Cardholder Reconciliation Memo.
13. Cardholder will immediately report any stolen or lost card to the accounting department.

### **Competitive Bidding/Request for Proposals**

Competitive bidding is the process in which a purchaser initiates the bid process by requesting bids from a selected group of vendors/suppliers with whom the buying organization is willing to do business. The bid solicitation typically contains information relevant to the items/service being requested. **RCW 28A.335.190** specifies a dollar level at which formally advertised bids must be secured by the district before awarding a contract.

### **Determining the Right Procurement Method**

A major factor in the planning process for any purchase is the purchasing method that will be used. For instance, there are typically different response times when considering either a Request for Bid or a Request for Proposal. The Purchasing Department can be a valuable tool to a

district in providing assistance in the selection of the correct procurement method and the due diligence process.

### **Request for Qualifications (RFQ)**

A document issued to prospective bidders to develop a short list of the most qualified bidders to compete in the RFP process.

### **Request for Proposal (RFP)**

A solicitation issued to prospective bidders requesting a “best solution” based on specifications and a defined scope of work. Evaluation of proposals involves a team of stakeholders and includes consideration of price and other weighted criteria (experience, location, etc.).

### **Request/Invitation for Bid (RFP/IFB)**

A solicitation issued to prospective bidders to obtain pricing for a specified product or service. Specifications in the request should include the availability and delivery requirements, as well as the acceptable order terms (warranty, return policy, etc.)

### **Competitive Bid Process Overview**

<b>Procurement Method</b>	<b>Use When</b>	<b>Advantages</b>	<b>Disadvantages</b>
<b>Request for Bid (RFP/IFB)</b>	<p>Lots of competition exists.</p> <p>The Product or Service is available from more than one source.</p>	<p>Award Process is Simpler.</p> <p>Award is made to the responsive/responsible bidder who provides best value.</p>	<p>Defined specifications may be difficult to develop.</p> <p>Does not always encourage innovative solutions.</p>
<b>Request for Proposal (RFP)</b>	<p>Factors other than price are evaluated.</p> <p>Negotiations are desired.</p> <p>Prospective bidder is expected to provide innovative ideas.</p>	<p>Allows for customized proposals suggesting different approaches to the same business need.</p> <p>Allows for negotiations in order to obtain the best value.</p>	<p>Lead times for procurement are much longer.</p> <p>Evaluations are more complex.</p>
<b>Request for Qualifications (RFQ)</b>	<p>Selection is made solely on skills and qualifications of the prospective bidder.</p> <p>Price is not a factor until after a firm is selected.</p>	<p>Emphasizes the competency of the prospective bidder.</p>	<p>Firms are selected before price is negotiated.</p>
<b>Request for Information (RFI)</b>	<p>There is insufficient information to write specifications for any procurement method.</p>	<p>Provides information to prepare a complete bid or proposal document.</p> <p>Identifies any potential problems early in the procurement process</p>	<p>Lengthens the procurement process.</p>

## **Emergency Purchases**

Emergency purchase authorization waives the competitive solicitation process when items or service is necessary to maintain a safe operational environment. An emergency purchase is defined as a set of unforeseen circumstances beyond the control of the district that either present a real or immediate threat to essential functions or may result in material loss or damage to property, bodily injury, or loss of like if action is not taken. Emergency purchase authorization must be approved by board resolution.

## **Sole Source**

Sole source purchases are defined as clearly and legitimately limited to a single supplier. Sole source purchases are normally not allowed except when based upon strong technological grounds such as operation compatibility with existing equipment and related parts or upon a clearly unique and cost-effective feature requirement. The use of sole source purchases shall be limited only to those specific instances which are totally justified to satisfy compatibility or technical performance needs.

## **Cooperative Purchasing**

is a term that refers to the combining of requirements of two or more public entities to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses. Cooperative procurement efforts may result in contracts that other entities may “piggyback.”

## **Bids and Contracts**

- A. Bid procedures must comply with the requirements contained in various revised code and administrative code.
- B. Certain legalities have been decided in Washington courts, including the vendor’s right to withdraw a bid prior to bid closing date and time. The School Board has the right to waive minor irregularities in bids after the closing date and time; however, legal counsel should be obtained in these instances. Stay briefed on legislative revisions and additions and adjust, as necessary.
- C. Collusion between bidders and/or deliberate “sole source” specifications may invalidate a contract. When a bid has been accepted by the School Board and has resulted in a contract, it cannot be rescinded except by further Board action. However, bidders do have statutory relief available under certain conditions covered in the RCW’s. Legal counsel should be obtained.
- D. The advertising requirements for purchases, sales of personal and real property, as well as labor and material contracts, are outlined in the various statutes.

- E. School Boards must adhere to legal requirements in the awarding of contracts, both in purchases and in connection with the disposal of personal and real property belonging to the district.

## Contracts and Purchase Order Procedures

In the efficient operation of a school District, it is important that Board policies are adopted, and procedures established whereby the schools and departments might obtain necessary items and services. The procedures should be simple, clean, and easy to follow so that items and services requested can be made available to the requester expeditiously, efficiently and economically. The procurement of materials, supplies, equipment, and services for use within the school District should be accomplished through a process of requisitions and purchase orders. Using this procedure, supplies and equipment stored in a school District warehouse can be issued; services from District personnel (i.e., maintenance work orders) can be requested; or materials, supplies, equipment and/or services from vendors or contractors can be obtained. Larger Districts may stock instructional, office, custodial, shop or maintenance, and food service supplies.

### Requisitions

#### 1. *Requisitions for Stores or Warehouse Items*

Districts that operate a central warehouse use this form. It should be pre-numbered and is used by schools and departments to draw supplies and/or equipment that are stocked in the warehouse. (NOTE: Many computerized purchasing programs include an online warehouse ordering system. The online system may issue requisition numbers automatically.) The requisition system should include, at a minimum, the following information:

- ☐ Originating school, department and requisitioners
- ☐ Type of materials ordered; (i.e., instructional supplies, custodial supplies, shop stock, etc.)
- ☐ Date of requisition
- ☐ Requisition number
- ☐ Columns showing catalog number, quantity, unit, description, quantity issued, back ordered items, unit price, extension, total requisition charge
- ☐ Official approval, such as a principal and/or department head and administrative budget approval (if required)
- ☐ Signature spaces for person filling order and person receiving order
- ☐ Point of delivery

#### 2. Budget classification and account number *Requisitions for Non-Stock Item*

Each District should prepare a form to meet its own needs since standardization of this type of form is difficult. Consideration may be given to using a common form for both stock and non-stock requisitions. A good requisition properly filled out will expedite action and delivery, but if it does not contain the complete necessary data, it will cause unnecessary delay and many times cause delivery of the wrong materials. Computerized online systems often include a requisition format. The requisition system should include, at a minimum, the following information:

- ☐ Originating school, department, requester's signature and required fiduciary approval such as department head, principal, or administrator.
- ☐ Date of origin and date received in purchasing (time and date stamp are highly recommended). Online purchasing programs may include tracking systems which show the date each function or action is complete.
- ☐ Space for name, address, telephone number and fax number of suggested vendors, if desired.
- ☐ Budget classification and account number and fiscal year information.
- ☐ Purpose for which material will be used and/or justification for special program funding (for categorical programs, if required).
- ☐ Delivery address, delivery instructions and date materials are required, when appropriate.
- ☐ Requisition number. Pre-numbering and line numbering are highly desirable for easy item reference.
- ☐ Point of delivery on site and any other delivery information (e.g., hours).
- ☐ Columns to show quantity, unit, and description of each item. A complete and an accurate description of each item is essential.
- ☐ Name of person ordering.

The number of copies of each requisition depends on the individual needs of each District. Requisitions may be prepared in various formats to serve several requirements. For instance, combination Requisition/Request for Quote, Requisition/Purchase Order forms are sometimes used to eliminate retyping information contained on the requisition itself.

### Contracts and Purchase Orders

1. Two forms of contracts are in common use: 1- The Formal Contract, 2- Purchase Order
  - a. **Formal Contract** - A Formal Contract is a legal instrument generally used where the requirements of performance are quite involved, including such items as bonds, insurance, time limits, etc. Typical examples would be a contract for transportation of students or for construction work.
  - b. **Purchase Order** - A purchase order is a legal contract between the district and a vendor. It should contain a clear description of each item listed and/or a statement to the effect that supplies, equipment and services furnished herewith shall be in accordance with specifications and conditions as per Bid No. XXX, (or quote number), catalog, price list, etc. A purchase order should also include, at a minimum, the following information: Identification of form (i.e., "Purchase Order")
    - ☐ Name of school District
    - ☐ Address including District mailing/billing address, delivery address,
    - ☐ Receiving hours and "mark for"
    - ☐ District telephone number and fax number
    - ☐ Purchase Order number
    - ☐ Vendor's name and address (usually for window envelope) and vendor number if applicable

- ☐ Provision for office information, i.e., requisition number, accounting classification, warrant numbers, etc. Columns for quantity, item number, unit description, unit price and extension
- ☐ Space for authorized signature
- ☐ Instructions for shipping, required delivery date, labeling and billing
- ☐ Space for date and html link of PO terms and conditions
- ☐ Net 30 provision
- ☐ Html link to wage rates if applicable

2. Types of Formal Contracts used in the purchase of school supplies, equipment or services are the Definite Quantity type, the Continuing type (Blanket), Indefinite Quantity type and the Construction or Public Works type. Certificates showing current insurance coverage may be required by the district from the vendors. The district should confirm with their legal counsel or risk management staff.

- *Definite Quantity Contract* - This form of contract is used when specific amounts of supplies or equipment are to be purchased at one time or if specific services are to be rendered within a definite period.
- *Continuing Contract (Blanket)* - This form of contract is used when the number of supplies or equipment required is indefinite or will be purchased in varying amounts. They are also for services that are to be rendered throughout a specified period, i.e., fuel, cafeteria commodities, repair of computers or copiers, bus transportation.
- *Indefinite Quantity Contract* - Like a Continuing Contract (Blanket), this type of contract is used to procure merchandise as required from a formal bid where specific or target quantities were originally stated as estimates.
- *Construction or Public Works Contract* - This form of contract is used when building, rebuilding, alteration, improvements, or repairs of various kinds are to be done. The Construction or Public Works contract is usually a more complicated legal instrument than the contract for supplies, equipment, and services, due to the legal requirements pertaining to prevailing wage scales, payment and performance bonds insurance, etc.

Construction or Public Works contract forms may be prepared by the purchasing manager, engineer, architect, or other competent person but should in any case be approved by the district's legal advisor to ensure that all requirements of the law have been met.



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# Federal Purchasing Guidelines

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## Introduction

When procuring property and services under a Federal award, Districts must follow the same policies and procedures it uses for procurements from its non-Federal funds. (2 CFR §200.317). Districts may adopt additional policies and procedures in greater detail, and/or require bid limits which are more restrictive than federal or State regulations. Districts must follow the most restrictive regulations/policies whether they be Federal, State or District.

When possible, Districts shall comply with 2 CFR §200.321 (contracting with small/minority/women-owned businesses), §200.322 (domestic preferences), and §200.323 (procuring products utilizing recovered/recycled materials).

Districts must use due diligence to:

Conduct all procurement transactions in a manner providing full and open competition, when required (2 CFR §200.319)

- Distribute purchases equitably among suppliers
- Award contracts only to responsible vendors/contractors (2 CFR §200.318(h))
- Maintain oversight to ensure that vendors/contractors perform in accordance with terms, conditions and specifications of their contracts or purchase orders (2 CFR §200.318(b))
- Avoid acquisition of unnecessary or duplicative items (2 CFR §200.318(d))
- Cost effectiveness – Explore the use of shared goods and services with other government entities and consider the use of federal surplus (2 CFR §200.318(e and f))

Districts must maintain records sufficient to detail the history of procurement. These records will include, but are not limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. (2 CFR §200.318(i))

## Written Policy/Procedure Requirements

### General Procurement Standards (2 CFR §200.318(a))

Districts must have and follow documented procurement procedures, consistent with State, local, and tribal laws for the acquisition of property or services required under a federal award or subaward. The district's documented procurement procedures must conform to the procurement standards identified in §200.317 through §200.327.

### Conflict of Interest/Gratuities (2 CFR §200.318(c)(1))

Districts must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest.

Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, and agents of the district may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, Districts may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the district.

### **Federal Programs - Expenditures**

The following list of federal programs may not be all-inclusive.

- 24 – Special Education-Supplemental (e.g., Safety-Net)
- 25 – Special Education-Infants and Toddlers
- 29 – Special Education-Other
- 38 – Vocational Education
- 46 – Skill Center
- 51 – Compensatory Education-ESEA Disadvantaged (e.g., Title I, parts A, B and G, Title X McKinney-Vento)
- 52 – Compensatory Education-ESEA Other (e.g., Title II, parts A and D, Title IV, parts A and B, Title V, part B)
- 53 – Compensatory Education-ESEA Migrant
- 54 – Compensatory Education-Reading First
- 57 – Compensatory Education-State Institutions Neglected and Delinquent
- 61 – Compensatory Education-Head Start
- 62 – Compensatory Education-Math and Science Professional Development
- 64 – Compensatory Education-Limited English Proficiency
- 67 – Compensatory Education-Indian Education JOM
- 68 – Compensatory Education-Indian Education ED
- 69 – Compensatory Education-Other
- 76 – Other Instructional Programs-Targeted Assistance
- 78 – Other Instructional Programs-Youth Training
- 98 – Child Nutrition Services

Reference: [Accounting Manual for Public School Districts in the State of Washington](#)

## Bid Limits (2 CFR §200.320)

Procurement Method	Goods except books (includes taxes & shipping),	Services and Books	Instructions
<b>Micro-Purchase</b>	\$10,000 or less OR \$40,000 if deemed low risk	\$10,000 or less OR \$50,000 if deemed low risk	No quotes required.  Price considered reasonable based on research experience, history. To the extent practical, distribute purchases equitably among suppliers.
<b>Small Purchase</b>	\$10,000 or less OR \$40,000 if deemed low risk up to \$75,000	\$10,000 or less OR \$50,000 if deemed low risk up to \$250,000	Obtain/document quotes from a reasonable number of qualified sources (at least three).  A non-response from a vendor is also considered a quote invitation.
<b>Sealed Bids / Competitive Bids (Formal)</b>	\$75,000 or more	\$250,000 or more	Must be publicly solicited using sealed bids.
<b>Non-competitive proposals</b>	Appropriate only when:	<ul style="list-style-type: none"> <li>• Micro-purchase</li> <li>• Meets sole source criteria</li> <li>• The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation</li> <li>• The awarding agency (e.g., OSPI) authorizes a noncompetitive proposal in response to a written request from the district, i.e., Safety Net, etc.</li> <li>• After solicitation of a number of sources, competition is determined inadequate.</li> </ul>	

When calculating which bid limit applies, you must consider the aggregate amount. Aggregate is a collective amount or sum arrived at by putting together all components/parts of an assembled group without implying that the resulting total is a whole. This would include all purchases of similar products or services during the same fiscal year, across the entire District.

Districts may incorporate in their board policies, bid thresholds which are more restrictive than State and federal thresholds. Districts are to follow the most restrictive threshold.

Note that although textbooks are exempt from State bid law, there is a \$10,000 (or \$50,000 if deemed low risk) threshold for the purchase of books with federal money. Make sure your Teaching and Learning (Curriculum) Department is aware of this if using federal money for curriculum adoptions.

See also the WASBO purchasing manual [Methods of Procurement chapter](#).

#### Self-Certification (2 CFR §200.320(a)(iv))

Effective November 12th, 2020, the Uniform Grant Guidance allows Districts to self-certify that they are low risk and use a micro purchase threshold of \$50,000.

In order to use the \$50,000 threshold, Districts must either:

1. Qualify as a low-risk auditee from the district's most recent audit per 2 CFR §200.520. A low-risk auditee is one which has met all these conditions for each of the preceding two audit periods:
  - a. Single audits were performed on an annual basis
  - b. Financial statements were prepared according to GAAP
  - c. There were no deficiencies in internal controls which identified material weaknesses
2. Perform an annual internal institutional risk assessment to identify, mitigate, and manage financial risks that results in a low-risk assessment.

### **Competitive Procurement - General**

Refer to the chapter on Purchasing Methods for details on competitive procurement, including bid requirements and public works contracting.

All procurements must be conducted in a manner that provides full and open competition (2 CFR 200.319). Situations considered to be restrictive of competition include:

- Placing unreasonable qualifying requirements on vendors
- Requiring unnecessary experience or excessive bonding requirements
- Specifying brand names (use "or equal" and "or equivalent" terminology)
- Not allowing sufficient time for bidders to respond
- Non-competitive contracts to consultants on retainer
- Arbitrary actions

Contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. (2 CFR §319(b))

Districts may use a time-and-materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. (2 CFR §200.318(j))

Districts must conduct procurements in a manner that prohibits the use of geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference, such as food purchases for Child Nutrition Services. (2 CFR §200.319(c)).

#### Cost/Price Analysis (2 CFR §200.324)

For competitive purchases, Districts must perform a cost or price analysis. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but Districts must make independent estimates before receiving bids or proposals. Profit must be negotiated as a separate element of the price for each contract in which there is no price competition and, in all cases, where a cost analysis is performed.

A cost/price analysis should also be done with service contracts and software licenses.

The purpose of the cost analysis prior to bidding is:

- To determine if the project or decision is a sound investment or decision (cost vs benefit)
- To provide a basis for comparing project costs

### **Required Contractual Clauses in Solicitations and Contracts**

#### **All Contracts**

##### Equal Employment Opportunity (41 CFR §60)

All contracts must contain a provision requiring compliance with Executive Order 11246, "Equal Employment Opportunity," as amended by E.O. 11375.

The Executive Order prohibits contractors/vendors from discriminating in employment decisions on the basis of race, color, religion, sex, sexual orientation, gender identity or national origin, and to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment. Additionally, Executive Order 11246 prohibits taking adverse employment actions against applicants and employees for asking about, discussing, or sharing information about their pay or the pay of their co-workers.

##### Other Contract Clauses

Gifts/Gratuities - Districts should include a clause barring bidder from giving or offering to give District employees any gifts, loans, gratuities, special discounts, trips, future employment or special services.

Conflicts of Interest – District should include a clause barring any relationships which may cause a conflict of interest between the district and bidder.

### **Construction Contracts**

#### **Davis-Bacon Act (40 U.S.C. 3141-3148 and 29 CFR, Subtitle A, Part 5)**

The Davis-Bacon Act applies to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. In addition, contractors must be required to pay wages not less than once a week.

- Districts must place a copy of the current prevailing wage determination issued by the Department of Labor in the advertised specification for every contract in excess of \$2,000. Referencing the Labor and Industries website is not sufficient.
- Each contract must contain a stipulation that the contractor or subcontractor shall pay prevailing wages unconditionally, at least once per week without subsequent deduction, and post the scale of wages to be paid in a prominent and easily accessible place at the work site.
- In making the decision to award a contract or subcontract, Districts must award conditioned upon the acceptance of the wage determination.
- Districts must report all suspected or reported violations to the Federal awarding agency.

Note that Washington State regulations require the payment of prevailing wages on all public works contracts, regardless of cost. Current prevailing wage rates by labor categories are listed on the Washington State Department of Labor and Industries website.

Scopes of Work: <https://lni.wa.gov/licensing-permits/public-works-projects/scopes-of-work>

Prevailing Wage Rates: <https://lni.wa.gov/licensing-permits/public-works-projects/prevailing-wage-rates>

#### **Copeland “Anti-Kickback” Act (45 CFR §2543.82)**

All contracts and subgrants in excess of \$2,000 for construction or repair shall include a provision for compliance with the Copeland “Anti-Kickback” Act. The Act provides that each contractor shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of a public work, to give up any part of the compensation to which he is otherwise entitled. The recipient shall report all suspected or reported violations to the Federal awarding agency.

### **Contracts over \$10,000**

#### **Termination Clause (48 CFR Part 49)**

All contracts over \$10,000 must include a termination clause. The clause must address administrative, contractual, and legal remedies in instances where contractors/vendors violate or breach contract terms and provide for such sanctions and penalties as appropriate.

Breaches may include

- Missing schedule, deadline or delivery dates specified in the solicitation, contract, and/or a purchase order
- Missing payments when money is owed
- Not performing in accordance with the contract and/or the procurement solicitation

The district should also reserve the right to terminate the contract immediately, for convenience, if the district believes, in its sole discretion, that it's in the best interest of District to do so. The contractor/vendor will be compensated for work performed and accepted and goods accepted by the district as of the termination date if the contract is terminated for convenience.

### **Contracts Over \$25,000**

#### **Suspension and Debarment § 2543.88**

School Districts are prohibited from contracting with or making sub-awards for any purchase of good or services of \$25,000 or more (per vendor per fiscal year) to parties that are suspended or debarred or whose principals are suspended or debarred. This also applies to any subcontractors. Vendor status should be verified prior to issuing purchase orders or contracts by checking the Excluded Parties List at SAM.gov: <https://sam.gov/search> or the Debarred Contractors List on L&I: <https://secure.lni.wa.gov/debarandstrike/ContractorDebarList.aspx>

If the vendor has been suspended or debarred, do not issue purchase orders or contracts. Whether the vendor is listed or not, it's recommended that a copy of the list be printed and saved as a hard copy or PDF as back-up documentation for that purchase order or contract.

Other recommendations:

- Include language in all solicitations which inform responding bidders that they must meet federal suspension and debarment requirements.
- Have contractors/vendors sign a certification stating that they have not been suspended or debarred
- Include suspension and debarment language in the terms and conditions of your purchase orders and professional services agreements

Note that the lack of a suspension and debarment verification creates the most findings during an audit of federal purchases.

### **Contracts Over \$100,000**

#### **Contract Work Hours and Safety Standard (40 USC §3701 and 29 CFR Subtitle A, Part 5)**

The Contract Work Hours and Safety Standards Act (CWHSSA) requires contractors and subcontractors to pay laborers and mechanics, including watchmen and guards, employed in the performance of covered contracts one and one-half times their basic rate of pay for all hours worked over 40 in a work week.



CWHSSA applies to contractors and subcontractors on certain contracts with the Federal government or the that require or involve the employment of laborers or mechanics (including guards and watchmen), including Federal service contracts and Federal construction contracts over \$150,000.

CWHSSA also applies to certain federally assisted construction contracts over \$100,000 subject to Davis-Bacon and Related Acts wage standards where the Federal government is not a direct party, except those contracts where the Federal assistance takes the form only of a loan guarantee or insurance.

#### Byrd Anti-Lobbying Amendment (45 CFR §2543.87)

Contractors who apply or bid for an award of \$100,000 or more shall file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier shall also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the recipient.

#### Clean Air Act (45 CFR §2543.86)

Contracts and subgrants of amounts greater than \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

#### Other Requirements

Solicitations and contracts must specify if additional volume or items are allowed.

#### **Contract Renewals (48 CFR §970.1706 and 48 CFR §52.217)**

- A renewal option must be specified in the solicitation and contract
- It's recommendation that a contract be one (1) year in duration with the option for four (4) annual renewals
- Districts shall assess whether re-soliciting the contract will produce a more advantageous offer than exercising the renewal option. The contractor/vendor's past performance under the contract shall be addressed in the decision that the exercise of the option is in the district's best interest.
- Contract renewals must be by written notice
- Any additional goods must be included in the renewal
- The basis of the contract value must include actual expenditures of the previous year plus any additional items

#### **Equipment Purchases (2 CFR §313)**

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, including the Federal Award Identification Number (FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (§313(4)(d)(1)).

A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years (§200.313(4)(d)(2))

When acquiring replacement equipment, the district 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 (§200.313(4))

## **Child Nutrition Services - Contracting Requirements**

### **Buy America Provision (7 CFR §210.21)**

Schools participating in the Federal school meal programs are required to purchase domestic commodities and products for program meals to the maximum extent practicable. Domestic commodity or product means:

- An agricultural commodity that is produced in the U.S.\* and
- A food or beverage product that is processed in the U.S.\* using substantial domestic agricultural commodities

Substantial: Over 51% of the final processed product consists of agricultural commodities that were grown in the U.S.

\*Products from Guam, American Samoa, Virgin Islands, Puerto Rico, and the Northern Mariana Islands are allowed under this provision as territories of the US.

For the purpose of bid evaluation, Bidders are required to certify that products contained in the proposal are processed in the US and contain at least 51% weight or volume of its agricultural food component from the U.S. Bidders that fail to include in an addendum to their proposal or bidders that cannot certify that products contained in the proposal are processed in the US and contain at least 51% weight or volume of its agricultural food component from the U.S. will be deemed unresponsive and therefore eliminated from the bid evaluation procedure. Consider creating a certification/attestation form which the bidder signs as part of their response.

This applies to all entities which purchase on behalf of a District, such as a group purchasing co-op or a Food Service Management Company.

Limited exceptions:

- When a product is not produced or manufactured in the U.S. in sufficient and reasonable quantities or of a satisfactory quality
- When competitive quotes, bids or proposals reveal the cost of a U.S. product is significantly higher than the foreign product

Retain documentation to support the need to utilize exceptions.

Suppliers should be continuously monitored to ensure that the Buy American provision continues to be followed throughout the contract term.

The Buy America provision does not apply to the purchase of equipment or supplies.

### Geographic Preference:

The 2008 Farm Bill encourages Child Nutrition Program sponsors to apply a geographic preference when buying locally grown and locally raised unprocessed agricultural products.

- A Geographic Preference may only apply to the purchase of locally grown or raised, unprocessed or minimally processed agricultural products that retain their original characteristics:
  - Unprocessed agricultural products: chopped, cut, sliced, diced, or shucked
  - Does not apply to any products that have been cooked, heated, canned or that have any additives or fillers
- Districts must define local:
  - Could include mile radius, specific counties, defined region, within the State or delivery within hours/days of harvest
  - Must not be defined in a way that restricts free and open competition
  - Locality is tied to the agricultural product, not the location of the respondent
- The solicitation must clearly define and describe the evaluation criteria of award to be used:
  - A geographic preference can be applied using a point preference system, a percentage-based system, or a different system.

### Washington Grown Food (RCW 28A.335.190(8-11))

At the discretion of the board, a school District may develop and implement policies and procedures to facilitate and maximize to the extent practicable, purchases of Washington grown food including, but not limited to, policies that permit a percentage price preference for the purpose of procuring Washington grown food. In doing so, districts may make purchase between \$40,000 - \$250,000 after obtaining at least three quotes.

Note that “Grown in Washington” or any geographical designation can only be a preference, not a specification.

### Market Basket Analysis

A Market Basket Analysis is a procurement practice which may be used to evaluate bids/proposals for a solicitation based on an evaluation of the lowest price a vendor can offer for a representative sample of goods. This analysis is the basis for awarding a contract to a successful vendor.

Districts must:

- Have a written procurement procedure detailing how the Market Basket analysis is conducted to award a contract

- Include language that allows for this type of evaluation in the published solicitation.
- Estimate the value of the contract by reviewing purchase history and forecasting.
- Select a “representative sample” defined as 75% or more of the estimated value of the contract to be awarded.
- List all goods to be procured under the contract.
- Obtain pricing for the remaining listed goods that were not included in the Market Basket analysis prior to the final award.
- Maintain records to sufficiently detail the history of the procurement and have available during a review.
- A Market Basket Analysis may be used when procuring processed end products containing USDA foods using the Net-Off-Invoice (NOI) value pass through system.
- A Market Basket Analysis is not appropriate when procuring processed end products containing USDA foods using the fee-for-service pass through system.
- A Market Basket Analysis is not appropriate for awarding service contracts.

#### Nutrition Service Equipment Purchases (USDA SP 39-2016):

- Federal regulations require that approval must be obtained prior to the purchase of equipment and other capital assets using the school food service account. District are required to receive prior approval from Child Nutrition Services for equipment purchases which are not on the approved list (2 CFR §200.439). The application form can be found on the OSPI website.
- Equipment listed on the Washington State Pre-Approved Equipment List may be purchased without prior approval. The Pre-Approved Equipment List can be found on the OSPI website.
- Equipment is defined as “tangible personal property with a useful life of more than one year.”
- Equipment must be necessary, reasonable, and allocable
- Proper procurement procedures must be followed.

Pre-approved equipment list:

<https://www.k12.wa.us/sites/default/files/public/WA%20State%20Pre-Approved%20Equipment%20List.pdf>

#### Food Service Management Companies (7 CFR §210.16)

Districts may contract with a food service management company to manage its food service operation in one or more of its schools. However, no school or District may contract with a food service management company to operate an a la carte food service unless the company agrees to offer free, reduced price and paid reimbursable lunches to all eligible children.

Districts that employ a food service management shall:

- If replacing services currently provided by classified employees, conduct a feasibility study, and submit to OSPI for approval
- Obtain OSPI Child Nutrition Service (CNS) approval of the RFP prior to distributing.

- Adhere to the procurement standards when contracting with the food service management company
- Obtain OSPI CNS approval of contracts prior to awarding
- Ensure that the food service operation conformance with the district's agreement and monitor the food service operation through periodic on-site visits
- Retain control of the quality and general nature of its food service, and the prices to be charged
- Retain signature authority on the free and reduced-price policy statement and claims
- Ensure that all federally donated foods received by the district and made available to the food service management company accrue only to the district's food service program and are fully utilized
- Maintain applicable health certification and assure that all State and local regulations are being met
- Establish an advisory board composed of parents, teachers, and students to assist in menu planning.
- Obtain written approval of invitations for bids and requests for proposals before their issuance when required by the State.
- The invitation to bid or request for proposal contains a 21-day cycle menu
- Contracts that permit all income and expenses to accrue to the food service management company and "cost-plus-a-percentage-of-cost" and "cost-plus-a-percentage-of-income" contracts are prohibited. Contracts that provide for fixed fees such as those that provide for management fees established on a per meal basis are allowed.
- Maintain records as the district will need to support its Claim for Reimbursement
- Duration of contract. The contract shall be of a duration of no longer than 1 year; and options for the yearly renewal of a contract may not exceed 4 additional years. All contracts shall include a termination clause whereby either party may cancel for cause with 60-day notification.

OSPI Food Service Management contracting information:

<https://www.k12.wa.us/sites/default/files/public/childnutrition/FSMC%20Reference%20Sheet.pdf>

#### Modification of Contracted Products Lists

There are occasions when the program operator needs to purchase goods not included in its existing contract. For example, a new food is introduced by the supplier that may benefit the program. Such purchases should be made using applicable procurement methods such as micro purchases, small purchase procedures, sealed bids, or competitive proposals depending on the value of the purchase. If it is determined that purchases are needed on an ongoing basis, they may be added to an existing contract if the following conditions are met:

- The option to add goods must be included in the original solicitation and contract
- Recommend limiting additional costs to 5-10% of the estimated value of the contract or a separate procurement procedure for those goods must be conducted
- Goods may be added to the contract during contract renewal

Additional Child Nutrition procurement resources: <https://www.k12.wa.us/policy-funding/child-nutrition/procurement>

## **Group Purchasing (Co-Ops)**

Refer to the section on purchasing co-ops and piggybacking for more details.

### Requirements

- The district must be a member of the co-op and have an interlocal agreement. This may require school board approval.
- District should retain all bid documents including advertising, solicitation, bid evaluations, bid opening, and contract renewal agreements and suspension & debarment check from the lead agency.
- Suspension/Debarment check should be completed, even if the lead agency already performed this
- Contracts need to be compliant with Federal procurement laws
- Purchasing co-ops quote can be used as one of the required quotes

### Department of Enterprise Services (DES) Contracts

- Per USDA Memo SP-05-2017, procurement by DES does not satisfy Federal competitive procurement requirements and is only considered one quote source.
- As of March 2021, the Fruit and Vegetable contract is compliant for Federal procurement standards, including the Buy American clause.

## **Sole Source (2 CFR §200.320(c))**

The 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 only available from a sole source
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation. This must be for a limited time until a full bid process can be completed.
- The Federal awarding agency or pass-through entity (e.g., OSPI) expressly authorizes noncompetitive proposals in response to a written request from the district
- After solicitation of a number of sources, competition is determined inadequate
- No response to a solicitation (be sure to document)

Software can be considered a sole source if you can document why that other products don't meet your specifications. List those companies/software in your documentation.

Sole-sourcing should be used with discretion and properly documented.

## **Surplus Of Equipment (45 CFR §2543.35 and 2 CFR §200.313)**

Equipment must be used by the district in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award.

When equipment acquired under a federal award is no longer needed for the original project or program, the district must request disposition instructions from the Federal awarding agency, if required by the terms and conditions of the Federal award.

#### Equipment >\$5,000

- When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority: (i) Activities under a Federal award from the Federal awarding agency which funded the original program or project, then (ii) Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.
- The district may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment.
- If the District has no need for the equipment, the district shall request disposition instructions from the Federal awarding agency. The Federal awarding agency shall issue instructions to the district no later than 120 calendar days after the district's request.
- If the District is instructed to ship the equipment elsewhere, the District shall be reimbursed by the Federal Government by an amount which is computed by applying the percentage of the District's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.
- If so instructed or if disposition instructions are not issued within 120 calendar days after the district's request, the district shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the District shall be permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for the district's selling and handling expenses. Districts must dispose of the equipment in accordance with State laws and procedures.

#### Equipment <\$5,000 (2 CFR §200.313)

- Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.



## **Record Retention (DAN GS 06004, 06007, 01050)**

Although federal record retention laws stipulate that records must be retained for a period of 3 (three) years after the submission of the final expenditure report (45 CFR §2543.53), State record retention laws are more restrictive and must be followed. Most financial records, including bids, proposals, and contract documentation, must be retained for 6 (six) years after completion of the purchase or fulfillment of the contract.

Washington State record retention schedules:

<https://www.sos.wa.gov/archives/recordsmanagement/state-agencies-records-retention-schedules.aspx>

## **Audit Issues/Findings**

The following is a list of potential audit issues/findings pertaining to Federal procurement:

- Suspension/Debarment wasn't checked and documented prior to purchase
- District policies aren't up to date or aren't followed
- The more restrictive \$75,000 bid threshold isn't used
- Contracts do not contain no soliciting of gifts clause
- Contracts do not include a conflict-of-interest clause
- Construction contracts do not include the Byrd Anti-Lobbying clause for contracts >\$100,000
- Contracts do not include a termination clause (2 CFR 200, Appendix II(b))
- Nutrition Services contracts don't include the Buy American provision (7 CFR §210.21(d))
- No cost/price analysis was done (2 CFR §200.324)
- Unallowable costs were charged to a federal program
- Contract renewal agreements were missing when extending a contract
- Piggy-backed contracts were not compliant with Federal and/or State bid laws
- Lack of documentation for Sole Source purchases
- No supporting documents of approval prior to purchase
- Receipts and other supporting documents don't include details of what was purchased
- Federal funds were used to purchase food for employee trainings, staff appreciation, working lunch meetings, etc. The purchase of food with Federal funds is discouraged, however, food can be purchased with Federal funds for parent and family engagement activities. The amount should be reasonable in relation to the number of participants.
- Travel related expenses did not include documentation to support that travel was for a valid business purpose.
- Services were performed prior to contract approval
- Order splitting to avoid bid thresholds
- Lack of segregation of duties between the person requesting the purchase and the person approving the purchase
- Lack of clear specifications [2 CFR §200.319(c)]

## Bids and Bidding Procedures

Since the laws of the State of Washington provide for certain procedures, which must be complied with by school Districts in the purchase of materials, equipment, and services, it is important that School Boards adopt policies that conform to these legal requirements.

The intent of the law is that school Districts should secure competitive bids for required goods and services and obtain the maximum value for each dollar expended consistent with the quality desired.

There are two types of bids in typical use:

### **The Formal Advertised (sealed written) Bid**

The Informal (written or oral) Bid. The law requires the use of the Formal Advertised Bid on all expenditures of \$75,000 or more for furniture, equipment, or supplies (except books) with bids called for through legal advertising. Each local Board may establish purchasing policies and procedures to be followed for expenditures below these statutory limits RCW 28A 335.190. On purchases between \$40,000 and \$75,000, the informal bid (i.e., oral, fax/email or telephone quotation) may be used.

#### **A. Formal Advertised Bids (Expenditures of \$75,000 or more)**

When school District expenditure for furniture, equipment, or supplies (except books) is expected to exceed the statutory limits, the bid call must be publicly advertised. The bids are received in the form of sealed written proposals and are publicly opened at a stated time and place. Bids received late must be returned unopened to the bidder. Awarded to the lowest responsive and responsible bidder.

The proposal used for securing bids for supplies, equipment and some types of services consists of several parts, some of which lend them to standardization. It is recommended that standardized portions be submitted to the district's legal advisor for approval as to form.

Proposals covering construction work are generally more involved legal instruments and should be drawn up by the Architect, or other competent person, with the assistance and approval of the district's legal advisor.

##### **1. Notice to Bidders (Advertisement)**

Whenever necessary to call for bids by advertising, complete plans and specifications for such work or purchases shall be prepared and notice by publication of intention to receive bids given in at least one newspaper or general circulation within the district, once each week for two consecutive weeks prior to bid opening (RCW 28A.335.190 (1)). The notice should be kept as part of the bid documents. It may be a policy for the clerk or secretary of the District Board or other authorized person must keep a copy of the printed notice on file. The following should be included in the notice:

- ☐ Date, time, and place of bid opening.
- ☐ Description of bid items.
- ☐ Directions to location where bidding documents may be obtained.
- ☐ Statement that the Board reserves the right to reject any and all bids and to waive any irregularities or informalities in the bids or in the bidding.

- ☐ If the proposal has to do with construction or public works, the Notice to Bidder should contain, in addition to the above, the following, as well as potential posting to a plan center such as Dodge (D-form requirement):
- ☐ Statement regarding the payment of general prevailing wage rates of all trades involved in the work, including fringe benefits and a statement that wage rates are found at the Department of Labor & Industries (hyperlink suggested)
- ☐ Employment of apprentices (RCW 39.12.021).
- ☐ Amount of plan deposit, if required.
- ☐ Indication of amount of bid bond (usually 5%) required. (RCW 39.08.010). Indication that bidder may not withdraw his bid for a specified period after the opening.
- ☐ Indication as to whether payment bond and performance bond will be required of successful bidder and/or subcontractors.
- ☐ Retention requirements
- ☐ Specification of classification of contractor's license.
- ☐ Non-collusion affidavit information.
- ☐ Insurance requirements.
- ☐ Subcontractor requirements (RCW 39.30.060). Contract \$1,000,000 and above and due within 1 hour of bid due time.

The Notice to Bidders for construction work should be approved as to form by the district legal advisor.

## 2. **Bid Proposal**

This is the most important portion of the bid document. This instrument when signed by the bidder and accompanied by the bid bond or certified check, if required, is the bidder's agreement to furnish the supplies, equipment, or services in accordance with the bid documents and legal provisions. The Bid Proposal may be a separate document or may be a statement included on the bid form with the conditions and/or specifications. In construction work, the proposal is always a separate document.

## 3. **Additional Information**

Bid instructions and conditions may include the following and any other items pertinent to the district. The following general statements are often printed on the reverse side of a standardized proposal document form.

- ☐ Requirement that only District proposal form shall be used
- ☐ Instructions as to how to complete the bid
- ☐ Instructions for signing bid by responsible officer of company
- ☐ Required deposit or bonds
- ☐ Instructions for noting variations, substitution or alternates from articles specified
- ☐ Statement of regulations that will stand when alternates, substitution or variations are or are not accepted
- ☐ Sample submission requirements

- ☐ How samples will be used, may be destroyed in tests, must be furnished free, without obligation, etc.
- ☐ Reserve the right to reject any and all bids
- ☐ Right to waive informalities or irregularities
- ☐ Form of protest
- ☐ Right to withdraw and timeframes to do so
- ☐ Necessary general delivery instructions
- ☐ Regulations regarding failure to deliver
- ☐ Instruction prohibiting extra charges for packaging, driving, etc.
- ☐ Statement regarding transfer of title to merchandise whether shipped F.O.B. shipping point, or F.O.B. destination
- ☐ Instructions regarding compliance with specifications
- ☐ Inspection procedures
- ☐ Statement of Work
- ☐ Technical Specifications and/or drawings
- ☐ Contract instructions
- ☐ Key Performance or Expectations of Work
- ☐ Protection Clauses
- ☐ Performance Clauses
- ☐ Addenda
- ☐ Failure to sign contract regulations
- ☐ Regulations in case of any additional costs or expenses incurred by the district
- ☐ Instructions regarding Washington State sales and other applicable taxes
- ☐ Interlocal agreement clause, if applicable (RCW 39.34)
- ☐ Identification of subcontractors
- ☐ Apprentices
- ☐ OMWBE, if in district policy

In addition, certain special conditions may be applicable to a particular bid, such as:

- ☐ Special bonding requirements
- ☐ How, when and where deliveries are to be made
- ☐ How awards will be made, whether by item or by groups of items, or all or none.
- ☐ Price protection clauses, if pertinent
- ☐ Other conditions and instructions specific to the bid

#### **B. Informal Bids (Expenditures of \$40,000 - \$74,999.99)**

The bid law makes a distinction for "Public Works" contracts. (RCW 28A 335.190)

- ☐ **\$0 to \$39,999** - Use in-house staff or hire contractor without requirements for bids.
- ☐ **\$40,000-\$149,999** - Obtain a minimum of three quotes if not using a Small Works Roster or five quotes if using the roster

- ☐ **\$150,000 - \$350,000** - Invite bids from all in the applicable category of the Small Works Roster or invite bids from five and notify all in the applicable category
- ☐ **\$350,000 +** - Use formal bid process

For non-public works bids, a written informal quote may be obtained on the same form used for formal bids or the district may utilize a simpler Request for Quotation form. The Request for Quotation form should be prepared by the school District and furnished to the bidders for submitting written bids. This should include clear, concise terms, conditions, and specifications. This will more effectively convey to all parties exactly what you want - eliminating possible misunderstandings. It should be a policy of the district to accept written informal bids only on the district's form. Such a policy tends to place all bidders on a par and eliminates misunderstandings. The Request for Quotation should include in its makeup, general instructions, and conditions with which the bidders must comply in submitting their pricing. The form furnished to bidders should indicate any special conditions, instructions and specifications that are essential to the supplies, equipment, or services to be procured.

1. Some things that need to be included are:
  - ☐ When is it needed
  - ☐ Where is it to be delivered
  - ☐ Time of day to deliver (during or after school)
  - ☐ Receiving and Inspection procedure
  - ☐ Installation
  - ☐ Who handles the packing material (dunnage)
  - ☐ Freight options and cost

There must be exact specifications for the item, for example:

50 each, task chair, HON or equal in mesh upper/back and upholstered seat in black level 1 material, 5-star caster base in black, arm package, (5) five seat and height adjust options, for (8) eight-hour use, maximum weight 300# with (10) ten-year warranty, freight: inside delivery, installed with dunnage removal.

2. The form should also have a place to indicate the date, time and place the quotations are due. The form may be issued in sets of two (or more): an original, which is the bidder's signed copy submitted to the district, and a duplicate or bidder's copy, which is retained by the bidder.

### C. **Oral Bid (Telephone, email, or fax Quotation)**

This type may be used in the case of emergency purchases or where the advantage of speedier receipt of merchandise is worth risking the greater error potential. It is good practice to obtain several bids in order to insure the lowest prices. The telephone quotation may be recorded on a form prepared for that purpose with space provided for entering at least three bids, the terms, availability, date, and name of person furnishing each quote, plus exact terms and conditions. These could be faxed, and a faxed or oral response received. A good practice is to follow up the oral bid/quote with a signed one. This allows the speed of award with written confirmation. It is also acceptable to receive

online quotations via bidding or purchasing software or from the vendors website. Print and keep all quotes received as your due diligence documentation.

To ensure competition there should be at least three responses to the bid or quote. If there are not, then an analysis should be made to determine the reason(s): Were the specifications written too tightly? Are there not enough suppliers? Were possible bidders identified utilizing the Internet? Ensure you are marketing your solicitations and identify the issues when falling short of responses.

When claiming sole source, it is advised schools carefully document the specific needs and requirements and what steps were taken to approach and approve a sole source purchase. If policy dictates, you may also need to receive approval by the School Board.

The entire documentation package relating to Bids and Quotes are required to be kept a minimum of six years under the Public Records statutes RCW 40.14.

## Evaluation, Specifications and Quality Control

### A. Evaluation

This is the process whereby the level of quality is determined before bidding.

Determination of quality should include such areas as:

1. *Selection* based upon standard products, if possible, durability, labor saving features, ease of use, user satisfaction considerations, packaging, storage, maintenance costs of certain equipment and price.
2. *Testing* should be an integral part of evaluation. Testing may be done before specifications are written. Results of tests should be readily available.

### B. Quality Control

After specifications have been written, bids published and awards made, the purchasing agent faces the next step, quality control. This function encompasses the inspection of supplies, equipment or services considering the predetermined specifications. This is the final process whereby the procurement function is assured that the district is receiving supplies, equipment or services that are in full compliance with predetermined specifications. "Let the buyer beware" is good advice and should be carefully heeded. A certification of proper delivery must be made before payment can be made. It is necessary to be certain that items received meet the standards of those specified.

Suggested guide points to be observed:

1. All supplies and equipment should be subject to visual inspection at the time of receipt for quantity and conditions.
2. Inspection for damage is continued as materials are unpacked and stored.
3. Deliveries may be compared with samples previously submitted.
4. All supplies and equipment are checked for compliance with specifications.
5. Re-testing, if required, should be done using the same standards as those originally established for bid specifications.

### C. Specifications

Based on the premise that use and conditions determine the quality of articles to be purchased, good practice would require a predetermined specification, which protects both the district and the bidders. Determining specifications should include the process of value analysis (the level of quality that meets the needs of the using party). To facilitate this process, the purchasing department should work with staff or committees who are using the articles to be purchased, in order to develop a set of specifications. These specifications should then be adhered to as a part of the procurement function. Samples of various products should be made available to the committees for evaluation.

Once a satisfactory set of standard specifications has been established, they should be retained, updated, and used on an on-going basis. All specifications should be reviewed prior to each use and be amended or upgraded to reflect changes in technology and/or the introduction of new products. When brand names are used to denote the standard specification of an item, the item description should be followed by the words "or equal" to ensure competitive bidding.

A specification is a statement that describes any requirement (i.e., construction, equipment, supplies or services) with such clarity and completeness that there is no question by any knowledgeable party as to what quality is required or what functions are to be performed. Three approaches to writing specifications are:

- ☐ Make and Model (brand or trade name)
- ☐ Description
- ☐ Performance

Construction (Public Works) specifications are not included here as these may be developed by technical experts such as architects or engineers hired for that purpose.

#### 1. *Types of Specifications*

- a. The make and model (brand or trade name) specification is commonly used to establish the quality desired. The trade name must always be followed by the phrase "or equal" as required by law unless a minimum of two brands are named. Brands used as specifications should be well known and catalogs readily available which list the specified items with numbers and general description. Provision should be made in the bid form for a space for bidders to write in the make and model that they are bidding, and a notation should state that if no other make and model is listed, the bidder is offering that which is specified. All alternate offers should be tested and analyzed thoroughly against the established criteria of quality.
- b. The descriptive specification consists of a detailed description which indicates size, color, materials, options, accessories, electrical, and any features necessary to establish an acceptable level of quality. Utilization of industry standards and federal specifications can greatly simplify in many instances, the buyer's job. Blueprints or dimension sheets are another common way of establishing quality specifications where dimensional limits are required. When using these, the information must be clear, dimensions completely



specified, and the tolerances expressed with clarity of language or terminology.

- c. The performance specification details the result and the function desired as simply as possible, with the performance limits or variables clearly specified. It normally makes no attempt to specify details except possible limits in dimension and weight and generally makes no effort to specify composition or materials. The intent of this type of specification is to utilize the technical staff of the bidder to its utmost in obtaining the most competitive solution to the buyer's requirement. This type of specification is often used to obtain services.

## 2. *Other Considerations*

Some of the areas, which may need additional consideration, are:

- a. **Flame proofing**-- There are materials that either at the time of purchase or prior to being used are required to be flame proofed by State and Local Ordinance. Some of these are stage drapes, window shade materials, curtains, and scenery.
- b. **Toxicity**-- There may be materials used by students in a school system that could be injurious to health. The following statement should be incorporated in the specification that will make it possible to eliminate nonconforming bids: The items bid shall carry Certified Products Seal (CP) or the Approved Products Seal (AP) of the Crayon, Watercolor and Craft Institute or shall be certified in writing that lead, arsenic or any other ingredients are not present in sufficient quantity to be harmful to the human body and that toxic elements do not exceed one-half of one percent. Only lead-free, nontoxic finishing materials may be used.

Care should be taken to ensure that materials are non-toxic. Some examples are as follows:

- ☐ Crayons
  - ☐ Erasers (pencil and ink)
  - ☐ Modeling Clay
  - ☐ Paint
  - ☐ Paste and Glue
  - ☐ Art Paints
  - ☐ Marking Pens
- c. **Safety data sheets (SDS)** should be provided by any manufacturer and/or vendor selling materials containing hazardous substances. If not provided, it is the district's responsibility to have it in hand prior to the equipment or material is issued or used. So good to have in Terms and Conditions as a requirement.

- d. **Motor Vehicles** - Because of the vast differences in weather conditions, terrain, traffic conditions, etc. that exist in the State of Washington, each District must select the type of equipment and accessories best suited to its needs.
  - ☐ Vehicles -- Workmanship and materials to be guaranteed for a minimum period of one year. Vehicles shall be equipped with all legal devices and requirements of the Washington Code and the Federal Safety Standards applicable to the current year's model.
  - ☐ Trucks-- Provision stating that equipment not mentioned in the specifications but required by the rules and regulations of the Washington Vehicle Code and Washington State Patrol shall be furnished on all vehicles.
  - ☐ Buses- are bid by OSPI to align with Transportation Vehicle Fund
- e. **Miscellaneous Safety Requirements** - The purchasing department should work closely with all departments to make certain that safety rules have been observed when considering any item. Examples of considerations that should be specified are:
  - ☐ Poisonous materials are marked, have SDS and are stored properly
  - ☐ Ladders are to be unpainted and furnished with rubber or neoprene feet.
  - ☐ Any electrical equipment with a motor must have a three-wire grounding type cord and plug cap.
  - ☐ Floor finishes should be U.L. listed as to slip resistance
  - ☐ Electrical equipment should be U.L. listed.
  - ☐ Plastic sheet for glazing purposes must be fire retardant and not emit a predetermined level of toxic fumes when exposed to heat.
  - ☐ Carpet and other combustible floor coverings should meet required flame spread criteria.
- f. **Environmental** - Consideration should be given to impact on the environment by products purchased and consumed by school Districts. Recommendations should be made to promote use of biodegradable products and those other materials that minimize contamination of the environment.
- g. **Recycling** - In addition to promoting use of recycled paper products, consideration should be given to sale of reusable scrap materials such as metals, plastics, foam products and paper.

Federal, state, and local requirements should be consulted for more specific information.

## Analysis and Award of Contract

After bids have been received and opened, it is necessary to analyze the bids to determine:

### A. Analysis

1. If each bid is in proper legal order and is in accordance with instructions and conditions of the proposal or bid form.

2. If bid security is required, that all bonds, certified or cashier's checks submitted are properly executed. Deposit all funds intact daily.
3. If any bid submitted contains insertions or clauses by the bidder, which materially qualifies the bid.
4. If supplies, equipment, or services offered are in accordance with bid specifications and conditions.
5. Who are the responsible and responsive bidders? When the analysis has been completed, a report or recommendation is made to the Board, which then formally awards the bid to the lowest responsible and responsive bidder meeting specifications. As a guide in preparing such report or recommendation, the following may be useful.

#### **B. Types of Awards**

1. One bid - Used when one bid only is received though the item is competitive.
2. Low bid - Used when no other price is lower, and item meets specifications.
3. Low as per Specification - Used when there is a lower price, but lower priced item is not equal to entire specifications.
4. Lowest Responsive Bid - Used when there is a lower price, but lower quoted price is not responsive, e.g., no bond, unsigned, delivery not in accordance with requirement.
5. Distribution - Used when there are two or more equal low bids
6. Distribution, as per Specifications - Used when there are lower prices, but item as bid is not equal to specifications, and there are two or more equal bids meeting specifications.
7. Distribution, Lowest Acceptable Bid - Used when there are lower prices, but bids on which lower prices are quoted are not acceptable and there are two or more equal bids which are acceptable.

#### **C. Award of Contract**

1. Prior to issuing a contract, there must be an acceptance of the vendor's offer by the School Board. The contract becomes binding at the time of adoption by the School Board and communicated to vendor or contractor.
2. When the successful bidder fails to accept the contract award, the bid generally cannot be awarded to another bidder except under certain specific statutory conditions. In such cases, legal guidance should be obtained, and action taken to secure from the bidder any monetary losses sustained by the district.

3. In cases where a single bid has been received, a contract may be awarded providing proper advertising and other legal requirements have been met.
4. All bids may be rejected, and the original bidding procedure repeated if, in the opinion of the School Board, it would serve the best interests of the district.
5. Certain irregularities or informalities in the bids or in the bidding may be waived, such as matters which do not change the substance or enforceability of the bid or which will not give the bidder an unfair competitive advantage as a result of such waiver. However, failure to furnish a guaranty check or bond, or failure to sign a bid is legal grounds for rejection. (NOTE: It has been adjudicated that an unsigned bid can be accepted if signed after bid opening under certain circumstances. Check with legal counsel before rejecting an unsigned bid outright.)
6. In certain contracts involving labor, a payment bond is required.
7. It is desirable to have legal counsel review all proposed contracts prior to making a recommendation to the School Board for an award and approval of the final contract.

### **Follow-Up (Expediting)**

A well-organized purchasing department may efficiently execute bids, contracts, and purchase orders, but if it lacks a positive follow-up system, all the desired results may be lost. A follow-up system, to be effective, need not be elaborate and once instituted, should be an automatic function of the purchasing department.

Under centralized receiving, one suggested system would entail the use of an extra copy of the purchase order and the use of a "tickler" file. At the time the order is placed, the buyer should indicate on the purchase order a predetermined delivery date when the items should be received. This date should be a few days in advance of the actual date needed. The follow-up copy of the purchase order is then placed in the "tickler" file under the predetermined date. As orders are received and completed, the follow-up copies of the purchase order for items not yet received will still be in the file. It is then automatically pulled out and follow-up action is initiated. In most cases a follow-up letter is satisfactory on the first contact. Some items of an urgent nature may require a telephone call.

After the follow-up action has been accomplished, the copy of the purchase order is returned to the follow-up file showing a time extension, along with a copy of the letter sent or notation of the telephone call. To expedite and facilitate the answers from the vendor, it is suggested they be asked to use the follow-up letter for their reply that will, when returned, provide the necessary information on one form. To create good relations with the various schools and departments, follow-up information may be forwarded to the requisitioners.

Regardless of the procedure adopted, a positive follow-up system will accomplish the following major points:

- ☐ Expedite delivery

- ☐ Uncover mistakes made by vendor
- ☐ Act as double-check against the district's receiving records
- ☐ Provide a means to inform buyer and requisitioners as to the status of the order
- ☐ Provide information regarding price changes, credit due, returns and exchanges

Personal property can be defined, as material accumulated which has no further value to the programs of the school district. These items should be disposed of from time to time, in such a manner as to provide maximum benefit to the district. There are several categories of materials, which might be considered surplus property. Equipment, which has been or is about to be replaced that is beyond economic repair, supplies or equipment which have become obsolete due to changes in the program or introduction of improved materials. There is also salvage and scrap material which have intrinsic value based on their composition (i.e., metals) and rubbish which has no material value and may be disposed of by a contract for service.

Personal property is declared surplus property via advertisement in a newspaper of general circulation at least annually. No property can be sold, rented, or leased for at least 30 days after advertisement. Disposal of school district personal property is provided under the terms of RCW 28A.335.180. Disposal of textbooks is governed by RCW 28A.335.180. Disposal of library books is governed by RCW 39.33.070.

One method of disposing of equipment being replaced with new equipment of similar nature is to use the item as a trade-in of said equipment, when obtaining prices for the new, replacement item. In such instances, the purchase of new equipment should be made based on the lowest net price after deducting the trade-in amount. The disposition of other material, which has no further value to the school district's programs, may be accomplished through an auction or public sale to the highest bidder after notice of such sale has been properly advertised.

A well-organized program for disposal is highly beneficial to the district, both financially and as a method of maintaining clean and orderly areas. It is desirable to maintain a central location for the storage of accumulating salvage material and the responsibility for the supervision of this location should be assigned to one office. Before a public sale is conducted, the district should allow site personnel to requisition any usable items for their schools or sites.

Many school districts have perfected methods of disposing surplus personal property by developing well-defined routine procedures. However, there may be some school districts still seeking clarification of the methods described. The following examples are offered only as possible suggestions.

### **Auction Method of Sale**

The auction method of disposing of surplus and obsolete personal property can be effective if organized properly. A listing of the items to be auctioned consisting of the description (make/model) serial number and or district tag number, and quantity should be compiled with minimum bids affixed (if required by district policies). District should provide an adequate location for viewing the items for sale, parking, and a crowd. Determine whether to use professional auctioneer or staff personnel to conduct the auction.

The district should provide written bidding and auction procedures, the removal or pickup of the items purchased, along with terms and conditions of the sale, and pre-register bidders prior to the sale.

Advertising of the sale should be accomplished early and distributed widely. Non-profit and private schools are to receive notice 30 days in advance and be given the opportunity to view and purchase items before the public sale. See RCW 28A.335.180.

### **Sealed Formal Bid**

Another method of disposing of surplus and obsolete personal property is by formal or sealed bid. Whenever a considerable number of items have been accumulated, a list is compiled consisting of description (make, model), serial number and/or district tag number, quantity, and sometimes a notation of condition of article. Items may be listed and sold individually or in lots. The district may also set minimum prices. It is desirable that all items be stored in one secured location for display and the auction.

Depending upon each District's policy, the list of items for sale is presented to the School Board for permission to advertise in a local newspaper. Care should be taken in wording of the bid package to ensure prompt payment and pick-up of all sold equipment and terms and conditions covering risk of loss and condition of the equipment (as is, where is). At the designated time and place on the date of opening, bids are opened, read aloud, and recapped. The highest bidder per item(s) is recommended for award. The recapped bid is returned to the School Board for approval after which the successful bidders are notified by mail and requested to pay for and pick up their equipment by a set date. Payment by check or cash may be acceptable and it is essential that accurate accounts be kept of each transaction so credit may be applied to the proper account. Items not bid upon may be kept for another sale, may be sold at private sale, or may be disposed of at a local public disposal site.

NOTE: In all methods of disposal, state sales tax must be collected on all items sold, except vehicles and boats, unless the purchaser provides a valid resale permit number.

### **Alternate Disposal Methods**

In accordance with the surplus policy of each district, the following are offered as possible methods for disposal and/or revenue generation of surplus materials:

- Sell to a licensed salvage or scrap dealer submitting the highest bid
- Sell on consignment
- Sell at depreciated cost or fair market value, whichever is greater, to any public school
- Items, which cannot be sold but are recyclable, may be deposited with a commercial recycle dealer
- Trade in for equipment of like use
- Donations to a federal, state, or local government entity provided the property is used for K-12 educational purposes
- Discard as waste any items, which cannot be sold, traded, or donated in any manner. The best method of disposal will be determined by what is available in your area, how much time you must devote to the process, and the space

available to sort and store the material until your chosen method can be accomplished

- Online Auction

## Legal References

The following legal references should be reviewed:

- [RCW 28A.335.060](#) Surplus school property, rental, lease, or use of – disposition of monies received from.
- [RCW 28A.335.090](#) Conveyance and acquisition of property – management appraisal.
- [WAC 392-143-050](#) Re-sold school buses.
- [RCW 28A.335.180](#) Disposal of school district personal property and textbooks
- [RCW 39.33.070](#) Disposal of library books



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## Warehousing and Inventory Control

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It is generally accepted that the size of a school system in terms of enrollment, number of school buildings and programs, predetermines the cubic feet of warehouse space necessary to store and distribute educational materials and supplies. The scope of the activity depends upon three factors:

- The annual consumption of supplies
- The degree of supply and materials standardization that has taken place in the district
- Availability and lead-time of products.

The fundamental motivation for investing the funds to develop a warehouse facility is the savings in supply expenditures, quality/control, and expedient distribution of supplies. Before a decision can be reached, the advantages and disadvantages of centralized storage must be weighted

### Centralized Receiving and Warehousing-Making the Choice

- Advantages of Centralized Storage
  1. Savings in supply expenditures can be achieved through infrequent, large volume orders.
  2. An adequate and continuous supply of needed materials can be assured with a minimum of storage space required in schools and departments.
  3. Buying in advance of use, thus improving delivery by avoiding vendor's rush season and minimizing back orders, can eliminate peak purchasing loads.
  4. By taking delivery at a central warehouse, adequate inspection of delivered goods can be maintained on a systemized and uniform basis.
  5. Adequate supply inventory records can be maintained to facilitate studies of consumption, standardization, and price trends, to serve as a basis for scheduling and timing purchases.
  6. Centralized storage of frequently used supplies and maintenance materials together with prompt distribution can eliminate the need for stockpiling in schools.
  7. Ability to standardize equipment within the district for ease of repair and replacement.
- Advantages of Decentralized Receiving and Storage

1. Decentralized storage has the advantage of reducing the costs associated with upkeep of a central warehouse.
2. Decentralized storage eliminates the clerical and administrative duties associated with the operation of a central warehouse. This cost is transferred in part or in total to the schools and the central office.
3. Due to lack of facilities in many smaller school systems, housing of a year's supply of instructional and operating supplies is often not possible. Some believe it is cheaper to provide limited storage rooms in schools than to build a warehouse.
4. For contracts with vendors calling for a relatively even flow of supplies to each school throughout the year, the need for a central warehouse may be eliminated.

The practice of making frequent purchases of materials to be delivered directly to the user reduces obsolescence, since merchandise is consumed rapidly, and newer items can be promptly ordered. Changes in the instructional program requiring different materials are not impeded by the requirement of first using up old supplies

**Location and Desirable Features of a Warehouse**

- Location:
  - A central location near the administrative offices, garage, and maintenance shops is recommended.
  - The receiving area should be accessible to large motor trucks to permit direct unloading.
  - Avoid locating the warehouse in an area of the city that is not afforded prompt and adequate fire and police protection.
  - A location should be selected which will facilitate the establishment of regularly scheduled supply delivery routes to all schools.
  - Site should be sufficient in size to permit future growth.
  - Loading docks should be accessible and safe to use. Equipment such as dock levelers may be installed.
- Features:
  - Storage Space - Adequate storage space depends upon the scope of the warehousing function as measured by the following:
    - Frequency of delivery to schools and departments
    - Types of materials, supplies and equipment to be stored
    - Number of schools to be served
    - Estimated enrollment growth and new building plans (future expansion)
    - Types of handling equipment to be used

- Size and scope of food service and other activities
  - Amount of maintenance and operation supplies used by school district personnel
- Open storage areas are necessary for the warehousing of furniture, equipment, commodities that can be stacked on pallets and movement by materials handling equipment. Open storage areas will generally occupy the greatest number of square feet of storage space.
  - Shelving units of several types will be needed for the storage of consolidated, loose-issue items and stock issued in relatively small quantities.
  - Bins and small compartment storage units are useful for storing items that are small or not issued in factory packs.
  - Racks should be provided near the entrance to the bay areas, but accessible to the delivery dock. Lumber, pipe, and metal bar stock may also be stored in this area.
  - A separate room should be provided for inflammables, hazardous commodities, and barrel stock, separated by a firewall from the rest of the warehouse. Locating this in a room at the end of the loading dock will be helpful for receiving or delivering purposes.
  - Adequate aisle space must be provided within the shelving areas as well as in the open storage bays to permit the operation of forklift trucks and/or flatbed equipment.
  - Both refrigerated and non-refrigerated storage areas for meats, produce, and staple food commodities may be necessary, with freezing space if quantities of frozen foods are to be handled. Non-refrigerated storage areas should be protected from vermin and insects, with special consideration given to temperature control and ventilation for distinct types of foods.
  - A large area should be available at or near the delivery entrance to the warehouse to be used as shipping and receiving station. Bins or shelves can be arranged within this area as a means of assembling school orders prior to delivery.
  - Pallets should be provided for the unit load storage of supplies in open storage areas to facilitate vertical stacking and handling by mechanical lifting equipment.

## Physical Stock Arrangements

Because of the diversity of items by type and size, the school warehouse should provide for a physical separation and classification of stock by commodity groups and by specific location.

- Capacity factors, which limit or affect the use of floor area, should be identified before storage layout is developed.
- Floor load capacity should be known and only floor areas having a safe load capacity should be utilized for storing heavy items and for the use of materials handling equipment
- Vertical space should be used to consolidate storage most advantageously. Lightweight and bulky items may usually be stacked as high as ceiling clearances allow.
- The location and size of doors influence the flow of stock and limits the available space in adjacent areas.
- The arrangement of open storage and shelving areas as well as the layout of aisle space should be planned to facilitate stock handling.
- Adequate aisle space should be determined by the largest storage truck or equipment to be used in the area.
- Shelving units should be installed back-to-back where possible in medium length rows, with double size dividing cross aisles at the ends of each row. Space along walls may provide suitable locations for special shelving units and racks for the storage of items of irregular shape or length.
- Aisle space for open storage bays should be indicated either by painted lines on the floor or using pressure-sensitive tape to segregate the space into sections and to preserve aisles
- Adequately sized handling space should be maintained near the receiving entrances to accommodate large quantity deliveries.
- A floor plan diagram indicating storage locations by commodity groups as well as aisle spaces and storage directions will facilitate the planning and control of initial space assignments.
- Certain stock factors should be considered when planning the storage of individual packages and containers in shelving storage units.
- The nature of the supply item in terms of size and durability as well as usage rate.
- The top shelves should be used for overstock supply to replenish fast-moving items.
- Items should not be mixed in a shelving unit unless they can be properly segregated and identified.

- A central location is recommended for shelving and bin areas. The following should also be considered.
  - Low-ceiling areas of the warehouse - vertical space limited
  - Location of warehouse office - security and protection
  - Location of bulk storage - stock replenishment and consolidation
  - Shipping and assembly areas - reduce internal hauling and handling
  - Automatic Sprinkler deflectors and requirements.
- Areas assigned for storage of palletized or bulk commodities should be laid out to permit stacking in short rows so that supplies can be withdrawn from one row at a time, from front to back.
- The planning and layout of space must be coordinated with the types of supplies and/or materials that are anticipated for storage.
  - Suitable storage space must be provided near doors and loading points for active fast- moving items.
  - Supplies in large quantity should be stored in the large blocks of space provided in the center or end of sections. Small quantities, however, can go in several places throughout the storage area.
  - The size, weight and shape of supplies must be considered in space planning. Heavy or bulky items should be transported the shortest distance possible between stock and loading point.
  - The nature of the materials to be stored must also be considered; some must be kept dry; some must be stored away from odors; others must be protected from light and temperature variations.
  - Items subject to pilferage, security items and hazardous materials must be given special storage consideration. Space must be planned so those items needing special consideration are given proper storage.

## Stock Locator System

Adequate stock location control helps to promote rapid selections of stock for issue and encourages the maximum utilization of available warehouse space. It should be realized, however, that a small warehouse or activity may not require a formalized stock locator system and instead can rely upon shelf tags, signs, and floor plan designations to identify materials and/or supplies by classification.

- A method of locating and selecting stock should be developed which will enable warehouse personnel to determine existing locations, to consolidate storage and to plan for the extension or reduction of existing storage locations.
- A floor plan of the building that indicates location of materials and/or supplies by identification symbols should be maintained in the warehouse office.

- For an open storage area, a simple sequence method of identifying and marking the primary storage locations can be established by a combination of letters and numbers
- The shelving and bin storage spaces can be identified by means of row numbers and bin tags or signs indicating the item classification, group symbol or stock number assigned to the materials and/or supplies in the warehouse catalog and inventory control records
- Stock locator card file systems or software programs are frequently maintained in the offices of large volume warehouses. Information to be tracked includes but is not limited to:
  - Stock number, description, and unit of issue
  - Date shipment is received
  - Number of units in each package
  - Complete storage location of the item by area, section, bay, or shelving row.
  - Regardless of the means of identification used, the system should provide an accurate description and uniform interpretation and should enable warehouse personnel to locate supplies and equipment rapidly.

## Materials Handling Equipment

One of the main problems affecting the success of the centralized storage operation involves the efficient movement and handling of supplies in the receiving, storing, and issuing activities. To be considered efficient, materials handling operation must balance personnel required with equipment to be used. The potential savings resulting from the proper selection of equipment cannot be over- emphasized.

- There are several kinds of material handling devices available for use in school warehousing operations. Factors that affect the choice of a particular equipment item and its method of use are:
  - Characteristics of the item, storage, and delivery carrier
  - Distance between unloading docks, point of storage and loading area
  - Volume of warehousing operation
  - Availability of power source (i.e., electric vs. gas/propane)

- When choosing the type of equipment to be used, the size, shape, weight, and container strength to be handled should be considered. Turning radius is also a factor if warehouse space is minimal.
- The primary purpose of materials handling equipment is to conserve labor and speed up operations. Before a proper selection and application can be made, a thorough analysis should be conducted to determine required handling procedures. Study should be given to the several types, makes, features and costs of the equipment

## Safety Considerations

Operational standards of good housekeeping and fire protection should be always established and enforced in the warehouse facility to ensure maximum safety and the protection of life and property. The following recommended minimum standards of storage housekeeping and orderliness should be always observed:

- All salvageable scrap and waste material should be properly segregated and disposed of on a regular basis.
- Blocking and bracing materials should be removed from the unloading area at once.
- Floor areas should be kept free of loose pallets, lumber, containers, and other misplaced materials.
- Adequate lights, ventilation and heat should be always provided to insure proper working conditions.
- All racks, shelving areas and auxiliary equipment should be kept in good operating conditions through planned periodic servicing and maintenance.
- Shelving storage should be dusted regularly and items such as office machines and equipment should be covered to prevent damage from dust and dirt.
- Floors should be treated regularly with non-combustible sanitary seals or surfaces to prevent accumulation of traffic grime and dirt.
- Loose burnable packing materials such as excelsior, sawdust and newspapers should be removed immediately and stored in outside refuse containers.
- To ensure the enforcement of good housekeeping practices, the warehouse should be inspected periodically by a school business official. Such periodic inspections should be made in the presence of the responsible warehouse employee in charge of operations.
- All employees should have general knowledge of all fire control regulations. Standards of fire protection should be established by written procedures and enforced by regular



inspection. "Fire consciousness" should be integrated into the daily warehouse operations; all employees should have general knowledge of all fire-control regulations:

- Knowledge of the handling and storage required for various flammable and hazardous commodities.
  - Know how to identify and sound the proper fire alarm on discovery of fire.
  - Know location and use of fire extinguishers and firefighting equipment.
  - Smoking should be permitted off district premises.
  - The school business official and Warehouse Supervisor should cooperate with local fire officials to obtain technical assistance and to see that the required fire protection facilities are available.
- The general layout of storage areas should provide ready access to fire-fighting equipment.
  - Local fire regulations should be reviewed when planning the location of bulk storage areas to ensure that applicable wall and ceiling height clearances are observed.
  - The proper type of fire extinguishers should be utilized in accordance with local fire regulations and classification of fires as established by the National Fire Protection Association.
  - Fire extinguisher locations should be "color coded" in bright red.
  - A comprehensive fire inspection of all warehouse facilities should be conducted by the local fire department at least every six months, however, this inspection should be considered as a minimum standard. Spot-checks by the school business official should be made with the Warehouse Supervisor.
  - Forklift and warehouse conveyance OSHA certifications are up to date and on file.

## Receiving

Upon receipt, each delivery must be checked for:

- Correct number of packages shipped.
- Condition of packages received. Freight companies are only responsible for the number of packages delivered in good condition. Each shipment must be checked for any visible damage, such as leaking cartons, broken cartons, rattling sounds (broken glass, etc.) Such visible damage must be noted on the delivery receipt.

- If visible damage is apparent, a claim must be filed with the freight company. All cartons, packing boxes, etc. are kept as evidence for inspection by the claims adjuster. All freight damage claims should be handled in accordance with the Uniform Commercial Code.
- Packages are opened and then checked for:
- Correctness of items as ordered on the district purchase order and as indicated on the packing slip. Quantity, size, color, brand name, etc. must all comply.
- Broken or damaged items that were not apparent during visual inspection when packages were received. This damage is referred to as concealed damage and must be reported immediately to the supplier if f.o.b. destination or to the carrier if f.o.b. shipping point.

## Inventory Control

Inventory control promotes effective buying. A good inventory control system helps maintain a continuous supply of material and minimizes the loss and mysterious disappearance of materials. The maximums and the minimums should be checked periodically. Future supply needs can be mechanically calculated from past usage records, which should be an inherent part of the inventory control system. In addition to past usage, the following items must also be considered:

- Program changes
- Product changes
- Year-to-date usage
- Inventory on hand
- Lead time for delivery
- Minimum and maximum ordering points
- Standard packaging
- Shelf life
- Stock Control- There are many ways to keep an inventory control system. Each item carried in stock should be recorded. The following information should be included:
  - Article - Name, size, unit (i.e., paper, construction, red, 12"x18", unit 50 shts/pkg)
  - Unit Price - price must be per unit of issue

- Record all materials received
- Record all material issued
- Record balance on hand
- Stock location number
- Past usage information
- Reorder point
- Maximum order quantity
- Additional information - date item was purchased, and price paid, purchase order number, requisition number, company from which item was purchased and acceptable/unacceptable brands.
- Stock Rotation- Oldest stock should be used first when filling orders.
- Physical Inventory - Physical inventory is a particularly important part of the inventory control system and should be taken at least once a year. Cycle Counts should also be used to count, on a routine rotating basis, a small pre-determined section of stock.

## The Warehouse Catalog

A catalog of items stocked in the warehouse should be prepared in a form that is easily understood and has a logical sequence of items, descriptions, unit of issue and cost of items. This can be created in a paper or electronic format.

## Distribution

When a warehouse is established as a central receiving point, it also becomes the central distribution center. Just as the receiving function is controlled by the purchase order, the distribution function is controlled by an approved requisition.

- **Filling Requisitions**
  1. Warehouse stock orders - a multi-part form
    - a. Original and delivery copy to warehouse for posting
    - b. Supplies pulled and set aside
    - c. Supplies and copy of requisition are delivered and signed for by school personnel.
    - d. Original signed copy of the requisition forwarded to purchasing or inventory control for posting
  2. Vendor Direct Orders

- a. Delivery copy of requisition is attached to receiving copy of purchase order and sent to the warehouse.
  - b. Receipt of order from vendor is noted on receiving copy of purchase order.
  - c. Order is delivered to requisitioners who may sign receiving copy of purchase order and delivery copy is left with the order.
  - d. Copy of delivery order with signed receiver and/or packing slip(s) is forwarded to Purchasing/Accounting for the processing of payment
- **Delivery Schedules** - Distribution of supplies should be made on a set schedule, which will vary depending upon the needs of each district. The most crucial factor in scheduling is consistency. All locations involved should be informed of the schedule and specific delivery location to ensure efficient, speedy deliveries.
- **Emergency Delivery Procedures** - Deviation from any set schedule is to be expected and as a service support unit, flexibility is most important. A few variations for handling these emergencies are:
  - Will Call - having a staff member personally carry an approved requisition to the warehouse where it will be pulled from stock may fulfill an unanticipated need.
  - The Daily Mail Run - Small emergency items may occasionally be included in the daily mail run with prior approval. The confirming requisition will be picked up by the mail delivery person and be returned to the warehouse for posting.
  - The Special Run - When emergencies arise for supplies or equipment that are too large or bulky for handling by either of the previous procedures, the warehouse staff should attempt to adjust their schedule to provide emergency delivery.

## Staffing

The warehouse function varies so widely that the following criteria can be used as warehouse personnel adjust functions and staffing levels to meet the needs of their individual districts.

What is the total number of cubic feet of the warehouse?

- How many items are stocked?
- What is the dollar amount of items?
- Is the warehouse responsible for the district mail run?
- Is the warehouse involved with transporting the hot lunch program?
- Is the warehouse responsible for cafeteria food deliveries?
- Does the warehouse offer other services such as: maintenance, district moves, surplus sales, choral and drama activities, athletic events, A/V, and technology equipment management? How many delivery locations (off site departments and schools) does the district have?

Leasing, as an alternative to outright purchase, may be a method of obtaining essential equipment and facilities for educational purposes. This chapter deals with leasing to acquire property. (Districts also find themselves in the business of leasing facilities and equipment to others.) The term "property" includes equipment (personal property) and facilities (real property). It is recommended that prior to entering into any type of contractual agreement, the proposed contract be reviewed by legal counsel.

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# Leasing

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Broadly defined, a lease is an agreement whereby one party legally uses the property of another without becoming its owner. Typical lease agreements include:

- A. Rental Agreement - An agreement whereby the lessor (owner/provider) retains the responsibilities of ownership, (i.e., to pay the taxes, maintain the property). Usually, no portion of the rental payment accrues toward purchase. "Rental Agreements" are usually on a month-to-month basis with an option to terminate by written notice of either party.
- B. Lease Agreement - An agreement stipulating that one or more of the responsibilities of ownership (payment of taxes, maintenance, or insurance of the property) is the responsibility of the lessee or user, or when the agreement provides for an option to purchase.
- C. Lease/Purchase Agreement - An agreement that allows the district to obtain title to the item at the end of a specified time period. The payments are spread over a period with payments due on an annual, quarterly, or monthly basis. An agreement in which title passes to the district after the final payment is known as a "full payout" or "financial" lease. When bidding equipment requiring this type of lease, the invitation to bid or request for proposal should contain words such as:
  - "District requires a full payout financial lease with title passing to the district after the final payment is made."
- D. Lease with Option to Purchase - When an agreement provides for any substantial portion of the lease payments to accrue toward purchase, and the lessee may exercise that option at any time during the lease or at the end of the lease term, it is a lease with option to purchase.

## Advantages and Disadvantages of Leasing

When an acquisition of property (either real or personal) is considered, the decision to lease or buy outright must be made by the district. The following factors should be considered to determine whether to lease or buy:

- A. Advantages of Leasing
  - Avoids capital expenditure for property, which may only be needed for a brief time due to anticipated changing needs (i.e., enrollment, location, technology, curriculum, etc.).
  - Permits use of property when funds for outright purchase are not available.

- Provides for the use of property, which may not be for sale (i.e., postage meters).
- Eliminates the necessity of disposing of property when no longer needed.
- Eliminates the problem of owning property, which may quickly become obsolete.
- Permits the use of new products to determine suitability.
- Satisfies an immediate need while awaiting delivery of property or appropriation of funds for purchase.
- Ensures an ongoing source of supplies or maintenance for the leased property.
- May permit a district to invest its capital outlay funds at a higher rate of return than the interest charges paid in connection with the leasing.
- Hedges against inflation.

#### B. Disadvantages of Leasing

- More expensive over total useful life of the product.
- May be cumbersome to terminate agreement early if equipment is no longer needed.
- Complicated to arrange and administer.
- No assurance of the continued use of the property beyond the end of the lease period or what the cost may be.

### **Legalizing Lease Agreements in Future Fiscal Years**

The State Constitution prohibits governmental entities from incurring indebtedness against funds, which have not been received, except under bonding authority or as authorized by 28A.335.200. Any form of lease which obligates a district in future fiscal years for which taxes have not yet been collected or apportionment is secured; or conditional sales contracts where the seller might, in the event of default, repossess the article, sell it, and obtain judgment against the district for additional funds required to satisfy the debt, will need to be mitigated. All leases requiring payments or penalties in future years from funds not yet available have questionable validity.

Two methods exist for establishing legal multi-year lease/purchase agreements:



- A. The most common method is the inclusion of a fiscal year funding out clause. Such a clause may be referred to as a "Municipal Bail-Out Clause", "Fiscal Year-End Out Clause", "Funding Out Clause", or "Non-Appropriation Clause". Stated simply, the clause says:

"The district reserves the right as lessee to terminate the agreement without penalty or any other payment whatsoever at the end of any fiscal year in the event, and only in the event, that no funds are budgeted (or apportioned or appropriated) for... (State function involved, i.e., printing, pupil transportation, data processing, etc.)."

Prospective lessors tend to be cautious about entering lease/purchase agreements that contain a funding out clause. Lessors may require a substantial initial investment by the lessee. Unless the equipment will be readily marketable in a used condition, at a price well above the balance due at the end of any fiscal year, the lessor must be confident that the lessee will have a continuing need for the equipment furnished. The lessee may pay premium rates for the risks the lessor assumes from these factors.

- B. Another less frequently used method is for the School Board of the district to establish a sinking fund from existing funds or reserves. This method guarantees that funds will be available from which to make payments in future fiscal years during the period of the lease. Such a procedure might secure the lowest possible tax-exempt interest rate for financing the lease/purchase acquisition while permitting the district to enjoy a much higher rate of return. The district can continue to invest the money in the sinking fund at higher prevailing market rates.

## Tax Exempt Financing

Perhaps the most attractive feature of leasing and lease/purchasing for school districts is the fact that the lessor can, under certain conditions, claim the interest income as exempt from federal or state income taxes. This permits the lessor to extend financing to a school district at a lower interest rate than charged to nonexempt borrowers. While this situation is changing, districts may obtain tax-exempt financing on lease/purchases at substantially lower rates but may pay higher interest to lessors who are unable to offer exempt financing.

Some major vendors (i.e., IBM, Xerox, etc.) do sufficient public agency business to devote the time and expertise to develop a tax-exempt financing program. Major banks have also made tax-exempt financing available, as have some leasing companies that specialize in arranging leases to tax-exempt customers such as states, counties, schools, etc.

It can be advantageous, therefore, to attempt to find a source of tax-exempt financing for major purchases, including those which might normally be paid for in cash. Districts may be able to invest any surplus funds at prevailing interest rates which offer higher rates of return than the interest rates they will pay for tax-exempt financing.

Exhibit 6A (at the end of this chapter) illustrates a comparison of several ways in which a major equipment purchase might be acquired by a district.

### **Sales Taxes on Leases and Lease Purchases**

When equipment is rented or leased with the lessor (owner) retaining the responsibility for maintenance, insurance, and paying property taxes, the lessor must recover these costs from the lessee in rental or lease payments. The lessee pays sales tax on all the charges, including the interest paid. If the lessee elects at some point to exercise a purchase option, they may have to pay sales or use tax on the remaining balance due. Here are some suggestions to minimize sales tax:

- A. Require the agreement to separate out maintenance costs. Maintenance charges are not subject to sales tax unless they are included as a part of the monthly payment or required by the lessor as a condition of use.
- B. Stipulate that the district will insure the item during the lease. You may save money on the insurance rate and will not pay sales tax on that part of the lease payments which would have reflected insurance costs.
- C. Require that lease agreements, and all purchase orders involved, set out separately those charges which might not be subject to sales taxes (i.e., delivery, pick-up, operator training and labor to install, set up, and take down). In the case of a true lease (purchase not intended), this may not always be possible.
- D. In most cases, modular buildings qualify as real property with sales tax payable only on materials. Define material costs in bids, leases, and purchase orders for modular buildings, including walk-in freezers, and require the bidder to indicate the sales tax amount in the bid.
- E. Structure the bid and lease documents for lease/purchases so that any residual buyout after the final scheduled payment is the lower of \$100 or 1% of the initial sales price. Sales tax should be remitted to the Department of Revenue at the inception of the agreement. This may not be possible with out-of-state vendors who are generally required to collect and remit sales tax on lease payments as they are received rather than pay sales tax "up front". Washington vendors, however, have some choice in either paying sales tax "up front" or "use tax" during the lease or lease/purchase agreement. By determining that the sales tax be paid "up front", you should be able to avoid paying sales tax on interest or the remaining balance should you exercise a purchase option at any time during the lease. You may not initially plan on an early buyout, but you may find yourself in a position where you are able to buyout the property before the end of the lease. This provision could reduce your sales tax since you would not have paid sales tax on interest.

## Property Taxes

- A. Excluding Motor Vehicles and Mobile Facilities Personal property leased by a district and used exclusively for educational purposes is exempt from property taxes. Lessors can file for an exemption annually with the assessor of the county in which the leased property is located. This exemption allows lessors to offer educational institutions and other tax-exempt users lower lease rates.

All invitations to bid, bid documents, and lease agreements should state that the property is exempt from property tax and define the way this will be reflected in lease or rental charges.

1. Prospective bidders should understand that the property will be used exclusively for educational purposes and is therefore exempt from state property taxes. The successful lessor will be expected to file for exemptions or obtain refunds on the property tax paid.
2. If the lessor declines to seek an exemption or is not granted an exemption or refund, the lessee shall be notified immediately. The lessor should provide the information necessary to permit the lessee to file for a refund.

- B. Property Tax on Motor Vehicles, Boats, Trailers, Mobile Classrooms, etc. Property taxes on motor vehicles, boats, trailers, mobile classrooms, etc., are payable in the form of use tax collected with license fees. If equipment is used in a school district for educational purposes, it is exempt. Ensure that bids, leases, and rental agreements for such property specify that the district requires exempt plates or registration numbers on mobile property while it is in use by the district.

## Accruals

Some lease agreements contain provisions whereby a portion of the payment made "accrues" towards purchase later. Accrual procedures generally differ among vendors. Often, they are complex, confusing and tend to understate the full cost of acquisition.

The selection of the lowest cost alternative from several bids which may contain different accrual provisions, lease periods, or rates of interest can be a complex task. Constructing a bid form which requires all prospective lessors to provide comparable information will simplify the selection process.

Accrual provisions sometimes create situations in which it becomes more economical to purchase the property rather than continue to lease. When accruals reach a maximum dollar level, the lease agreement should be reviewed to determine whether to purchase, replace, or continue to lease. All lease agreements containing any type of accrual provisions should be scheduled for review annually.

## Sample Bid Conditions, Terms and Specifications

When inviting bids for rental, lease, or lease/purchase, special instructions should be included that may not be required in bids for outright purchases. Depending upon the type of the lease the district has selected, the following clauses may be used to develop bid documents:

- A. The district may reserve the right to obtain third party financing and to re-convey title to a third-party lessor for lease-back without loss of any warranties, expressed or implied, by the vendor. (Note to district - Used for a lease/purchase).
- B. The district is a non-profit government entity of the State of Washington, and the property leased to the district will be used exclusively for educational purposes. The property is, therefore, exempt from all property taxes. It shall be the vendor's responsibility to file all property taxes or to file such exemptions as are necessary to claim refunds for property taxes paid. Lease rates offered should reflect the tax-exempt status of property leased to the district. If the vendor does not obtain exemptions or claim refunds for property taxes paid, the bid shall so state. The vendor shall notify the district and furnish such information, as is required, to enable the district to obtain a refund.
- C. The district will, upon request, insure the lessor against loss other than for normal wear and tear while the property is in use by the district and will provide the lessor with casualty and liability coverage naming the lessor as an additional insured.
- D. The lessee will be responsible for the costs of maintenance and repair. A full-service maintenance agreement, if required, shall include all parts, recommend preventative maintenance inspections, and any needed emergency repairs performed during regular prime shift working hours on normal business days unless otherwise specified. The bid price for maintenance shall be firm for one year commencing upon expiration of any warranty.
- E. The district, as a tax supported public entity, reserves the right to terminate any multiple year agreement at the end of any fiscal year (ending August 31) without any further payments or penalties whatsoever in the event, but only in the event, that no funds are appropriated for the purpose(s) for which this equipment is being acquired. In the event of such termination, all property subject to the agreement shall become the property of the lessor. (Note to district Non- Appropriation Clause)
- F. The interest income from a lease to the district may, under certain conditions, be exempt from state and/or federal income taxes. Therefore, prospective lessors should provide the district with interest rates, which reflect this tax-exempt status where possible. (Note to district - For leases to be considered tax-exempt, the total district Tax Revenue and Anticipation Notes, must be kept below \$10 million.)
- G. It is the intent of the district to ultimately purchase the property. Therefore, any residual buyout costs after the last scheduled payment should be nominal or based on the fair market value of the original price. Sales tax is to be remitted to the state Department of Revenue by the vendor on the purchase price of the equipment at the inception of the

lease. No sales tax will subsequently be added by the lessor to any periodic payments or at buyout. (Note to district - Use for a lease/purchase when purchase is the goal.)

Leases for motor vehicles, boats, trailers, or mobile facilities shall be bid at rates which do not include Washington property taxes and license fees. Tax-exempt, "E" plates or registration numbers will be obtained and provided by the district for such equipment, or such service may be requested of the providing dealer.

The interest rate offered must be held firm for a minimum of (specify number) days which is the projected period which will be required to complete the evaluation and award. If interest rates are lowered during the evaluation period, the district has the right to award the bid at the lower prevailing rate. (Note to district- Use for a lease with option to purchase.)

An agreement will be prepared with the successful bidder that will be subject to approval by counsel. Bidders who require the district to sign any pre-printed agreement must include a copy of the form(s) with the bid. The final agreement must include the following provisions:

- Conditions, terms, and specifications of the bid are incorporated into the lease/purchase agreement as though fully set forth herein and the lessor shall be held to strict accordance with such conditions, terms, and specifications.
- A definite description of the equipment to be furnished or reference to the equipment as offered in the lessor's proposal, indicating whether it is new or used.
- The responsibilities of both lessor and district regarding payment of taxes, insurance, delivery, installation, removal, maintenance, etc.
- Delivery date and definition of what constitutes acceptance.
- Provision for fiscal year-end termination in the event of no funding.
- Provision for termination for other reasons, as necessary.
- Payment schedule defining frequency and amount of payments.
- Provision for settlement in event of destruction or theft of equipment during the lease. This should address replacement requirements and financial changes.
- Provision regarding maintenance, defining frequency of maintenance by lessor, what parts are included and rates.
- Provision for modifying the agreement in the event that equipment features, or accessories are added or deleted during the lease period.
- Provision for amounts due at termination for damages beyond reasonable wear and tear.

Award will be made for the purchase, rental, or lease with option to purchase plan which, considering alternative investment opportunities and operating costs over the estimated period of use, will be most advantageous to the district.

### **Suggestions for Obtaining the Most Favorable Interest Rate on Lease Agreements**

- Contact prospective bidders in advance and ask them under what circumstances and conditions they will be able to provide the best interest rate (i.e., type of equipment, length of lease, payment provisions, etc.).

- If requested, provide an operating statement and budget before bid opening.
- Consider making a large initial payment to obtain a lower rate. The district may also arrange "single payment, annually in advance" as opposed to monthly, quarterly, or annually in arrears.
- Solicit bids from third party sources of tax-exempt funds, as well as equipment vendors.
- Provide clear and explicit specifications while remaining as flexible as possible regarding the exact terms and conditions the district will permit in the final agreement.
- Solicit competitive bids for financing from companies or banks that specialize in municipal leasing.
- Consider timing. The best rates may be available near year-end when lenders are trying to achieve a certain investment position for tax purposes.
- Consolidate lease-purchase financing. Wrap several small leases into a larger lease where feasible to obtain the best interest rate and lower overall costs.
- Consider opening a lease line of credit or master lease to obtain the most favorable rates and reduces purchasing administrative costs.
- Consider excluding all installation and operator training costs, as the lender could never recover these costs should they be forced to sell the equipment in case of early termination. The district may be able to obtain a lower rate if it is financing only property which can be readily liquidated.
- Ensure the lessor so they don't purchase coverage and pass the cost on to the district.

### **Establishing a Lease Line of Credit**

Districts which have frequent need to enter into lease/purchase agreements may find it to their advantage to establish a lease line of credit. The lending institution offers to extend tax-exempt third-party financing over a specified period at pre-agreed rates. Under such a plan, a master lease agreement is established that includes the necessary counsel approvals, board resolutions, and rate schedules. Such a master lease agreement could be awarded based on competitive bidding to the lending institution, which will provide the most favorable rates.

Whenever property is to be acquired which could be financed through the master lease, the district would notify the master lessor, agree upon the lease period, and specify to whom payment should be remitted. The necessary Board approval, purchase orders, and notification of acceptance could subsequently be submitted to the lessor, who would then provide the funds and set up a payment schedule. In the case of smaller purchases, payments might be aggregated and placed on a single schedule quarterly to simplify billing by the lessor. This would require only a single payment each quarter by the district.

1. A master lease agreement might include an interest rate matrix to reflect the fact those larger purchases and longer lease periods may command differing rates. A sample matrix follows:

Total Quarterly Accumulated Value of New Leases	Interest Rates for Various Lease Periods		
	3 Years	5 Years	7 Years
\$1 to \$50,000	7-1/2%	7-3/4%	8%
\$50,001 to \$250,000	7-1/4%	7-1/2%	7-3/4%
\$250,001 and over	7%	7-1/4%	7-1/2%

By having prearranged a source of financing for equipment purchases through a master lease agreement, the complex paperwork associated with establishing a third-party lease/purchase agreement would be simplified and the administrative cost of making such acquisitions reduced.

## Exhibit 6A

### Comparison of Types of Major Equipment Purchases

A comparison of several ways in which a major purchase of equipment by a district follows. Assume that the equipment has a purchase price of \$300,000, including sales tax, and that acquisition will be over a five-year period, with ownership free and clear at the end of the five-year period.

	Option	Cost Effect
1.	Make 60 equal payments monthly in arrears to the vendor (lessor) at the prevailing commercial interest rate of 14%.	Monthly Payment \$6,980.48 x 60 months Total Paid Out: \$418,828.80
2.	Make 60 equal payments monthly in arrears to the vendor (lessor) who can offer tax-exempt interest rate of 8 1/2%.	Monthly Payment \$6,154.96 x 60 months Total Paid Out: \$369,297.60
3.	Make 60 equal payments monthly in arrears to a third-party lender who is able to offer tax-exempt financing at 7 1/2%.	Monthly Payment \$6,011.38 x 60 months Total Paid Out: \$360,682.80



4.	Make 5 equal payments annually in advance to a third-party lender who is able to offer tax-exempt financing at 7 1/4%. A lower rate can generally be obtained for annual payments in advance because lessor's billing charges and risk are reduced, and you are "renting" his money for a shorter period. Such a payment plan will also reduce your administrative costs as you will reduce the number of warrants from 60 to 5. You will forego some interest earned.	Annual Payment \$68,678.46 x 5 years Total Paid Out: \$343,392.30
5.	Pay cash at time of purchase. However, to do this you must add the value of interest foregone had you chosen another option. Assuming you could have invested your capital at generally available market rates of 12% compounded semi-annually, withdrawing only enough to make the annual payments required by Option 4 as they fall due, you would have given up interest earnings of approximately: True Cost of Paying Cash:	Initial Payment \$300,000 \$ 81,831.73 \$381,831.73

Several facts become apparent from the above examples:

1. Lease/purchase may be more advantageous whenever the interest expense paid will be less than the interest income, which can be earned during the period of the lease.
2. Tax-exempt financing from a third party may well be worth the effort to arrange, particularly if the vendor cannot provide the financing.
3. In acquiring property by lease/purchase, a new factor enters the pricing decision; namely the rates of interest involved. The lowest priced item may not be the one with the lowest costs. An example of this: a district compared bids on a blade server. The vendor which offered the lowest price on equipment and maintenance offered financing at a 15 1/2% interest rate. Another vendor had bid significantly higher for both equipment and maintenance but could offer 8 1/2% financing. Total costs over the five-year period were less for the higher priced equipment by virtue of the more favorable financing available.
4. Various lease or buy options may need to be considered, and the purchasing agent or business manager needs the analytical skills to compare such alternatives and establish bidding procedures, which will permit this comparison.



## Exhibit 6B

Sample Bid Doc. for Purchase, Rent or Lease with Option to Purchase

### Option I - Direct Purchase

[(Note to District - Fully describe the item, quantity, and model of the equipment etc.)

	Price/Unit	Extended Price
Total Purchase Price:	\$	\$
Washington Sales Taxes Applicable:	\$	\$
In-transit Insurance (If applicable):	\$	\$
Transportation/Delivery Charges:	\$	\$
Installation:	\$	\$
Operator Training:	\$	\$
Total Cost:	\$	\$
Less Credit For:	\$	\$
Less trade-in's:	\$	\$
Accruals:	\$	\$
Discounts:	\$	\$
Net Cost to District:	\$	\$
Indicate Payment Terms:		
Warranty Provisions	Parts: \$	Labor: \$
Local Source of factory parts and service:	\$	
Annual Cost of Full-Service Maintenance Agreement (FSMA) commencing upon expiration of warranty	\$	
Washington State Sales Tax on FSM (If applicable)	\$	
Total Annual Maintenance Cost:	\$	
Indicate period through which be held firm:	FSMA rate will	

### **Option II - Rental of Equipment (Described in Option I)**

Rental Period (Check one and indicate whether payment is to be in advance or arrears):  
Monthly Quarterly Annually Net cost to district including sales tax, delivery, installation and less any applicable credits (see Option I):

**\$Initial Costs:** Itemize here all charges due at inception of agreement. Show sales tax if chargeable.

<i>Itemized Charges</i>	\$
<i>Itemized Charges</i>	\$
Total Initial Payment (if applicable):	\$
Periodic Payments	\$
Rental per (specify period):	\$
Maintenance agreement charge per period:	\$
Indicate if parts included:	• yes <input type="checkbox"/> no
Indicate if:	<input type="checkbox"/> Mandatory <input type="checkbox"/> Optional
Sales taxes on Periodic Payments:	\$
Total of Periodic Payment:	\$

**Removal Charges:** Itemize all charges due at end of rental period including sales taxes due.

<i>Removal Charge 1</i>	\$
<i>Removal Charge 2</i>	\$
Total Removal Charges (if applicable):	\$

**Accrual Provisions:** Describe any accrual provisions that apply to this rental agreement indicating the point of maximum accruals.

### **Option III - Lease with Option to Purchase**

Lease for (specify) years with option to purchase at anniversary date (i.e., after payment has been made for fiscal year, but before following payment is due).

Assume:

1. Rental payment will be made (monthly/quarterly/annually) \_\_\_\_\_ in (advance/ arrears) \_\_\_\_\_.
2. Sales tax on purchase price may be paid in full by the district at lease inception. Net cost to the district at the end of any year thereafter would not be subject to sales tax.

3. Sales tax may be paid by the lessor at lease inception and be included as a portion of the district's rental payment. Net cost to the district at the end of any year thereafter would be subject to sales tax.
4. Municipal, fiscal year-end funding out provisions apply.
5. Rental payments should not include maintenance unless clearly specified.
6. Net purchase price at end of final year should be less than \$100 or 1% of purchase price, whichever is less.
7. Initial Net Cost to District: \$

	Rental payments	Amount of which applies to purchase rental	Net cost to purchase at end of year
1st Year	\$	\$	\$
2nd Year			
3rd Year			
4th Year			
5th Year			
Indicate the Annual Per centage (APR) of interest applied to lease:			%
Indicate costs of parts, commencing upon annual maintenance agreement, including n expiration of warranty:			\$
Indicate period through which FSMA rate will be held firm:			
Subsequent annual rate shall increase at a rate not greater than:			%
Washington State Sales Tax on FSMA (if applicable):			\$

## Regulations

The following regulations apply to school districts and require special attention in some cases by purchasing departments. This is not intended to be a comprehensive list and is subject to change.

<b>Americans with Disabilities Act</b>	WAC 162-22-040, Code 29 CFR, parts 1630, 1602, 1627 Federal Register, Equal Employment Opportunity Commission (EEOC) and Department of Justice
<b>Asbestos Emergency Response Act (AHERA)</b>	WAC 296-65, Code 40 CFR, part 763 Federal Register and EPA, OSHA Standard 1910-1001 Asbestos: Notice to Employees - WAC 296-65-020, State Department of Health
<b>Hazardous Communication Business Plan "Community Right to Know"</b>	WAC 296-62-054, Federal SARA title III, AB 2185, AB 2189, Material Safety Data Sheets (MSDS)
<b>Control of Noise Exposure</b>	WAC 296-62-09015, OSHA
<b>Emergency Action Plan and Fire Prevention Plan</b>	WAC 296-24-550, OSHA
<b>EPC Storm Water Regulation</b>	Code 40 CFR, Federal Register
<b>Fire Protection</b>	WAC 296-24-585, OSHA
<b>Hazard Communication Standard</b>	WAC 296-62-054, OSHA
<b>Hazardous Waste Disposal</b>	WAC 173-303, EPA, State Department of Health
<b>Illness and Injury Prevention Program</b>	WAC 296-24-040 and/or WAC 296-155-110, OSHA
<b>Industrial Trucks, Tractor, Haulage Vehicles and Earth Moving Equipment</b>	WAC 296-24-23003, OSHA
<b>Lead G-Fountains</b>	State Department of Health, Department of Labor and Industries
<b>Bloodborne Pathogens</b>	WAC 296-62-08001, OSHA
<b>Hazardous Chemicals in Laboratories</b>	WAC 296-62 and/or WAC 296-155, OSHA
<b>PCB Transformers</b>	Code 40 CFR, part 761 Federal Register, EPA
<b>Personal Safety Devices and Safeguards</b>	WAC 296-24-075 through WAC 296-24-098
<b>Personnel - Earthquake Safety Training</b>	WAC 296-24-550 through WAC 296-24-56701, Guidance-FEMA
<b>Respirator Protective Equipment</b>	WAC 296-62-071, OSHA
<b>Art and Science Laboratory Safety</b>	WAC 296-62-400, Department of Education
<b>Servicing Rims or Wheels</b>	WAC 296-24-21705, OSHA
<b>Swimming Pools</b>	State Department of Health
<b>Underground Storage Tanks</b>	Code 40 CFR, parts 280 and 281 Federal Register, WAC 296-24- 23013 (Fuel Handling and Storage), EPA
<b>Woodworking Machines and Equipment</b>	WAC 296-24-150, OSHA
<b>General, Educational, Medical and First Aid</b>	WAC 296-24-060 through WAC 29624-070;

<b>Playground Equipment</b>	Handbook for Public Playground Safety, U.S. Consumer Product Safety Commission
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# Public Works

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## Introduction

RCW 39.04.010 defines a public work project as “all work, construction, alteration, repair or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein.”

Note that the public works definition excludes ordinary maintenance. The statute does not define it, however, WAC 296-127-010(7)(b)(ii) defines it through the context of whether prevailing wages have to be paid a part of the contract as follows:

Definition of ordinary maintenance as work that you perform on a regular scheduled basis (weekly, monthly, annually, etc.) Ordinary maintenance is defined as maintenance work performed by the regular employee.

Replacement of components with like components is an exception, as public works projects involve structural alteration and repair, and may require a permit. Examples of public work projects may include remodeling an office space involving demolition of walls and adding or moving electrical wiring or plumbing, adding new sidewalks or parking lot paving.

All public works performed by contract are subject to prevailing wage laws, including:

- Public building service maintenance contracts, such as janitorial services, waxers, shampooers, and window cleaners [RCW 39.12.020 and WAC 296-17-023]
- Private construction performed under contract for rental, lease, or purchase. [RCW 39.04.260]

Exception would be in-house employees

There is no dollar threshold for payment of prevailing wages; it applies to all contracts regardless of size

## Planning, Specifications and Cost Estimates.

Determining the estimated costs of a project or purchase is a crucial first step since the information will dictate the procurement instrument to use.

While an exact cost estimate would be clearly preferred, realistically not feasible. The person making the estimate should determine the fair and reasonable value of the work to be performed (or purchases made), given the conditions that will be faced and the requirements of the proposed project or purchase.

Thresholds

Requirements for conducting competitive bidding on public works projects vary based upon state statute as well as district policy. Generally, there are several methods for public works procurement.

Bidding: Thresholds for bidding according to state statute is \$100,000 for public works contracts if districts have not adopted a small works process or \$350,000 for those who enacted the process. Note follow district policy and use the most restrictive of bidding thresholds. If your policy is to bid at \$75,000 then this would be your lower threshold.

### **Small Works Roster – RCW 39.04.155**

Provisions to award contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of real property with an estimated cost of three hundred thousand dollars or less.

To use a small works roster or rosters a district must adopt rules implementing and establishing a small works roster through resolution.

Procedures are to be established for securing telephone, written or electronic quotations from contractors on the appropriate small works roster and awarded to the lowest responsible bidder.

Quotes should include an estimated scope and nature of work to be performed as well as materials and equipment to be furnished, However, detailed plans and specifications need not be included in the invitation. This does not eliminate the need for architect and engineers for quality and code compliance.

Quotes may be invited from all appropriate contractors on the appropriate small works roster. Alternates are available for selecting five contractors in a manner that will equitably distribute the opportunity. However, if the estimated cost of the work is above one hundred fifty thousand dollars and less than all the appropriate contractors on this list the district must also notify the remaining contractors. This can be done through the newspaper of general circulation, mailing, emailing, or faxing.

### **Limited public works**

RCW 39.04.155 section 3 is specifically for projects that are \$35,000 in final construction costs. The quotes must be solicited from qualified firms utilizing the small works roster. No subcontractors and a combination form is used for reporting wages paid. Limited public works is encouraged to solicit and award small works roster contracts to small businesses. Districts may waive the payment and performance bond requirements of chapter 39.08 RCW and retainage requirements of chapter 60.28 RCW assuming the liability of the contractor nonpayment. There are requirements for additional retainage withholding.

All contracts that are awarded the previous twenty-four month under the limited public works process, including the name of the contractor, the registration number, amount of contract, a brief description of the work and date the contract was awarded.

Keep in mind these are state requirements. For projects funded with federal funds, local governments must pay the higher of state or federal prevailing wages and comply with additional federal requirements such as obtaining a weekly certified payroll, conducting site work interviews and additional reporting requirements as stated in the grant paperwork or 2 CFR section 200.318 – section 200.327.

Use required language in your contracts to include bid specifications and contracts for all public works must include a provision stating the hourly prevailing wage rate, as well as a stipulation that laborers, workers, or mechanics will not be paid less than the specified hourly wage rate. Note that reference to the Department of Labor & Industries website is not considered sufficient to meet this requirement.

You must obtain these forms from the contractor prior to paying them, including those for any subcontractors who have begun work on the project. Make sure you have controls to monitor the subcontractors working on the project to ensure you receive all forms from the general contractor in a timely manner.

Each invoice the contractor submits for payment must state that prevailing wages have been paid in accordance with the Statement of Intent form o9no file.

These forms must be obtained from the contractor and all subcontractors before retainage can be released.

Modifications to the project are made by issuing a “change order.” A change order must be issued when there is a material change to the project. If the scope of work changes to delete or add work, a change order is issued. If you give the contractor more days to complete the work a change order must be issued. Note change orders need to be formally requested in writing.

A contractor submitted request for a change order is known a change order proposal, or COP. The COP should be reviewed carefully to determine that prices, quantities, and labor are accurate and reasonable. When you are satisfied that the COP is reasonable and you have sufficient funding to cover the change, it should be executed into a change order and signed by the Purchasing Manager. Copies of the executed document should be distributed to the contractor, to Maintenance and Operations, and the original should go into the project file.

## **Closing out the Project**

As the work of the contract is substantially completed, there will be items of work that need to be completed and corrected. These items should be placed on a list (known as a “punch list”) and given to the contractor for action. The project should not be finally accepted until the punch list work has been completed. When you have determined that all the work of the project has been satisfactorily completed, you will need to issue a Letter of Acceptance to the contractor and to Purchasing. At the time of acceptance, the contractor must file an Affidavit of Wages Paid form. The approved Affidavit form should be submitted with the contractor’s final invoice voucher to the Maintenance and Operations Bookkeeper.

## **Lien Period**

The statutory lien period commences on the date of acceptance of the contract. The lien period expires 45 days from the date of acceptance. If you receive any liens against the contract retainage, please contact Purchasing to assist you in proceeding. If a retainage account has been established, contract retainage cannot be released until the 45-day lien period has expired, all liens have been resolved, and releases from Employment Security and Revenue (if contract is over \$35,000) have been received.



### **Filing with Departments of Revenue and Employment Security:**

For projects less than \$35,000 in value, no action is necessary. For projects over \$35,000 we must complete the “Notice of Completion of Public Works Contract” form and send it to the Department of Revenue and Employment Security. This form will generate release letters that will come in the mail. The Department of Employment Security will issue a Certificate of Payment of Contributions, Penalties, and Interest on Public Works Contract document. The Department of Revenue issues a Certificate of Payment of State Excise Taxes by Public Works Contractor document.

Utilize the Department of Labor & Industries website to verify that the Contractors Industrial Insurance premiums are current.

If after 45 days from the project acceptance date we have received the necessary releases from the above Agencies, there are no liens against the project, and the Contractor submitted with the final invoice an approved Affidavit of Wages Paid for themselves and each subcontractor then retainage may be released.

After the 45-day lien period has expired and final payment has been made, the project file may be closed out. All project related documents should be assembled into the project file and labeled with the Public Works Project number. This project with all the documents must be kept on hand for at least six years. It is recommended keeping them at the office for at least two years after project close out, after which they can be stored in District Retention.

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## Professional Associations

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### National Institute of Government Purchasing

151 Spring Street  
Herndon, VA 20170-5223

Toll Free: 1-800-367-6447  
Main Fax: 703-736-2818  
Education/Events Fax: (703) 736-9639

Website: [www.nigp.org](http://www.nigp.org)

#### **What is NIGP?**

NIGP is the National Institute of Governmental Purchasing. Since 1944, developing, supporting, and promoting public procurement practitioners through premier educational and research programs, technical services and advocacy initiatives. With over 2,600 member agencies representing over 16,000 professionals across the United States, Canada, and countries outside of North America, the Institute is international in its reach.

Our goal is simple (though maybe not so easily attained): recognition and esteem for the government procurement profession and its dedicated practitioners. NIGP Continued...

As with any vocational body that aspires to the status of the profession, recognition and esteem must be collectively earned through the individual efforts of its practitioners. Public procurement gains increasing respect through everyone's ongoing commitment and adherence to best practices, ethical values, and public service.

To this dedicated community, NIGP provides the educational and technical tools its members need to consistently perform as, well, professionals

NIGP offers a range of professional development courses, nationally recognized certification programs, an extensive resource library, annual conferences, and regular workshops. Visit [www.nigp.org](http://www.nigp.org) to learn more.

### Washington Chapter of National Institute of Governmental Purchasing

Website: [www.wanigp.org](http://www.wanigp.org) Email: [info@wanigp.org](mailto:info@wanigp.org)

#### **What is WA-NIGP?**

In 2003, Washington State formed its own affiliate chapter of the [National Institute of Governmental Purchasing \(NIGP\)](http://www.nigp.org) and now has a membership representing public agencies from across the state including cities, counties, state agencies, higher educational institutions, public school districts, transit authorities, ports, and other special districts.

WA-NIGP is dedicated to advancing the professional goals of its members and other individuals who may be seeking a career in public procurement, thereby increasing their competency, enhancing their career opportunities, and improving the quality of their professional life.

We provide our members with education and training, professional networking, and preparation for certification through NIGP which is nationally and internationally recognized. Many classes are offered at a discounted rate for chapter members.

Even though you or your agency may already be a member of the national organization, chapter membership is separate from national membership. NIGP's network of affiliate chapters provides a gathering place for education, networking and problem-solving at the local and regional levels.

Visit [www.wanigp.org](http://www.wanigp.org) to learn more about membership and professional development opportunities.

## **American Public Works Association- Washington Chapter**

<http://www.apwa-wa.net>

The American Public Works Association serves its members by promoting professional excellence and public awareness through education, advocacy, and the exchange of knowledge. As APWA members, we are interested in:

- Advancement of the theory and practice of the design, construction, maintenance, administration, and operation of public works facilities and services.
- Dissemination and sharing of information and experience.
- Promotion of improved practices in public works administration.

The Washington Chapter is one of 67 local chapters in the US and Canada which make up the American Public Works Association (APWA). Membership in APWA is open to public and private sector individuals, agencies, and companies interested and involved in the delivery of public works goods and services.

The Washington Chapter's 1,160 plus members come from the entire state of Washington. The Chapter meets twice a year at spring (Western Washington) and fall (Eastern Washington) conferences. The Chapter also conducts a winter Area Meeting West. Officers include a President, Vice President, Secretary and Treasurer. Eight Board members are also elected for two-year terms. Officers and board members, along with the immediate Past President and the Chapter Delegate, comprise the Executive Committee

To join APWA-WA or see a list of class offerings, visit their website at <http://www.apwa-wa.net>.

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# Purchasing Cooperatives

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## Cooperative Contracts

**Cooperative Purchasing** is a term that refers to the combining of requirements of two or more public entities to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses. Cooperative procurement efforts may result in contracts that other entities may “piggyback.”

**Piggybacking (Piggyback Cooperative)** is a form of cooperative purchasing in which the awarding entity procures goods or services using a competitive solicitation process consistent with applicable procurement laws and regulations, then extends the same pricing to other participating entities.

The awarding/ originating entity will competitively award a contract that will include language allowing for other entities to use the contract.

## Use of Cooperative Purchasing in Public Procurement

After conducting all pertinent due diligence and market research, purchasing, should where be allowable by law/regulation, review the use of cooperative contracts in order to lower pricing, administrative costs, increase open competition, and obtain more favorable terms and conditions. When using cooperative contracts, review should be given and recorded to ensure legal compliance with all relative rules and regulations.

Washington State allows for the use of cooperative/piggyback purchasing, provided the requirements in [RCW 39.34.030](#) have been met. Each district should also check its local policy to determine if it allows this option, in addition to evaluating the most ideal form of procurement for the goods and services being sourced.

## Due Diligence Review

Before making the decision to use a cooperative contract, extensive due diligence must be conducted to ensure the following:

- Compare the cooperative contracts available for the product or service you are sourcing. Conduct market research and evaluate whether or not the use of a cooperative contract is appropriate.
- Conduct analysis of all costs associated with conducting a competitive solicitation.
- Ensure that the use of the cooperative agreement meets all competitive requirements.
- Review contracts to ensure they conform with all applicable laws and best practice.
- Analyze the product or service focusing on the components of all specifications, price, terms, and conditions. Other factors to consider: any additional costs to use the contract, shipping, minimum spend requirements, and the overall availability of contract documentation for review.
- Review that the organization/local required terms and conditions are included in the contract.

- Include/remove and additional terms and conditions by furnishing an addendum or purchase order that is signed/counter-signed by both the purchaser and supplier.

### **Necessary Documents for Contract File**

The following documents should be included in the cooperative contract file:

- Bid/RFP Solicitation
- Record of Bid/RFP solicitation
- The bid tabulation or evaluation, along with the justification for award.
- A copy of the winning proposal/bid
- A copy of all insurance/bond certifications required by the contract.

### **Contract Administration**

It is necessary to actively manage the cooperative contracts your organization utilizes. When pricing is established under the cooperative contract, ensure that invoices match that of the contract prices. Keep the lead agency informed of any problems with the supplier. Problems that should be communicated include problems adhering to the contracted specifications, service delivery issues, etc.

## SAMPLE PIGGYBACKING CHECKLIST – PUBLIC AGENCY

Must complete **PRIOR** to any District commitment

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Awarding Entity: \_\_\_\_\_ State Located: \_\_\_\_\_

Purchasing Cooperative: \_\_\_\_\_

Awarded Vendor: \_\_\_\_\_

Contract No.: \_\_\_\_\_ Expires: \_\_\_\_\_

Renewal No.: \_\_\_\_\_ Expires: \_\_\_\_\_

Goods/Services

Covered: \_\_\_\_\_

### **Required Relationship with Awarding Entity:** retain supporting documentation

<input type="checkbox"/> Current Cooperative Membership Agreement <b>and/or</b> Expires: _____	<input type="checkbox"/> Current Interlocal Agreement (see RCW 39.34.030) Expires: _____
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### **Required Document Review:** retain supporting documentation notes:

<input type="checkbox"/> Solicitation (RFB, RFP, RFQ) – plans and specs prepared	
<input type="checkbox"/> Advertisement/affidavit of publication/website	
<input type="checkbox"/> Bid tabulation or summary of <u>all</u> bids received	
<input type="checkbox"/> Evaluation or scoring documents	
<input type="checkbox"/> Meeting minutes ( <i>or other proof</i> ) of governing body approval	
<input type="checkbox"/> Signed contract	
<input type="checkbox"/> Other: _____	

### **Required Piggybacking Checklist:**

notes:

<input type="checkbox"/> Procurement policy allows piggybacking	
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<input type="checkbox"/> All other procurement options were evaluated, and piggybacking was the best viable option	
<input type="checkbox"/> Awarding entity is a “Public Agency”	
<input type="checkbox"/> Awarding entity handled the procurement process itself	
<input type="checkbox"/> Awarding entity complied with <i>its own</i> procurement requirements – <i>option: certification from awarding entity</i>	
<input type="checkbox"/> Awarding entity advertised in accordance with <i>its own</i> requirements – <i>option: certification from awarding entity</i>	
<input type="checkbox"/> Solicitation posted on website of awarding entity, purchasing cooperative (or similar service provider) or access link provided on state’s web portal	

**ATTACH COMPLETED CHECKLIST TO PURCHASE ORDER OR ORIGINAL ITEMIZED RECEIPT RETAIN SUPPORTING DOCUMENTATION FOR AUDIT PURPOSES**

**Required Piggybacking Checklist:**

*notes:*

<input type="checkbox"/> Solicitation allows us to use it post-award (assignability clause)	
<input type="checkbox"/> A proper evaluation of the bids was performed – criteria match solicitation	
<input type="checkbox"/> Bid process and other requirements were met for bid award	
<input type="checkbox"/> Contract allows us to use it post-award (assignability clause)	
<input type="checkbox"/> Contract includes the goods/services sought – quality, specifications or deliverables meet expectations	
<input type="checkbox"/> Contract price is reasonable when compared to a cost or price analysis	
<input type="checkbox"/> Contract terms and conditions are acceptable	
<input type="checkbox"/> Contract hasn’t expired and it is active for the period desired (including renewal options)	
<input type="checkbox"/> Quotes from awarded vendor reference contract information	
<input type="checkbox"/> Price and other elements monitored/matched to awarded contract	

Terms:

Awarding Entity	Entity that directly awards the contract to the vendor
Piggybacking	Relying on the bid awards of others
Public Agency	(see RCW 39.34.020) any agency, political subdivision, or unit of local government of this state including, but not limited to, municipal corporations, quasi municipal corporations, special-purpose districts, and local service districts; any agency of the state government; any agency of the United States; any Indian tribe recognized as such by the federal government; and any political subdivision of another state
RFB	Request for Bid
RFP	Request for Proposal
RFQ	Request for Qualifications

**This resource is provided for informational purposes only.**  
**This SAMPLE piggybacking checklist is for situations where the awarding entity qualifies as a public agency.**  
**This SAMPLE piggybacking checklist should NOT be used for purchases involving federal funds. Please consult SAO guidance, legal counsel, and Board Policies *before* implementing.**

**ATTACH COMPLETED CHECKLIST TO PURCHASE ORDER OR ORIGINAL  
ITEMIZED RECEIPT RETAIN SUPPORTING DOCUMENTATION FOR AUDIT PURPOSES**



## SAMPLE PIGGYBACKING CHECKLIST – FEDERAL

Must complete **PRIOR** to any District commitment

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Awarding Entity: \_\_\_\_\_ State Located: \_\_\_\_\_

Purchasing Cooperative: \_\_\_\_\_

Awarded Vendor: \_\_\_\_\_

Contract No.: \_\_\_\_\_ Expires: \_\_\_\_\_

Renewal No.: \_\_\_\_\_ Expires: \_\_\_\_\_

Goods/Services

Covered: \_\_\_\_\_

### **Required Relationship with Awarding Entity:** retain supporting documentation

☐ Current Cooperative Membership Agreement **and/or**  
Expires: \_\_\_\_\_

☐ Current Interlocal Agreement (see RCW 39.34.030)  
Expires: \_\_\_\_\_

### **Required Document Review:** retain supporting documentation notes:

<input type="checkbox"/> Solicitation (RFB, RFP, RFQ) – plans and specs prepared	
<input type="checkbox"/> Advertisement/affidavit of publication/website	
<input type="checkbox"/> Bid tabulation or summary of <u>all</u> bids received	
<input type="checkbox"/> Evaluation or scoring documents	
<input type="checkbox"/> Meeting minutes ( <i>or other proof</i> ) of governing body approval	
<input type="checkbox"/> Signed contract	
<input type="checkbox"/> Other: _____	

### **Required Piggybacking Checklist:**

notes:

<input type="checkbox"/> Procurement policy allows piggybacking	
<input type="checkbox"/> All other procurement options were evaluated, and piggybacking was the best viable option	



<input type="checkbox"/> Awarding entity handled the procurement process itself	
<input type="checkbox"/> Awarding entity complied with the <u>most restrictive</u> of <b>our</b> local, state, or federal procurement requirements	
<input type="checkbox"/> Advertised in a newspaper of general circulation for two consecutive weeks	
<input type="checkbox"/> Solicitation posted on awarding entity's website or access link provided	
<input type="checkbox"/> Solicitation allows us to use it post-award (assignability clause)	

**ATTACH COMPLETED CHECKLIST TO PURCHASE ORDER OR ORIGINAL ITEMIZED RECEIPT RETAIN SUPPORTING DOCUMENTATION FOR AUDIT PURPOSES**

**Required Piggybacking Checklist:**

*notes:*

<input type="checkbox"/> A public bid opening was held on the date, time and place stated in the advertisement	
<input type="checkbox"/> A proper evaluation of the bids was performed – criteria match solicitation	
<input type="checkbox"/> Bid was awarded to the responsive and lowest responsible bidder (price was a factor)	
<input type="checkbox"/> Contract allows us to use it post-award (assignability clause)	
<input type="checkbox"/> Contract includes the goods/services sought – quality, specifications or deliverables meet expectations	
<input type="checkbox"/> Contract price is reasonable when compared to a cost or price analysis	
<input type="checkbox"/> Contract contains provisions described in Uniform Guidance, 2 CFR Section 200.327	
<input type="checkbox"/> Contract terms and conditions are acceptable	
<input type="checkbox"/> Contract hasn't expired and it is active for the period desired (including renewal options)	
<input type="checkbox"/> Complied with suspension and debarment requirements – <b>conduct our own verification</b> – options: 1. <i>www.SAM.gov vendor verification (print with date)</i> 2. <i>Clause in vendor signed contract or PO</i> 3. <i>Vendor signed Suspension &amp; Debarment certification</i>	
<input type="checkbox"/> Any specific guidance from the federal agency was considered – including contacting the grantor	

<input type="checkbox"/> Quotes from awarded vendor reference contract information	
<input type="checkbox"/> Price and other elements monitored/matched to awarded contract	

**Terms:**

Awarding Entity	Entity that directly awards the contract to the vendor
CFR	Code of Federal Regulations
Piggybacking	Relying on the bid awards of others
PO	Purchase Order
RFB	Request for Bid
RFP	Request for Proposal
RFQ	Request for Qualifications
SAM	System for Award Management

**This resource is provided for informational purposes only.  
This SAMPLE piggybacking checklist is for purchases involving the use of federal funds.  
Please consult SAO guidance, grant requirements, legal counsel, and Board Policies *before* implementing.**

***ATTACH COMPLETED CHECKLIST TO PURCHASE ORDER OR ORIGINAL ITEMIZED RECEIPT RETAIN SUPPORTING DOCUMENTATION FOR AUDIT PURPOSES***

## Washington State Department of Enterprise Systems

P. O. Box 41017  
Olympia, WA. 98504-1017

Website: <http://www.ga.wa.gov/Purchase>

### Office of State Procurement

What Is the Washington State Purchasing Cooperative, or “Coop”? The Coop is a voluntary program where eligible organizations can access over 250 existing State contracts, and over 100 Oregon contracts, to save valuable time & resources. Using State contracts also fulfills bidding requirements, since General Administration has already accomplished that process.

Organizations join by submitting an Inter-Local Agreement and pay a membership fee. A member's fee is based on their annual expenditures. The Coop is a two-year term, based on the calendar year. First-time members may be eligible to have their fee pro-rated

### Who Is Eligible for Membership of our State Purchasing Co-op?

- Eligible organizations include not-for-profit organizations and political subdivisions. For the purpose of State Purchasing Co-op eligibility, each of these jurisdictions or organizations is defined as:
- Not-For-Profit organizations must: possess a current 501(C) 3 tax-exempt status, be registered with the Secretary of State, and receive funding from federal, state, or local sources.
- Political subdivisions are defined as “Political subdivision” means any port district, county, city, town, special purpose district, and any other municipal corporations or quasi-municipal corporations in the state.
- Cooperative membership provides excellent opportunities for every size of organization. Coop members can find savings regardless. Members can also capitalize on the resources and expertise of the state's purchasing professionals. The membership reduces the amount of staff time you need to dedicate to procurement, market research, competitive bidding, or any potential legal challenges. It allows you to focus on your core service mission.

### How to Sign Up

To join the State Purchasing Cooperative; simply go to the internet site listed above. Download and complete the appropriate Inter-Local Agreement. The agreement provides the Office of State Procurement (OSP) the information we need about the organization. Once the OSP receives the original signed agreement, the Coop Manager will verify the expenditures. The Finance Office will send a quarterly invoice via the e-mail address noted in the agreement. Once the agreement is received, the Coop Manager will activate your 2008/2009 membership; and post the organization on the internet. Vendors use this site to verify membership. Members are assigned a membership number. Members then have the freedom to contact contracted vendors directly.

The annual subscription fee is calculated on a sliding scale, based on the member's annual expenditures less debt- service and inter-fund transfers. This guarantees you a subscription fee



in line with your size. The subscription is set as low as possible to recover only the cost of contract services. We continue to work alongside our customers and contract vendors to find ways to do more with less and to offer increasing value to cooperative membership

### **Membership Support**

The two-year subscription earns access to hundreds of contracts for a wide range of products and services. A sample of frequently used contracts include purchasing cards, multi-function devices/copiers, cars, trucks, generators, food, consulting services, translators, food, batteries, construction equipment, homeland security items, fuel, tires, vehicles, building materials and office equipment.

Members will always get the best pricing available through volume discounts. Cooperative members receive:

- Immediate access to most products and services available through state contracts.
- Yearly training and trade show
- Partnership with Oregon which gives access to over 100 additional contracts; (contact the GA Coop Manager for details)
- Price discounts through volume purchasing.
- Instant, 24-hour accesses to all bid and contract information.
- General contract assistance, technical specification, product assistance.
- Contract awards that meet the most rigorous legal requirements.
- Participation in contract-specification development.
- A broad range of recycled and recycled content products.
- Access to contracts with small business, minority, and women-owned businesses
- Department of Enterprise Services -Surplus Program

### **Washington State Department of Informational Systems**

Various Locations	Phone: 360-753-2454 or	Website: <a href="http://www.dis.wa.gov">www.dis.wa.gov</a>
	Toll-free at 1-888-241-7597	Email: <a href="mailto:servicedesk@dis.wa.gov">servicedesk@dis.wa.gov</a>
	TTY at 1-800-833-6388	

The Washington State Department of Informational Systems manages the technology acquisitions for the State of Washington. Their Master Contracts are option use for local agencies. Local agencies must complete a customer service agreement found on the DIS website and then can utilize DIS Services or access Master Contracts from the Tech Mall. Master Contract categories include Data Encryption Software, E-Commerce, E-Forms, IT Services, Long Distance Calling Card, PCs/Networking and Telecommunications.

### **U.S. General Services Administration- (Federal Government)**

400 15 <sup>th</sup> St SW	Phone: 253.931.7294	<a href="http://www.gsa.gov/stateandlocal">www.gsa.gov/stateandlocal</a>
Auburn, WA 98001-6505	Fax: 253.931.7203	National Customer Service Center: 800.488.3111



GSA is the Federal Government's Purchasing Agent. As such, most contracts issued by GSA are only available to federal agencies, however; there are a few programs available to state and local governments. For more information on these programs, visit <http://www.gsa.gov/stateandlocal>. Three programs of interest to school districts are:

1. Disaster Recovery Purchasing Program ([www.gsa.gov/disasterrecovery](http://www.gsa.gov/disasterrecovery))
2. IT Cooperative Purchasing Program ([www.gsa.gov/cooperativepurchasing](http://www.gsa.gov/cooperativepurchasing))
3. Computers for Learning Program (government agencies transfer excess educationally useful computer equipment to schools and educational non-profit organizations) ([www.gsa.gov/computersforlearning](http://www.gsa.gov/computersforlearning))
4. Federal Surplus Personal Property Donation Program ([www.gsa.gov/propertydonations](http://www.gsa.gov/propertydonations))

## WSIPC

2121 West Casino Rod  
Everett, WA 98204

Phone 425.349-6600  
Fax: 425. 349.6601

Website [www.wsipcs.org](http://www.wsipcs.org)

### **Purpose**

The Washington School Information Processing Cooperative (WSIPC) is a not-for-profit cooperative operated by the nine Educational Service Districts to provide technology services to school districts and private schools. By pooling technical resources and servers, as well as centralizing administrative software delivery, member districts leverage the economy of scale, thus reducing their total cost of administrative software and services.

### **Area Served**

WSIPC is a unique public sector agency that exists solely to provide technology services to the state's K-12 public and private schools and other government agencies.

### **Membership Options**

Member districts have access to a core of administrative software. The software is an integrated suite of software that includes Student, Financial Management and Human Resources. For a complete listing of modules provided, go to: [www.wsipc.org](http://www.wsipc.org).

WSIPC membership includes 279 of Washington State's 295 school districts, four private schools and nine Educational Service Districts.

An agency may exercise one of two membership options:

- The most used option is to contract for services from a regional data center (RDC) located at an ESD. In this scenario, multiple school districts share computer resources and coordination of support services. There are seven regional data centers throughout the state. Districts may select any of the regional data centers based on services required.
- The alternative, which requires WSIPC Board approval, is the district data center (DDC) option. This option allows a school district to host the software within the district on

hardware the district purchases and supports. The district is responsible for providing their own data center management, software support and end-user training.

WSIPC also offers cooperative purchasing for items such as: computer hardware, computer software, networking hardware, printing and pre-printed forms and telecommunications.

## **KCDA (King County Directors' Association)**

18639 180<sup>th</sup> Ave. S.      Phone (425) 251-8115      Web - [www.kcda.org](http://www.kcda.org)  
P.O. Box 5550      (800) 422-5019  
Kent, WA 98064-5550      Fax (253) 395-5402

### **Purpose**

School board members in King County founded the King County Directors Association in 1938. Since that time, the association has grown to include member school districts throughout the state of Washington. The purpose of this non-profit association is to create volume purchasing, fulfill bid law requirements, manage centralized receiving and distribution, and offer a single source for school supplies, furniture and equipment.

### **Membership**

KCDA's no charge membership is gained through ratification of its articles of agreement. KCDA acts as an extension of each member's purchasing department with no requirement regarding the level of participation. Eligible for membership are:

- Owners – Public School districts in Washington State
- Associate members – School districts in Idaho, Oregon and Alaska, Independent schools, colleges, and political subdivisions.

### **Membership Services Member support**

**Staffing** - KCDA staff includes a Purchasing Manager and agents to help districts source the products they require. Inside and outside Customer Service Representatives to answer questions regarding KCDA's products and services and a warehouse staff who are responsible for receiving, stocking, and shipping products.

**E-Catalog** - Annually KCDA solicits over 90 competitive bids for items requested by its members. "KCDA Supply Link" [www.kcda.org](http://www.kcda.org) is a secure site, offering over 20,000 items that are updated daily to display current products, pricing and graphics. The site offers members the ability to customize the electronic approval of orders to match the policies and procedures of their district.

**Inventory** - KCDA's 170,000 sq. ft. warehouse in Kent, WA stocks over 12,000 catalog items and allows for same day shipment of orders received by 2:00PM.

**Capital Projects** - KCDA's Capital Projects program helps districts save money on equipment for new

**Program** - Construction and modernizations. Qualifying products include Appliances, Audio Visual Equipment, Auditorium Seating, Bleachers, Floor Coverings, Copiers, Custodial Machines, Duplicators, Fax Machines, Furniture, Interactive Learning, Lockers, Maintenance and Bus Routing Software, Musical Instruments & Equipment, Playground Equipment & Matting, Portable Site work, Roofing, Science Equipment, Time and Attendance, Weight Training Equipment.



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## Miscellaneous Resources

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### Pacific Northwest Public Purchasing Association (PNPPA)

PNPPA is a list-serve comprised of purchasing professionals from all over the Pacific Northwest. Members of PNPPA ask questions, share resources, and provide purchasing practices. The list serve is hosted on a Yahoo Group. To be added to the list serve, send a blank email to: <mailto:pnppa-subscribe@yahogroups.com>.

## Legal Resources

### Revised Code of Washington

The Revised Code of Washington is a compilation of all permanent laws now in force. It is a collection of Session Laws (enacted by the Legislature and signed by the Governor or enacted by the initiative process).

### Washington Administrative Code

Regulations of the executive branch agencies which are issued by authority of statutes. Like legislation and the Constitution, regulations are a source of primary law in Washington State.

### How to Find RCW's and WAC's

In addition to the alphabetical listing that follows, you may also search RCW's and WAC's on the Internet Log onto the Washington State website at: <http://access.wa.gov>

1. Select "Find State Laws and Rules (RCW's and WAC's)
2. Select Revised Code of Washington to view the RCW table of contents and navigate by title, chapter, and section.
3. Select Washington Administrative Code to search for codes by subject or Agency
4. If you know the title you are search form, enter it into the "Quick Reference Links" on the right-hand side of the screen.

**\*\*While the information below has been reviewed, the statutes and regulations are subject to change and legal interpretations may also change as statutes and court cases clarify laws. For current information, please research RCW's using the above website.**

"A" Topic	RCW Location	WAC Location
Accreditation	28A.305.130	180-55
Accrual Basis of Accounting-defined	28A.505.010	
Actions against district /ESD directors or employees	28A.320.060-28A.320.100	
Activities fees - extra-curricular activities	28A. 325. 010	
Advanced travel expenses authorized	28A.320.050	
Adverse change in contract status -certificated	28A.405.300-28A.405.380	
Affirmative Action	49.74	
Agreements with private schools	28A.320.080	
Allocation formula	28A. 150.250	
Allocation of Basic Education funds	28A. 150.250-28A. 150.360	392-121-400
Alternative School Program		180-72-065 & 392-166
Annexation and dissolution of certain districts	28A.315.320	
Annexation of district by high school district	28A.315.180	
Appeal from superintendent's denial of special education program	28A. 155.080	
Appeals of actions or non-action of school officials or boards	28A.645	

Apportionment- Deductible Revenues		392-121-415
Apportionment - Emergency Advance	28A.510.250	392-21-436-443
Apportionment to districts	28A.510	392-121 & 392-134
Apportionment Redirection	28A.150.270	
Apportionment –Reimbursement for Classes Outside Regular Sch. Year	28A.150.420	392-121-123
Appropriation-Lapse at end of Fiscal Year	28A.505.160	
Appropriation - support for handicapped programs	28A.150.390	
Art works - purchase of	28A.335.210	
Associated Student Bodies - ASB	28A.325.020-28A.325.030	392-138
ASB Fund Raisers-limit twice per year sales tax exemption		458-20-169
Athletics and activities - Interschool	28A.600.200	
Attendance - false report penalties	28A.410.130	
Authorization of private school students to ride buses	28A. 160.020	
Award for excellence in education program	28A. 625.010-28A. 625.070	

<b>“B” Topic</b>	<b>RCW Location</b>	<b>WAC Location</b>
BA 135 Grandfathered Employees		392-121-270
Background check - required for applicants and volunteers	43.43	
Background check - required for initial certification	28A.41 0.010	
Basic Education Act	28A. 150.200-28A. 150.240	180-16-191-240
Basic Education Compliance Report M-808		180-16-195
Bids - advertising	28A.335.190 & 43.19.1911	
Bilingual - transitional bilingual programs	28A. 180-010-28A. 180.080	392-160
Board of Directors-See Directors		
Bond Issue - school plant and facilities	28A.525 & 28A.530	
Bonds-Refunding Act	39.53 & 28A.530.040	
Bonds-Surety	42.08 & 48.28	
Borrow Money/Issue Bonds	28A.530.010	
Budgets - school district budgets	28A.505	392-123-054

<b>“C” Topic</b>	<b>RCW Location</b>	<b>WAC Location</b>
Campaign Financing	42.17.030-135	
Capital Fund Aid by non-high districts	28A.540	
Capital Projects Fund	28A.320.330	
Central Purchasing		180-36
Certification	28A.410	180-75, 180-79, 180-80
Certification- revocation of certificate	28A.410.090-28A.41 0.110	
Change of district name	28A.315.690-28A.315.720	
Changing district boundaries	28A.315.130	
Chapter 1 Program		392-163
Chapter 1 Migrant Program		392-164
Chapter 2 Program		392-165
Christa McAuliffe Award for teachers	28A.625.030	

Classroom-Access to Parents	28A.605.020	
Classroom Contact Hours	28A.150.260	180-16
Classes of districts	28A.315.230-28A.315.250	
Clock Hour Credit-defined		180-85-030
Common Schools	28A. 150.020	
Common School Fund- Construction Fund	28A.515	
Complying with Administrative Directives	28A.635.020	
Compulsory Courses	28A.230	
Conditional Sales Contracts	28A.335.200 & 28A.160.130	
Conflict of Interest	28A.635.050 & 42.20 & 42.23	
Construction-See School Construction	28A.525	
Contact Hours		180-16-205
Continuing education clock hour requirement	28A.410.010	180-85
Contracts - conditions of employment	28A.405.210-240	
Contracts - Administrators Expire June 30th of year	28A.400.315	
Contracts - Replacing teachers on leave	28A.405.900	
Contracts - supplemental	28A.405.240 & 28A.400.200	
Contracts for bus transportation	28A.335.170	
Contracts for leasing space, buildings, equipment, systems	28A.335.170	
Cooperative Agreements -Interlocal	39.34	
Cooperative joint educational facilities, programs, services	28A.225.250 & 28A.335.160	392-135
Cooperative purchases - districts and/or ESD	28A.320.080	
Correspondence Courses		180-50-310
Corrupt practices of school officials - penalty	28A.635.050	

<b>“D” Topic</b>	<b>RCW Location</b>	<b>WAC Location</b>
Damage to School Property-Parental Liability	28A.635.060	
Day Care	28A.215	
Death of Employee- Payment	49.48.120	
Debt liability for	28A.320.020	
Debt Limitation	28A.530.020 & 39.36.020	
Debt Service Fund	28A.320.330	
Defacing or injuring school property	28A.635.060	
Deferred compensation plan for employees authorized	28A.400.240	
Derived Base Salary		392-121-297
Determining and funding student transportation costs	28A. 160.150-28A. 160.200	
Directors	28A.315.450	
Directors-Assumption of Office	28A.315.450	
Directors-Code of Ethics	42.23	
Directors-Compensation	28A.315.540	
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Direct deposit for employee earnings authorized	28A.400.230	
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# A

### **Abandonment**

Refusal to receive freight so damaged in transit as to be worthless and render carrier liable for its value.

### **Absorption**

The assumption by a carrier of switching or other special charges without increasing the charge to the shipper.

### **Abstract of Title**

A condensed history of the title to property, based on the records.

### **Acceptance**

(1) A promise to pay, by the drawee of a bill of exchange, usually evidenced by inscribing across the face of the bill "accepted", followed by the date, the place payable and the acceptor's signature. Any words showing the intention of the drawee to accept or honor the bill are sufficient, however. The effect of the acceptance is to make the bill equivalent to a promissory note with the acceptor as maker and the drawer as endorser. (1) cf. "bank acceptance" (2) Receipt by the consignee for a shipment, thus terminating the common carrier liability subject to claim for shortages damages if such exist.

### **Accessorial Service**

A service rendered by a carrier in addition to a transportation service, such as sorting, packing, pre-cooling, heating, storage, substitution of tonnage, etc.

### **Acknowledgement**

A form used by a vendor to advise a purchaser that his order has been received. It usually implies acceptance of the order.

### **Acquittance**

A written receipt in full, or discharge from all claims.

**Act of God**

A term used to denote a danger beyond control of avoidance by human power; any accident by a physical cause which is irresistible, such as hurricane, flood, lightning, etc. which is in no way connected with negligence.

**Ad Valorem (according to value)**

Ad valorem is usually applied to a customs duty charged upon the value only of goods that are dutiable, irrespective of quality, weight, or other considerations. The ad valorem rates of duty are expressed in percentages of the value of the goods, usually ascertained in percentages from the invoice.

**Advanced Charges**

The amount of freight or other charge on a shipment advanced by one transportation line to another, or to the shipper, to be collected from the consignee.

**Advice of Shipment**

A notice sent a purchaser advising, that shipment has gone forward and usually containing details of packing, routing, etc.

**Affidavit**

A written statement sworn to before a notary.

**After sight**

An expression used on bills of exchange and meaning "after presentation to the drawee for acceptance."

**Agency**

The term "agency" signifies relations existing between two parties by which one is authorized to perform or transact certain business for the other; also applies to the office of the agent.

**Agent**

One acting for another, called principal, in dealing with third party.

**Aggregated Shipments**

Numerous shipments, from different shippers to one consignee, consolidated and treated as a single consignment.

**Agreed Valuations**

The value of a shipment agreed upon in order to secure a specific rating and/or liability.

**Agreed Weight**

The weight prescribed by agreement between carrier and shipper for goods shipped in certain packages, or in a certain manner.

**Allonge**

A paper attached to a bill of exchange, on which additional endorsements may be placed when the back of the bill has already been filled with names.

**Anticipation**

An allowance, usually expressed as a percentage, granted for payment of an invoice in advance of the discount or net due date. It is calculated at the stated percentage rate for the number of days between that of actual payment and the due date and is allowed in addition to any discounts.

**Any-Quantity Rate**

A rate applied irrespective of quantity shipped.

**Arbitrage**

A term applied to transaction, in which the trader buys in the cheaper market and sells in the dealer at the same time. The margin between the two prices, though necessarily small, must be sufficient to do more than cover the costs of exchange in order to yield a profit. The objects of such arbitrage transactions may be bills of exchange, bonds, stocks, coin, or bullion.

**Arbitrary**

A stipulated and unvarying amount over a rate between two points and used to make a through rate. Besides being a rate itself, an arbitrary generally represents the amount of division allowed the delivering carrier.

**Arbitration**

The investigation and decision of a cause or matter between parties in controversies, by chosen persons.

**Arrival Notice**

A notice sent by the carrier to the consignee advising of the arrival of a shipment.

**Artisan's Lien**

The lien of a mechanic or other skilled worker in connection with something on which he has bestowed labor or materials giving him a right to retain possession of it until paid.

**As is**

A term indicating that goods offered for sale are without warranty or guarantee. The purchaser has no recourse on the vendor for the quality or condition of the goods.

**Assigned Siding**

A side or team track owned by a carrier and assigned to one or several industrial concerns for loading or unloading.



**Assignment**

Transference of some property right or title to another party. This term is frequently used in connection with bills of lading which are endorsed (assigned) over to another party (the assignee) by the owner of the bill (assignor). Such endorsement given to the party, named the title to the property covered by the bill of lading.

**Astray Freight**

Freight bearing marks indicating, owner and destination, but separated from the waybill.

**Attachment**

A legal proceeding accompanying an action in court by which the plaintiff may acquire a lien on a defendant's property as a security for the payment of any judgment which the plaintiff may obtain.

**Authorized Deviation**

A permission to a supplier authorizing the production or delivery on a restricted basis of items not in conformance with the applicable drawings or specifications.

**Average Demurrage Agreement**

An agreement made between a shipper and a transportation line whereby the shipper is debited for the time cars are held for loading or unloading beyond a certain period and credited for the time cars are released by him within a certain period, demurrage charges being assessed by the transportation line, usually at the end of the month, for any outstanding debits.

# B

**Back Order**

That portion of an order which the vendor cannot deliver at the scheduled time and which he has reentered for a shipment later.

**Bailee**

A person into whose possession personal property is delivered.

Bailment The delivery of personal property to another for special purpose, on condition that the property will be returned pursuant to agreement.

**Bailor**

One who entrusts goods to another.

**Bank(er's) Acceptance**

An instrument utilized in the financing of foreign trade, making possible the payment of cash to an exporter covering all or a part of the amount of a shipment made by him. Such an arrangement originates with the foreign importer who instructs his local bank to provide for a "commercial acceptance credit" with, for example, a New York bank in favor of a named American exporter; the New York bank then issues an acceptance credit in effect guaranteed by the foreign bank, to the exporter, under the terms of which he may draw a time bill of exchange maturing in 60 or 90 days. Supported by the required evidence of shipment the bill of exchange is accepted by the bank, by endorsement on the face of the bill, thus signifying that it will pay the bill at maturity. The exporter may retain the bill until maturity or sell it on the so-called "discount market."

### **Barge**

A generic term for a class of vessels having shallow draft or flat bottoms, used chiefly on rivers and canals.

### **Barratry**

In maritime law, any willful breach of duty or trust by master or crew, without consent of owners or insurers. Barratry refers to such acts as desertion or willful damage to a vessel.

### **Barrel**

A round bulging vessel or cask, usually of greater length than breadth, having flat ends or heads. The quantity constituting a full barrel, for liquids, in the United States is usually 31 ½ U.S. gal; in England, 36 Imperial gal. However, a barrel as a unit of measurement in the petroleum industry is 42 U.S. gal; in flour milling, and trade 196 lb., in the cement industry 376 lb. Wherever "barrel" is used as a unit of measurement, a purchaser should determine the volume or weight described as a "barrel." Abbreviation; bbl.

### **Barter**

The act of exchanging one kind of goods for another, as distinct from trading using money.

### **Basing Point**

A particular geographic point to which fixed transportation rates are established to be used for the purpose of constructing rates to adjacent points by adding to or deducting from the basing point rate.

### **Basing Rate**

A transportation rate on which other rates are constructed or based. For example, the rates from New York to Chicago constitute the basis on which rates are constructed between western points on the one hand and points in central territory on the other.

### **Bedding Charge**

At most of the large stockyards, bedding for livestock cars is furnished by the stockyard companies, and a charge, usually assessed per car, is made for the service in addition to the rate.

## **Bid**

An offer, as a price, whether for payment or acceptance. A quotation specifically given to a prospective purchaser upon his request, usually in competition with other vendors. An offer by a buyer, to a vendor, as at an auction.

## **Bill of Lading**

A form used by a carrier as an invoice showing, consignee, consignor, description of shipment, weight, freight rate, freight charges, and other pertinent information about goods being transported.

## **Billed Weight**

The weight based on which charges are assessed by the carrier and shown in freight bill and waybill.

## **Bill of Entry**

The detailed statement by the importer of the nature and value of goods entered at the customhouse and used for statistical purposes.

## **Bill of Exchange**

An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a certain sum in money to order or to bearer. (Uniform Negotiable Instruments Law); in commercial usage, often synonymous with draft or acceptance. The term is by custom generally confined to an order to pay money arising out of a foreign transaction, "draft" being the term relating to a domestic transaction.

## **Bill of Lading (Uniform)**

Abbreviation: B/L or b/l. A carrier's contract and receipt for goods which it agrees to transport from one place to another and to deliver to a designated person or assigns for compensation and upon such conditions as are stated therein. The **straight bill of lading** is a nonnegotiable document and provides that a shipment is to be delivered direct to the party whose name is shown as consignee. The carriers do not require its surrender upon delivery except when necessary that the consignee be identified. The **order bill of lading** is negotiable. Its surrender, endorsed by the shipper, is required by the carriers upon delivery in accordance with the terms thereon. The object of an order bill of lading is to enable a shipper to collect for his shipment before it reaches destination. This is done by sending the original bill of lading, with draft drawn on the consignee, through a bank. The drawee, or the one to whom delivery is made, receives the lading upon payment of the draft and surrenders it to the carrier's agent for the shipment of goods. It is customary for shipper, when forwarding goods on this form of lading, to consign the shipment to himself to be delivered only upon his order, designating the person or firm to be notified of its arrival at destination. A **clean bill of lading** is one receipted by carrier for merchandise in good condition (no damage, loss, etc., apparent), and which does not bear such notations as "shipper's load and count," etc. An **export bill of lading** (thought) is one issued by an inland carrier covering contract of carriage from interior point of origin to foreign destination. A **foul bill of lading** is one indicating that a damage or shortage existed at the time of shipment. A **government bill of lading** is one supplied by the United States government for shipment of

government owned property or of goods being delivered to the government. An **ocean bill of lading** is one issued by an ocean carrier for marine transport of goods.

### **Bill of materials**

A list specifying, the quantity and character of materials and parts required to produce or assemble a stated quantity of a particular product.

### **Bill of Sale**

A written agreement under the terms of which the title or interest in a property is transferred by the seller(s) to the buyer or other designated person(s).

### **Bill of Sight**

A customhouse document, allowing consignee to see goods before paying duties. Such inspection is made in the presence of a customs officer and is requested by an importer for the purpose of obtaining details which will enable him to prepare a correct bill of entry. This latter document must be completed within three days of the bill of sight; otherwise, goods are removed to government warehouse.

### **Bill of Suffrance**

A document giving a coasting vessel authority to carry goods in bond.

### **Binder**

A tentative but binding commitment, as by the owners of real property, or by a fire insurance company. cf. "earnest money."

### **Blind Check**

The tallying or checking of freight without access to records disclosing kind and amount of freight contained in the shipment.

### **Block (Express)**

Groups of points considered together for the purpose of rate making in connection with express transportation.

### **Block Rate**

A rate applying between a point in one express block and a point in another.

### **Board**

An abbreviation for "paperboard." Paperboard is essentially paper, but the term is generally applied to the heavier and thicker grades. The terms "board" and "paperboard" cover substantially the entire range of forms of paper used to manufacture paper containers and cartons.

**Bond (Performance)**

A bond executed in connection with a contract, and which secures the performance and fulfillment of all the undertakings, covenants, terms, conditions, and agreements contained in the contract.

**Bonded Warehouse**

Place owned by persons approved of by the Secretary of the Treasury, and who have given guarantees or bonds for the strict observance of revenue laws. Such warehouses are used for the storage and custody of import merchandise, subject to duty, until the duties are paid, or the goods reshipped without entry.

**Booking space**

The act of contracting space aboard a vessel for cargo which is to be transported.

**Boycott**

A concerted effort to persuade people not to deal with a particular person or organization or to buy a certain product.

**Bulky**

A term applied to goods which take up considerable space in comparison to their weight.

**Bunching (Cars)**

Cars placed for loading or unloading in excess of orders or track and unloading facilities.

**Bursting Strength**

The bursting pressure per square inch required to rupture a board sample, as determined by a Mullen or Cady test. Under Rule 41 (freight) and Rule 18 (express), bursting strength must be shown in the box maker's certificate.

**Buyer's Market**

A "buyer's market" is considered to exist when goods can easily be secured and when the economic forces of business tend to cause goods to be priced at the purchasers estimate of value.

**Buyer's Option**

The privilege of buying a commodity, security, merchandise, or other property within a given period of time, usually at a price and under conditions agreed upon in advance of the actual sale. A seller usually requires a prospective buyer to pay for the option.

**Buyer's Right of Routing** When the seller does not pay freight charge, buyer has option of routing. When seller is to prepay freight, the buyer's right to name the carrier must be made a part of the contract of sale; such right to be exercised before actual shipment of goods. If seller disobeys buyer's orders as to carrier or route, he incurs all risks of transportation.

# C

## Caliper

The thickness of a sheet of board, expressed in thousandths of an inch. In the paper box industry, thousandths of an inch are referred to as "points"

**C.&F. (Cost and Freight)** A term used when goods are to be conveyed by ocean marine transportation and meaning that the price stated includes both the cost of the goods and the transportation charges to the named point of destination. The seller is liable for the ocean freight charges and for all risks and other charges, until he has received a clean ocean bill of lading from the carrier (either a "received for shipment" or an "on-board," as agreed between seller and buyer) at which point title passes to the buyer. The buyer is liable for all risks and charges, except ocean freight, after title has passed. The buyer is responsible for arranging for insurance on the goods from the point of ocean shipment.

## Car Float

A large flat-bottomed boat equipped with tracks, which is used to transport railway cars over water in harbors or sheltered waters.

## Cargo

The freight transported in a vehicle. The load for transportation as differentiated from things carried as operating equipment and supplies for the conveyance. **Flatted:** Cargo all of one type placed in the bottom of a ship's hold and covered with dunnage. There is usually room left above it for loading other cargo which may be moved without interference with the flatted cargo.

**Frustrated:** Cargo which, while in transit, has been stopped pending issuance of new, or amended, shipping instructions. **Labeled:** Cargo of a dangerous nature, such as explosives, inflammable or corrosive liquids, and the like, identified by different-colored labels to indicate requirements for special handling and stowage. **Heavy lift:** A cargo unit of excessive weight which requires special handling. Cubic measurement: Cargo on which transportation and stevedoring charges are assessed based on cubic measurement.

## Cargo (Manifest)

A document listing all cargo consignments on board a truck, vessel, or aircraft, and giving the quantity, identifying marks, consignor, and consignee of each item.

## Car Initials

Initials used to indicate carrier owning a car. cf. "car number."

**Carload**

Abbreviations: C/L or c/l. (1) A quantity of freight to which carload rates apply, or a shipment tendered as a carload; (2) a car loaded to its carrying capacity.

**Carload Minimum Weight**

Abbreviations: C/L min. The least weight at which a shipment is handled at a carload rate.

**Carload Rate**

The rate applying to a carload quantity of freight.

**Car Number**

A number given a car in conjunction with owner's initials as a means of identification.

**Carrier's Lien**

A carrier's claim on goods for the collection of freight charges.

**Car Seal** A device to secure against unauthorized opening of the doors of a railroad car. The seal is usually registered and individually identifiable and can be used to identify the place where it was affixed.

**Cartage**

Drayage; a charge for local hauling.

**Carton**

This term is usually applied to the interior package, commonly used to enclose cereals, dried fruit, sugar, soap, etc. A carton is not normally a shipping container and is not intended by itself to meet shipping requirements and regulations.

**Cash in Advance**

Same as "cash with order."

**Cash on Delivery**

Abbreviation: C.O.D. Payment due and payable upon delivery of goods.

**Cash with Order**

Payment accompanies order when given to seller.

**Caveat Emptor**

"Let the buyer beware" -the purchase is at the buyer's risk.

**Caveat Vendor**

"Let the seller beware" -the seller, in some situations, is liable to the buyer if the goods delivered are different in kind, quality, use, and purpose from those described in the contract of sale.

Certificate of compliance A supplier's certification to the effect that the supplies or services in question meet certain specified requirements.

### **Certificate of Damage**

A document issued by dock companies regarding merchandise received or unloaded in damaged condition.

### **Certificate of Origin**

A certified document as to the origin of goods.

### **Certificate of Weight**

An authoritative statement of the weight of a shipment.

**Certified Bill of Lading** An ocean bill of lading certified by a consular officer to meet certain requirements of his country, as to goods imported.

### **Certified Check**

A check drawn on a bank and accepted by it.

### **Cetane Number**

An index of the reality ignition quality of diesel fuels. Cf "octane number. "

### **Change Order**

The purchaser's document used to amend a purchase transaction preciously formalized by a purchase order.

### **Charter**

The mercantile lease of hire of a vessel. aircraft. etc. Also the written evidence of such an agreement or contract. The following phrases apply to marine charters: **bare** boat: A charter obligating the charterer to provide the personnel and equipment, including all voyage and cargo expenses, marine and war risks, necessary to operate a privately owned ship. **space**: A charter which specifies that a certain cubic volume of shipping space is allocated to the charterer for use on specified voyages between designated ports. Such agreements are made by means of voyage commitment orders. time A charter of a vessel which provides that the vessel shall be operated, maintained, manned, equipped by the owner. voyage: A charter of a given vessel for a single voyage.

### **Charterer**

One leasing a ship or part of its cargo space.

### **Charter Party**

A document which forms the contract between the ship owner and the one leasing the ship.

### **Chattel**

The word "chattel" is derived from the word "cattle." It is a very broad term and includes even kind of property that is not real property.



**Check**

A check is a bill of exchange or draft drawn on a bank and payable on demand.

**C.I.F. (Cos, Insurance, and Freight)**

Similar to c.& f., except that the cost of ocean marine insurance is also for the account of the seller. "War risk" insurance is not for the sellers account unless otherwise agreed upon between the parties.

**Classification**

A publication containing a list of articles and the classes to which they are assigned for the purpose of applying class rates, together with governing rules and regulations.

**Classification of Purchaser**

Purchasers are classified by vendors into categories and often are given prices or discounts established by the vendor for such classification. Typical classifications are ultimate consumer, retailer, wholesaler, distributor, and original equipment manufacturer.

**Class Rate**

An article not given a special or commodity rate and not covered by an exception, comes under the class basis. Such rates are absolute in their nature and apply to the numbered or lettered groups or classes of articles that are contained in the territorial rating column in the classification schedule.

**Cleaning in Transit** The stopping of articles, such as peanuts, etc. at a point located between the points of origin and destination to be cleaned.

**Clearance**

A customhouse certificate that a ship is free to leave, all legal requirements having been met. A term also applied to space or measurements above and beside tracks and highways, where they pass through tunnels and over bridges, and when published are known as "clearance tables."

**Collateral**

Security placed with a creditor to assure performance of an obligation.

**Collector of Customs**

The chief officer of a customhouse. The representative of the Treasury Department of the Federal Government with respect to foreign traffic.

**Combination rate**

A rate made by combining two or more rates published in different tariffs.

**Commercial Attaché** A representative of a government located in a foreign country for the purpose of assisting and fostering the foreign trade of that government.

**Commercial Law**

That branch of the law used to designate the rules that determine the rights and duties of persons engaged in trade and commerce.

**Commission Merchant**

An agent, broker, or factor employed to sell "goods, wares and merchandise" consigned or delivered to him by his principal, for a compensation called a commission.

**Commodity Rate**

A rate applicable to an article described or named in the tariff containing the rate, and which applies to, from, or between specific points.

**Common Carrier**

A person or corporation, licensed by an authorized state, Federal or other governmental agency, engaged in the business of transporting personal property from one place to another for compensation. A common carrier is bound to carry for all who tender their goods and the price for transportation.

**Common Law**

Law based on precedent expressed in judicial decisions, from the early English days down to the present in this country.

**Compelled Rate**

This is a term used to describe a rate which is established lower than the general adjustment of its related rates, usually due to water competition, and in some cases because of direct rail competition. Rates between points adjacent to rivers, lakes, etc., are often compelled rates.

**Competitive Bidding**

The offer of estimates by individuals or firms competing for a contract, privilege, or right to supply specified services or merchandise.

**Competitive rate**

A rate established by a carrier a carrier to meet the competition of another carrier.

**Composition of Creditors**

Agreements among creditors and with their debtor by which they agree to take a lesser amount in complete satisfaction of the total debt due.

**Compromise**

An agreement between two or more persons, to settle the matters of a controversy without resort to litigation.

**Concealed Damage**

Damage to the contents of a package which is in good order externally.

**Concealed Loss**

A loss from a package bearing no indication of having been opened.

**Condemnation Proceedings**

An action or proceeding in court for the purpose of taking private property for public use.

**Conditional Sale**

A sale in which title is retained by the vendor as security for the purchase price, although possession is surrendered to the buyer.

**Confirming Order**

A purchase order issued to a vendor, listing the goods or services and terms of an order placed verbally, or otherwise, in advance of the issuance of the usual purchase document.

**Confusion of Goods**

The intermingling of the goods of two or more persons by either of the owners to such extent that the several portions cannot be distinguished. The person so commingling has the duty of distinguishing his own property or losing it.

**Consideration**

Something of value given for a promise to make the promise binding cf. "binder," "earnest money."

**Consignee**

The person or organization to whom a shipper directs the carrier to deliver goods. Such person or organization is generally the buyer of goods and is called a consignee on a bill of lading.

**Consignee Marks**

A symbol placed on packages for export generally consisting of a square, triangle, diamond, circle, cross, etc., with designated letters and/or numbers for the purpose of identification.

**Consignment**

Goods shipped for future sale or other purpose, title remaining with the shipper (consignor), for which the receiver (consignee), upon his acceptance, is accountable. Consigned goods are a part of the consignor's inventory until sold. The consignee may be the eventual purchaser, may act as the agent through whom the sale is affected, or may otherwise dispose of the goods in accordance with his agreement with the consignor.

**Consignor**

The person or organization who delivers freight to a carrier for shipment is called a consignor or shipper and is the one who directs the bill of lading to be executed by the carrier. Such a person or organization may be the consignor-consignee if the bill of lading is made to his own order.

**Consist**

An itemized descriptive listing of freight carried by a particular train; usually there is a list for each car in the train. Also, the listing of the cars included in the train. "Consist" is comparable to "manifest" in maritime shipping usage, cf. "cargo (manifest)"

**Consolidated Classification**

The schedule which has superseded the individual classifications formerly issued by committees in the Official, Southern, and Western territories. The consolidated classification unifies minimum carload weights, number of classes, assignment of articles to classes, as well as descriptions of articles and rules and regulations governing their preparation and handling.

**Consolidation**

As applied to shipments, consolidation is the act of combining several small (less than carload) shipments into a carload, generally confined to articles taking the same rating and usually carried on at point of origin.

**Constructive Delivery**

Although physical delivery of personal property has not occurred, yet by the conduct of the parties, it may be inferred that as between them possession and title has passed.

**Constructive Placement**

When due to some disability on the part of consignor or consignee, a railroad car cannot be placed for loading or unloading at a point previously designated by the consignor or consignee, and it is placed elsewhere, it is considered as being under constructive placement and subject to demurrage rules and charges, the same as if it were placed at the designated point.

**Consul**

A government official residing in a foreign country to care for the interest of his country.

**Consular Invoice**

A document in prescribed form required by a foreign government showing exact information as to consignor, consignee, value, description, etc., of a shipment being imported.

**Container**

An item in which or around which another item or items are kept and maintained as an entity, mainly for shipping or issue purpose. Example: barrel, bottle, can, drum, reel, spool.

**Continuing Guaranty**

An undertaking by one person to another person to answer from time to time for money to be loaned or goods to be sold to a third person. The term refers to the future liability of the principal for a series of future transactions. It is usually revocable upon actual notice as to all future transactions.

**Continuous Seals**

A term denoting that the seals on a car or truck remained intact during the movement of the car or truck from point of origin to destination; or, if broken in transit, that it was done by proper authority and without opportunity for loss to occur before new seals were applied.

**Contract**

A deliberate agreement between two or more competent persons to perform or not to perform a specific act or acts. A contract may be verbal or written. A purchase order, when by a vendor, becomes a contract. Acceptance may be either in writing, or by performance, unless the purchase order requires acceptance thereof to be in writing in which case it must be thus accepted. A unilateral contract is one where only one party promises performance, the performance being in exchange for an act by the other. A bilateral contract is one where parties promise performance, each promise being given in exchange for the other.

**Contract Carrier**

By motor vehicle, any person or corporation, not a common carrier, who under special and individual contracts or agreements, transports passengers or property by motor vehicle for compensation.

**Contract Date**

The date when a contract is accepted by all parties thereto.

**Contractor**

(1) Any one of the parties to a contract. (2) One who contracts to perform work or furnish materials in accordance with a contract.

**Conveyance**

(-1) A formal written instrument usually called a deed by which the title or other interests in land (real property) is transferred from one person to another. (2) The equipment in which goods are transported by a carrier, such as a railroad, car, truck, vessel, barge, airplane, etc.

**Conveyor**

A generic term for a class of materials-handling devices used to move things over a fixed line of travel.

**Cooperage**

The charge for putting hoops on casks or barrels, or the reconditioning of any package to make them suitable for safe transportation. One engaged in this work is called a cooper.

**Cordage**

A general term covering the products of the twine, cord, and rope industry.

**Corporation**

A collection of individuals created by statute as a legal person vested with powers and capacity to contract, own, control, convey property, and transact business within the limits of the powers granted.

**Cost-Plus**

A pricing method whereby the purchaser agrees to pay the vendor an amount determined by the costs incurred by the vendor to produce the goods and/or services purchased and to which costs are added a stated percentage or fixed sum.

**Counteroffer**

An offer to enter a transaction on terms differing from those first proposed. It should be noted that vendors' "acknowledgment forms" given to a purchaser in response to a purchase order may be, in fact, a counteroffer.

**Covenant**

A promise in writing under seal. It is often used as a substitute for the word contract.

**Currency**

Lawful money in current circulation. The terms "currency" and "current funds" now seem to include not only coin, silver, United States notes, and treasury notes, but also silver certificates, Federal Reserve notes, and national-bank notes.

**Customs (Duties)**

Customary taxes, tolls, or duties levied upon goods which pass a frontier, generally upon goods imported.

**Customs Tariff**

A schedule of charges assessed by the government on imported or exported goods.

**CWT**

see "hundredweight."

**Cylinder**

One of two principal types of board machines or board produced on a cylinder machine. The other principal type is "fourdrinier."

# D

## **Damages**

Compensation, usually in money, for injury to person, or property.

## **Dating**

A method of granting extended credit terms used by sellers to induce buyers to receive goods in advance of their required delivery date, thus permitting the seller to ship goods earlier than the buyer would ordinarily wish to receive them. An example of dating would be for a purchase of spring-season goods shipped in the winter, by a manufacturer whose normal selling terms were 2 percent discount for payment in 10 days from date of invoice or net payment in 30 days. Assuming an invoice of December 30, the terms would be stated: "2 per cent 10 days, net 30 days as of March 15." "Dating" may be extended on open account or on a secured account by use of a time draft of another instrument.

## **D.B.A.**

An abbreviation meaning "doing business as."

## **Dead Storage**

Storage of goods for a relatively long period of time. Frequently, goods so stored are preserved and protected in such a way that they are not readily available for immediate issue

## **Deadweight Tonnage**

The total carrying capacity of a ship in tons of 2,240 lb.

## **Debt**

Any obligations other than to pay money. Ordinarily the term debt means a sum of money due by reason of contract expressed or implied. Broadly, the term may include obligations other than to pay money, such as duty to render services or deliver goods.

## **Declared Valuation**

The valuation placed on a shipment when it is delivered to the carrier.

## **Deed**

A written instrument in a special form that is used to pass the legal title of real property from one person to another. See "conveyance." In order that the public may know about the title to real property, deeds are recorded in the deed record office of the county or town where the land is situated.

**Defective Car**

When a car has defects which are liable to injure contents, it is known as defective or in "bad order": but if the car is loaded by the shipper the carrier is still liable for loss or damage to the contents, unless the shipper has authorized the carrier to supply a defective car and relieved the carrier of liability for loss or damage.

**Delivery**

The transfer of possession: as applied to shipping, it occurs when lading is surrendered and title to goods passes to the receiver or consignee.

**Delivery Schedule**

The required or agreed time or rate of delivery of goods or services purchased for a future period.

**Demand Charge**

That part of charges for a utility service which is based on the demand factor of a customer's load.

**Demand (Public Utility)**

The utility load at a particular junction point of a utility distribution system averaged over a specified period, and expressed in suitable units such as kilowatts, hundreds of cubic feet, etc.

**Demurrage**

A charge, allowed in tariffs, or by contract, assessed against a consignor, consignee, or other responsible person for delays to transportation equipment in excess of "free time" for loading, unloading, reconsigning, or stopping in transit.

**Demurrage agreement average**

An agreement between a carrier and a consignor (or consignee) whereby delays in excess of the allowed free time provided in tariffs, are debited against the consignor (or consignee) and delays less than those allowed are credited to the consignor (or consignee). In rail-carrier demurrage agreements charges are assessed by the carrier on the net debits on a periodic basis, usually at the end of a month.

**Deposition**

The written testimony of a witness taken in proper form.

**Depreciation**

Decline in value of a capital asset through wear and tear, age, inadequacy, and obsolescence without loss of substance.

**Desiccant**

A material which will absorb relatively large amounts of water vapor, and which is used to protect against deterioration of items which are harmed by prolonged exposure to humid conditions, often by placing the item and the desiccant in one protective container or wrapper.



## **Despatch money**

An agreement that charterer is to receive a fixed sum per day for each day saved in loading out of several lay days specified in the charter party.

## **Destination**

The place to which a shipment is consigned.

## **Direct delivery**

The consignment of goods directly from the vendor to the buyer Frequently used where a third-party acts as an intermediary agent between vendor and buyer.

## **Discount**

An allowance or deduction granted by the seller to the buyer, usually when certain stipulated conditions are met by the buyer, which reduces the cost of the goods purchased. However, discounts may be granted by the seller without reference to stipulated conditions. An example of such use of discount is the application of discount to a nominal or "list" price to establish the "net" or actual price. An **arbitrary discount** is one agreed upon between vendor and purchaser which has no relation to the vendor's usual basis for discount. A **broken package discount** is one applying on a quantity of goods less than the quantity of goods contained in a vendor's regular package. A **cash discount** is an allowance extended to encourage payment of invoice on or before a stated date which is earlier than the NET date. The percent discount allowed is agreed between buyer and seller and is often established by industry or trade custom.

Usual discounts are ½ percent with occasional discount allowances to 10 percent.

Typical cash discount terms are shown below.

**½ percent 10 days** - ½ percent discount allowed if paid on or before the 10 day.

**1 percent e.o.m.** – 1 percent discount allowed if paid on or before the end of the month.

**2 percent e.o.m. 10** – 2 percent discount allowed if paid on or before the 10 of the following month.

**2 percent 10-60 x or 2 percent 10-60 extra** - 2 percent discount allowed if paid on or before the 70 day.

**2 percent 0 prox.** - Same as 2 percent e.o.m.

**2 percent 10 & 25 or 2 percent 25 & 10** - 2 percent discount allowed for payment on or before the 25 of the month for billings of the first half of the month: 2 percent discount allowed for payment on or before the 10 last half of the month of the succeeding month for billings of the last half of the month.

**NOTE:** Discount payment dates, other than with e.o.m. or prox. Terms, are interpreted in various ways. The usual interpretation is that the discount date is calculated from the invoice date. Other interpretations should be specifically agreed upon between the buyer and seller. Other interpretations are based on (a) the date goods are shipped (b) the date goods are received by the buyer, and (c) the date the goods are inspected and found acceptable by the buyer. Discount terms are usually stated in conjunction with a net term. Typical are 1 percent 10

days, net 30.... or 1-10-30.2 percent 10 days, net 60 ..... or 2-10-60.2 percent 10 days 60 extra net 90.... Or 2-10-60x, net 90.2 percent 30 net 31.

Where the net date is not stated in conjunction with a discount date, the presumption is that the invoice is due net the day following the discount date. Net terms require that vendors' invoices be paid without discount on or before due date. Typical statements of net terms are:

Net- payment due immediately; Net 10 days-due on or before' the tenth day; Net e.o.m. Due on or before the end of the month; Net e.o.m. 10, net 10 e.o.m., or net 10th prox -due on or before the 10th of the month following; Net 10-60X or net 10-60 extra-due on or before the 70th day; Net 10th & 25th or net 25th & 10th-payment due on the 25th of the month for billings of the first half month; due on the 10th of the following month for billings of the last half of the month.,

A **chain discount** is a series of discounts, the percent of each discount in the chain applying to the amount resulting from application of the immediately preceding per cent discount. A chain discount can be reduced to a single discount by multiplying the complement of each of each of the discounts and determining the complement of the result. For example: The **single discount** figure equal to the chain discount  $30\% + 20\% + 10\% = 49.6\%$  and is calculated as follows:  $70 \times 80 \times 90 = 50.4$  whose complement is 49.6%. A **quantity discount** is an allowance determine by the quantity or value of a purchase. A standard package discount is one applying to goods supplied in the vendor's regular package. A **trade discount** is a deduction from an established price for items or services, often varying in percentage with volume of transactions, made by the seller to those engaged in certain businesses and allowed irrespective of the time when payment is made.

### **Discount Schedule**

The list of discounts applying to varying quantities of goods or applicable to differing classifications of purchasers.

### **Dishonor**

Failure or refusal to discharge an obligation on an instrument.

### **Dispatch**

cf. dispatch money.

### **Disposal**

The act of getting rid of excess or surplus property. Disposal may be by, but not limited to, sale, donation, abandonment, destruction, or transfer to others.

### **Distributor**

A purchaser who acquires goods for resale to a wholesaler, retailer, or ultimate consumer. A distributor may sell goods from his own inventory, from a consignment inventory in his possession, or may sell for shipment to be made directly from the manufacturer's stocks.

### **Diversion**

A change made in the designation of consignee, destination, or route of a shipment while in transit; re-consignment.

**Dockage**

Charges made for the use of a dock.

**Dock Receipt**

A receipt given for a shipment received or delivered at a pier or dock.

**Domicile**

That place that a person intends, as his fixed and permanent home and establishment and to which, if he is absent, he intends to return. A person can have but one domicile. The old one continues until the acquisition of a new one; thus, while in transit the old domicile exists. One can have more than one residence at a time, but only one domicile. The word is not synonymous with residence.

**Draft**

A written order drawn by one party (drawer) ordering a second party (drawee) to pay a specified sum of money to a third party (payee). An arrival draft is prepared by the seller and, with invoice and shipping receipt for the goods sold, is deposited at his bank for collection. The bank forwards the documents to its correspondent bank at the buyer's city. The buyer secures the invoice and shipping receipt from the bank upon payment or acceptance of the draft, usually at the time the goods have arrived at destination. A sight draft is payable upon presentation the drawee (as distinguished from an arrival or time draft.) A time draft is one which is payable a stated time after acceptance by the drawee. cf. "check."

**Drawback**

A refund of customs duties paid on material imported and later exported.

**Drayage Cartage**

A charge for transfer and cartage between stations to and from vessels on carts, drays, or trucks.

**Due Bill**

A bill rendered by carrier for undercharges.

**Due Care**

The words express that standard of conduct, which is exercised by an ordinary, reasonable, prudent person.

**Dunnage**

Materials such as boards, planks, blocks, cushions, paulins, straps. etc. used to support, secure, protect. Or to facilitate handling of goods loaded in a carrier's transportation equipment.

**Duty**

A tax levied by a government on the importation, exportation, or use and consumption of goods.

# E

## **E. and O.E. (errors and omissions excepted)**

An abbreviation placed on a quotation or invoice by a vendor to reserve the right to correct the amount charged if later found to be incorrect.

## **Earnest**

"Earnest money" is a term used to describe money that one contracting party gives to another at the time of entering the contract in order to "bind the bargain" and which will be forfeited by the donor if he fails to carry out the contract. Generally, in real estate contracts, such money is used as part payment of the purchase price. c.f. "binder,"

## **Easement**

An easement is an interest in land—a right that one person has to some profit, benefit, or use in or over the land of another. Such right is created by a deed, or it may be acquired by prescription (the continued use of another's land for a statutory period).

## **Elevator**

A specially constructed building for the storing, sorting, mixing, cleaning, and similar operations involved in the handling and treatment of grain.

## **Embargo**

An order issued by a carrier, carriers or their agent, or by a government, prohibiting the acceptance of freight, in any kind or of a specific nature, for shipment: generally applying to certain areas, or to and from points, and resulting from congestion, labor troubles, etc.; in marine usage, a detention of vessels in port; a prohibition from sailing.

## **Endorsement**

cf. indorsement.

## **En route**

On the way; in transit.

## **Entire Contract**

A contract which by its terms requires full and complete performance on one side in return for the full and complete performance on the other. The term "entire contract" is used in contradistinction to the term "divisible contract," wherein a part of the performance required may be set over against a part of the performance on the other side.

## **Entry (Customs)**

A statement of the kinds, quantities, and value of goods imported together with duties due, if any, and declared before a customs officer or other designated officer.

### **Equipment-Trust Certificate**

An interest-bearing document evidencing a part ownership of a trust created for the purpose of purchasing, equipment and selling or leasing it to a user. An equipment trust serves as a device for avoiding direct ownership by the user, particularly in the case of railroads where such ownership would bring the newly acquired asset under existing mortgages and thus make it impossible to have it serve at the same time as security under a conditional-sales or installment-purchase contract.

### **Escalation**

An amount or percent by which a contract price may be adjusted if specified contingencies occur, such as changes in the vendor's raw material or labor costs.

### **Escrow**

An agreement under which a grantor, promisor, or obligor places a sum of money or the instrument upon which he is bound with a third person, called escrow holder, until the performance of a condition or the happening of an event stated in the agreement permits the escrow holder to make delivery of the money or instrument to the guarantee, promisee, or obligee.

### **Ex**

A prefix meaning "out of" or "from." Used in conjunction with a noun of location, such as, ex-mill, ex-mine, ex-warehouse. "Ex. (named point of origin)" means that all charges for transportation and all risks of loss and damage are for the account of the buyer when the goods are delivered to a carrier at the "ex-" location. Where local cartage costs are incurred between the "ex-" location and a common carrier receiving point, such costs are for the buyer's account. On ocean marine shipments, the term. "ex-dock (named port of importation)," means all transportation cost, all insurances, risks of loss and damage, export and import duties, taxes, and levies, consular and entry fees are for the account of the seller. Title passes to the buyer either when he takes possession of the goods at the point of import or when the free time allowed in the dock at the point of importation expires, whichever occurs first.

### **Examiner (Customhouse)**

A customhouse officer who compares goods with invoices.

### **Excess Freight**

Freight in excess of amount billed: also called "over" freight.

### **Excise Tax**

A tax imposed on the manufacture, sale, or consumption of a product.

### **Ex Parte**

(Latin) "From only one side or party."

**Expedite** To hasten or to assure delivery of goods purchased in accordance with a time schedule. usually by contact by the purchaser with the vendor.

## **Export**

To send goods to a foreign country.

## **Export License**

A certificate guaranteeing the holder permission to export goods.

## **Export Classification**

A schedule containing the classes to which articles accepted for transportation are assigned. Compared with freight classification of the rail carriers, the "express classification" is a list of exceptions to three standard classes, first, second and third, and includes a "money" section, which provides rules, regulations, and rates for the transportation or transfer of coin, currency, bullion, and securities

## **Express Warranty**

When a seller makes some positive representation concerning the nature, quality, character, use, and purpose of goods, which induces the buyer to buy, and the seller intends the buyer to rely thereon, the seller has made an express warranty.

# **F**

## **Factor**

A factor is an agent for the sale of merchandise. He may hold possession of the goods in his own name or in the name of his principal. He is authorized to sell and to receive payment for the goods.

## **Fair Market Value**

The value of an item as determined by negotiation between buyers and sellers and which value should be acceptable as a basis of a purchase and sale.

## **F.A.S. (Free Alongside Ship)**

The term f.a.s. must be qualified by a named port. The seller is liable for all charges and risks until the goods sold are delivered alongside a vessel at such port or are delivered to the port on a dock which will be used by the vessel. Title passes to the buyer when the seller has secured a clean dock or ships' receipt for the goods.

## **Ferry car**

See "trap car," "station order car."

**FIFO**

First in, first out, as "LIFO" except the first put in is taken out first instead of the last in.

**Finder**

A person who acts to bring together a purchaser and a vendor and who is not in the employ of either. A finder usually is paid a fee by the party engaging his service.

**Firm Offer**

A definite proposal to sell something on stated terms, such offer binding the proposer up to stipulated time of expiration. A "firm bid" is a similar proposal to buy something. Although both are referred to colloquially as "firm offers" the distinction between bids and offers is usually preserved in cable codes.

**Floatage**

A charge for floating or transfer of rail freight cars across water.

**Float-In-Rates**

A low basis of rates that applies on shipments of flat bottom from ginning points to compress or concentration points, at the same time assures the inbound carrier of the outbound haul. The floating-in rate is only of a temporary measure. When cotton is re-shipped, the through rate is that applicable from the original point of shipment to the final destination, based on the weight reshipped from the concentration point, plus a small transit charge

**Floating Policy**

An insurance policy that covers a class of goods located in a particular place which the insured has on hand at the time of a loss may not be the identical items that were on hand at the time the policy as issued. A fire policy covering the inventory of a grocery store is an example.

**Floor-Load Capacity**

A general term given for a particular location in a building the maximum weight that the floor can safely support, expressed in pounds per square foot.

**F.O.B. (Free on Board)**

The term means the seller is required to place the goods aboard the equipment of the transporting carrier without cost to the buyer. The term "f.o.b." must be qualified by a name of location, such as shipping point, destination: name of a city, mill, warehouse, etc. The stated f.o.b. point is usually the location where title to the goods passes from the seller to the buyer. The seller is liable for transportation charges and the risks of loss or damage to the goods up to the point where title passes to the buyer. The buyer is liable for such charges and risks after passing of title.

**Follow-Up**

To review a transaction to determine its status. In connection with purchase transactions often synonymous with "expedite."

**F.O.R. (Free on Rails)** A term meaning that seller will make delivery as far as the railroad terminal named, or in case of overseas shipment, in harbor at port of departure, name of port stated. To avoid misunderstanding, since term is often considered to be the equivalent of "f.o.b. vessel, "or "f.a.s. vessel," the phrase is amplified further thus, "f.o.r., cartage to vessel extra."

### **Forwarder (Freight)**

A commercial organization engaged in the business of consolidating less-than-carload, less-than-truckload, or less-than-planeload shipments and planning for their transportation in carload, truckload, or planeload lots under applicable tariffs.

### **Fourdrinier**

One of the two principal types of paper machines or board machines, the other type being "cylinder."

### **Fourth-Section Order**

An order issued by the Interstate Commerce Commission permitting transportation lines to charge higher rates for a shorter haul than for a longer haul over the same route to avoid violation of Section 4 of the Interstate Commerce Act.

### **Free astray**

A shipment miscarried or unloaded at the wrong station is billed for and forwarded to the correct station, free of charge, account of being astray, and hence the term "free astray."

### **Free Goods**

Goods not subject to duty.

### **Free list**

A list of articles exempt from customs duties.

### **Free Port**

A restricted area at a seaport for the handling of duty exempted import goods, a "foreign trade zone."

### **Free Time**

The period allowed to load or unload transportation equipment before demurrage or storage charges begin to accrue. See "lay time."

### **Freight**

Goods being moved from one place to another by transportation lines.

### **Freight At Destination**



An expression meaning that freight charges will be paid by the consignee of goods upon their arrival at a specified destination.

### **Freight (Customs) Bonded**

Cargo imported and subject to customs inspections on entry to the United States, which is transported to destination in government-sealed conveyances under surety bond, and then inspected and released by customs authorities at destination in lieu of initial port of entry.

### **Fungible Goods**

Fungible goods are goods of which any unit is from its nature of mercantile usage treated as equivalent of any other unit. Grain, wine, or similar items are examples.

### **Futures**

Contracts for the sale and delivery of commodities at a future time, made with the intention that no commodity be delivered or received immediately.

# **G**

### **General Average**

In marine usage, the equitable and proportionate distribution of a loss through sacrifice or expense incurred intentionally for the safety of all interests involved in a common risk and which loss is less than the total to the ship or cargo. The loss or expense is assessed against the ship and cargo and levied against the owners thereof, or the underwriters, if there are any.

### **Good Title**

A title free from encumbrances such as mortgagees and liens.

### **Government Bill of Lading**

A special form of bill of lading employed for shipments made by the government or by others to the government when its use is authorized.

### **Grain**

Paper or paperboard, as made on modern high-speed machines, has grain, which is roughly comparable to the grain of wood. In the formation of the sheet on the machine, the individual fibers tend to be aligned in machine direction more than in cross-machine direction, thus producing grain in machine direction. This is neither always good nor always bad.

### **Gross Negligence**

The want of even slight care. cf. "due care."

**Gross Register (Tonnage of A Ship)**

A measure of the total enclosed space, or internal capacity, of a ship expressed in measurement tons of 100 cubic feet each. In the United States it is the basis for calculating dry-dock charges.

**Group (Or Blanket) Rate**

Rates covering many related points or a definite section of territory. The blanket system of rate application is very pronounced in cases of long-distance traffic, such as from defined groups to transcontinental and southwestern territories.

# H

**Heated car service**

Warming a car to keep perishable freight from freezing and usually performed by caretakers.

**Heavy-Lift Charge**

A charge by a transportation service for lifting articles of excessive weight. Heavy-lift charges are usually specified in carrier's tariffs.

**Hedge**

Any purchase or sale transaction having as its purpose the elimination of profit or loss arising from price fluctuations: specifically, a purchase or sale entered for the purpose of balancing, a sale or purchase already made, or under contract, in order to offset the effect of price fluctuation.

**Hold**

A below-decks cargo stowage space aboard ship.

**Holder In Due Course**

A person who takes a negotiable instrument under the following conditions: (1) that it is complete and regular on its face; (2) that he becomes the holder of it before it was overdue and without notice that it has been previously dishonored, if such was the fact; (3) that he took it in good faith and for value; (4) that at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it.

**Hundredweight**

In United States measurement and in domestic rail freight, 100lb; in English measurement and in ocean freight parlance a hundredweight, or "cwt," is 112 LB or one-twentieth of a long ton of

2,240 lb. Care should be taken in the use of this phrase to avoid confusion to the exact meaning.



### **Import**

To receive goods from a foreign country.

### **Importer**

A buyer or merchant who imports goods.

### **In Bond**

The storage or transport of goods in the custody of a warehouse or carrier from whom the goods can be taken only upon payment of taxes or duties, to a governmental agency.

### **Independent Contractor**

The following elements are essential to establish the relation of independent contractor in contradistinction to principal and agent. An independent contractor must: (1) exercise his independent judgment as to the means used to accomplish the result; (2) be free from control or orders from any other person (3) be responsible only under his contract for the result obtained.

### **Indorsement**

Writing one's name upon paper for the purpose of transferring the title. When a payee, of a negotiable instrument writes his name on the back of the instrument, such writing is an indorsement.

### **Installment Payments**

A schedule of payment arranged in connection with a purchase transaction requiring periodic payment of a specific sum for each of a stated number of payments. The first payment is usually at the time of delivery of the purchase or soon thereafter. Installment payment terms may be either on an open-account basis or on a secured-account basis. Secured installment accounts are usually evidenced by a mortgage or a series of promissory notes or time drafts

### **Insurance**

By an insurance contract, one party, for an agreed premium, binds himself to another, called the insured, to pay to the insured a sum of money conditioned upon the loss or damage to the property of the insured.

### **In-Transit Privileges**

Changes in degree of manufacture, treatment, and other accessorial services provided for in tariffs on commodities between points of origin and destination.

### **Inventory**

(1)The amount of property on hand at any given time: (2) an itemized listing of amounts of property indicated as on hand at a particular time. A "physical inventory" is one determined by actual physical count of the items. A "book inventory" is one determined from records maintained in connection with day-to-day business

**Invitation for bids** A request, verbal or written, which is made to prospective suppliers for their quotation on goods or services desired by the prospective purchaser.

### **Invoice**

A document showing the character, quantity, price, terms, nature of delivery, and other particulars of goods sold or of services rendered: a bill.

## **J**

### **Jacket**

A covering of wood or fiber, placed around containers, such as bottles and cans, for protection.

### **Jobber**

A middleman or dealer who purchased goods or commodities from manufacturers or importers and sells them to retailers. Also called dealer or wholesale merchant.

### **Joint Adventurer**

Sometimes "joint venture." When two persons enter a single enterprise for their mutual benefit without the intention of continuous pursuit, they have entered a joint adventure. They are essentially partners.

### **Joint Rate**

A joint rate is one agreed upon by two or more carriers and applies between a point on the line of one and a point of the line of another. Such a rate may include one or more intermediate carriers in its route.

### **Junction Point**

A point at which two or more carriers interchange freight. This term is also applied to a point where a branch-line railroad track connects with the mainline track.

# K

## **K.D. (Knocked Down)**

An abbreviation meaning that the article described is supplied unassembled. When an article is shipped "k.d.," it must be reduced in size by one- third or as specified in the carriers' tariff, to secure the applicable freight rate.

## **Kraft**

The term "kraft" is synonymous with sulfate and refers to the paper-pulping process. It is made from virgin pulp, coming directly from wood.

# L

## **Labels**

Under Interstate Commerce Commission regulations certain classes of items require specified warning labels affixed to the goods being shipped. The requirements for labeling are stated in ICC regulations. Sec.73.400 to Sec. 73.414. Generally, a "red label" is for flammable liquids and gases; a "yellow label" for flammable solids and oxidizing materials; a "white label" for acids, caustics, and corrosive liquids; a "green label" for compressed gases (other than flammable or tear gas). Labeling is also required for poisons, fireworks, tear gas, explosives, and radioactive materials.

## **Lading**

That which constitutes a load, as the freight in a vessel or car

## **Landed Price**

A price which includes the cost of the goods, transportation, and other costs incident to ultimate delivery to the location specified by the purchaser.

## **Landing Certificate**

A document requiring the oath of the foreign consignee, taken before an American consul or merchant or "two respectable foreign merchants," that goods described have been delivered to him.

## **Lay Time**

The period of time in which a ship is to be loaded or unloaded and for which time no demurrage is charged.

**Lead Time**

The period of time from date of ordering to the date of delivery which the buyer must reasonably allow the vendor to prepare goods for shipment.

**Lease**

A contract conveying from one person (lessee) to another (lessor) real estate or personal property for a term in return for a specified rent or other compensation.

**Leased Car**

A car rented by its shipper or a carrier for a through movement.

**Legal tender**

Currency or coin which a government has declared shall be received of payment of duties or debts.

**Legal Weight**

A foreign term denoting the weight of a shipment not including the container.

Less-than-carloads Abbreviation: l.c.l. A quantity of freight which is less than the amount necessary to constitute a carload.

**Less-Than-Carload Rate**

A rate applicable to less than a carload shipment.

**Less-Than-Truckload**

Abbreviation: l.t.l. A quantity of freight which is less than the amount necessary to constitute a truckload.

**Less-Than-Truckload Rate**

A rate applicable to less than a truckload shipment.

**Letter Of Credit**

A letter containing a request that the party to whom it is addressed pay the bearer or person named therein money, sell him commodities on credit, or give him something of value, with the intention that the addressee later seek payment from the writer of the letter. It is used by a buyer to secure goods without the necessity of having cash in hand.

**Letter of intent**

A preliminary contractual arrangement customarily used in situations where the items, quantities, price, and delivery dates are known, but where the principal contract provisions require additional time-consuming negotiations. It is used to enter into interim agreement, pending a definitive contract, to permit the start of construction, production, or delivery of the supplies or materials.

**License**

A certificate granting permission to do a specific act or acts. An export license is granted by a government to ship goods out of the country; an import license is granted to permit goods to be received into the country.

**Lien**

A right one person, usually a creditor, must keep possession of or control the property of another for the purpose of satisfying a debt.

**LIFO**

Last in, first out: referring to accounting, handling, and pricing, of materials held in inventories.

**Lighter**

A flat-bottomed boat, usually moved by tugs, and employed for transferring freight between cars, piers, and vessels.

**Lighterage**

The charge for loading, unloading, or transferring freight by means of lighters or barges.

**Line Haul**

The movement or act of carriage over the tracks of a carrier from one city to another, not including the switching service.

**Liquidated Damages**

A sum agreed upon between the parties to a contract, to be paid as ascertained damages by that party who breaches the contract.

**Loading And Unloading**

In domestic shipping, a service usually performed by the consignor and consignee in carload lots and by the carrier in less-than-carload quantities.

**L.S.**

The letters are an abbreviation for the Latin phrase locus sigilli, meaning "place of the seal." cf. "seal."

**Lump Sum**

The price agreed upon between vendor and purchaser for a group of items without breakdown of individual values, a lot price.

# M

## **Machine Tools**

An important class of production tools basic to many manufacturing industries: nonportable power- driven, precision metal-working machines which remove metal in the form of chips by cutting or grinding, such as lathes, drill presses, boring, mills, planers, milling machines, shapers, and grinders.

## **Manifest**

See "cargo (manifest)."

## **Manufacturer**

One who (1) controls the design and production of an item, or (2) produces an item from crude or fabricated materials, or (3) assembles materials or components, with or without modification, into more complex items.

## **Marked capacity**

The stenciled or marked weight on a car denoting its carrying capacity.

## **Marketable title**

A title of such character that no apprehension as to its validity would occur to the mind of a reasonable and intelligent person.

## **Measurement Goods (Cargo)**

Merchandise on which freight is assessed based on measurement.

## **Measurement ton**

In marine usage, a term meaning 40 cu ft

## **Mechanic's Lien**

A mechanic's lien is created by statute to secure laborers for their wages. Such lien has for its purpose to subject the land of an owner to a lien for material and labor expended in the construction of buildings, which buildings having been placed on the land become a part thereof by the law of accession.

## **Minimum Carload Weight**

The least weight at which a shipment is handled at a carload weight.

## **Minimum Truckload Weight**

The least weight at which a shipment is handled at a truckload weight.



**Mock-Up**

A model, usually full size and constructed of expensive material, made for the purpose of studying the construction and use of an article or mechanical device.

**Mortgage**

A lien on land, buildings, machinery, equipment, or other fixed or movable property given by a buyer to the seller as security for payment of the purchase price or given to the lender by the borrower as security for a loan. A real estate mortgage applies to lands and buildings. A chattel mortgage applies to all other types of property.

**Mullen Test**

A test to the pressure required to puncture a paper sample under specific conditions, as indicated on a piece of testing equipment known as a Mullen tester. The Mullen test is a requirement in connection with various shipping regulations.

**Mutual Assent**

In every contract each party must agree to the same thing. Each must know what the other intends: they must mutually assent to agree.

# N

**National Security Clause**

Stipulations made in instruments which accomplish the sale or lease of certain government property; they specify conditions and restrictions and other rights which the government reserves to itself in that transaction in order to guarantee that the property will be available for national defense purposes when the Secretary of Defense deems necessary.

**Negligence**

The failure to do what which an ordinary, reasonable, prudent man would do, or the doing of some act which an ordinary prudent man would not do. Reference must always be made to the situation, the circumstances, and the knowledge of the parties.

**Nested**

The packing of items for storage or shipment one within another to reduce bulk and facilitate handling.

**Net Register (Tonnage of A Ship)**

A measure of earning power of a ship in terms of pay-load capacity. Its gross register tonnage less space needed for engines and other operating equipment, fuel, crew accommodation, operating supplies, and the like. Net register tonnage is used as a basis for charges for harbor dues, canal tolls, and similar tariffs. cf. gross register.

### **Net Terms**

See "discount."

### **Net Weight**

The weight of an article exclusive of the weights of all packing materials and containers.

**N.O.I.B.N. (Not Otherwise Indexed by Name)** An abbreviation indicating an article not specifically included in the

list of items named under a general class in the consolidated freight classification.

**N.O.S. (Not Otherwise Specified)** An abbreviation indicating an article within a general class in the consolidated freight classification but not completely identified.

### **Notary**

A public officer authorized to administer oaths by way of affidavits and depositions: also, to attest deeds and other formal papers in order that such papers may be used in evidence and qualified for recording.

## **O**

### **Octane number**

An index of the relative ignition quality of liquid motor fuel. cf. "cetane number."

### **Open Account Purchase**

A purchase made by a buyer who has established credit with the seller. Payment terms are usually stated to require payment of invoice on or before a specific date or dates: also, to require payment of invoice in full, or less a certain percentage for prompt payment. Such terms are agreed upon between buyer and seller at time of placing order, or before.

### **Open And Prepay Stations**

An official list of freight stations in the United States with information as to whether goods may be consigned collect or whether charges must be prepaid.

### **Open Insurance Policy**

A form of insurance covering shipments for a specified time or a stated value and not limited to a single shipment.

### **Open-To-Buy**

A term used in retailing to designate the value or quantity of goods beyond which a buyer may not purchase: the value or quantity remaining to be purchased against a specific appropriation or requisition.

### **Original Equipment Manufacturer (O.E.M)**

A classification as signed by a seller to a purchaser who acquires goods for incorporation into a product which he manufactures for sale. usually without changing the item which he acquires.

### **Over, Short, And Damage Report**

A report submitted by a freight agent showing discrepancies in billing received and freight on hand. For example, if he has freight not covered by billing, he is "over," if less freight than the amount billed, he is "short," and if freight is received in bad condition, he reports "damage." Abbreviation: O.S. &D. report.

# **P**

### **Package car**

A car containing less-than-carload shipments destined for one or more distant points.

### **Packaging**

The use of wrappings, cushioning materials, containers, markings, and related techniques to protect items from deterioration, to prevent loss or damage to facilitate handling and to identify the item packaged. Packaging does not include that additional processing which may be required to prepare the packaged item for shipment.

### **Packing**

The preparation of an item for shipment or storage, includes requiring bracing, cushioning, wrapping, strapping, placement in shipping container, and marking.

### **Packing list**

A document which itemizes in detail the contents of a particular package or shipment.

### **Pallet**

A portable platform upon which goods are placed in unit loads to facilitate stacking and handling by mechanical equipment such as fork-lift trucks. cf. "skid."

**Palletainer**

A collapsible container designed for transporting and stacking, with its contents, by means of a fork-lift truck. The container's sides and ends fold down to the deck for space savings of empty units.

**Palletizing**

The loading of supplies and equipment on a pallet.

**Particular Average**

In marine insurance, particular average refers to partial loss on an individual shipment from one of the perils insured against, irrespective of the balance of the cargo, and thus differs from "general average." Such insurance can usually be obtained but the loss must be in excess of a certain percentage of the insured value of the shipment, usually 3 to 5 percent, before a claim will be allowed by the company.

**Partnership**

An agreement under which two or more persons agree to carry on a business for profit.

**Par value (at par)**

The face or nominal value of a commercial paper.

**Patent**

A grant made by the Register of Patents of the United States under the authority of Federal legislation to an inventor, which gives the patentee the exclusive right to make, use, and sell the patented article. The word "patent" is also used to name the original grant of title to public lands. Such patent is a government deed of public lands the first guarantee.

**Peddler Car**

A car handled by carriers for less-than-car-load shipments from only one consignor over a specified route, the shipments being delivered at points along the route direct from the car to the various consignees.

**Per diem**

(Latin) "By the day."

**Permit (Customs)**

A written authority to remove dutiable goods from a bonded warehouse or from a bonded carrier's possession.

**Pilot Model**

A model, usually handmade, used in production planning for production engineering studies. cf. "mock-up."

**Pledge**

The deposit or placing of personal property as security for a debt or other obligation with a person called the pledgee. The pledgee has the implied power to sell the property if the debt is not paid. If the debt is paid, the right to possession returns to the pledgor.

**Point Of Origin**

The station at which a shipment is received, a transportation line from the shipper.

**Policy Of Insurance**

In insurance law, the word policy means the formal document delivered by the insurance company to the insured, which evidences the rights and duties between the parties.

**Port Mark**

In marine shipping, a mark affixed to packages indicating the final destination-not the port of entry, except when such port is the final destination.

**Port Of Entry**

A port at which foreign goods and persons are admitted legally into the receiving country. Ports of entry are officially designated by the government.

**Prepaid**

A term denoting that transportation charges have been or are to be paid at the point of shipment.

**Prepay station**

A station (generally non-agency) to which freight charges must be prepaid.

**Price Maintenance**

The price of an item established by a manufacturer or wholesaler below which he will not sell or permit his product to be sold by others.

**Price Prevailing at Date of Shipment**

An agreement between the purchaser and the vendor that the price of the goods ordered is subject to change at the vendor's discretion between the date the order is placed and the date the vendor makes shipment and that the then-established price is the contract price.

**Price Protection**

An agreement by a vendor with a purchaser to grant the purchaser any reduction in price which the vendor may establish on his goods prior to shipment of the purchaser's order. Price protection is sometimes extended for an additional period beyond the date of shipment.

**Price schedule**

The list of prices applying to varying quantities or kinds of goods.

**Private car**

A car having other than railroad ownership.

**Private Car Line**

A private concern owning its own rolling equipment, or leasing cars to or from railroads and operating them as private cars.

**Private Carrier**

A transportation line not engaged in business as a general public employment.

**Production Center**

A unit of production, usually a processing machine or production line-up, against which certain charges are pro-rated.

**Proforma invoice**

An invoice prepared by a vendor in advance of a sale to show the form and amount of the invoice which will be rendered to the purchaser if the sale is consummated. Proforma invoices are often used in export transactions to support the purchaser's request to governmental authorities for import permits and foreign exchange.

**Progress Payments**

Payments arranged in connection with purchase transactions requiring periodic payments in advance of delivery for certain stated amounts or for certain percentages of the purchase price. The whole of the purchase price may be due in advance of delivery or partially in advance and partially after delivery. Progress payments are usually required in contracts for building construction and often for specially designed plant machinery and equipment. Purchases calling for progress payments may be either on open account or be secured, usually by a contract between the buyer and seller.

**Prohibited Articles**

Articles which will not be handled, as listed in carrier's tariffs.

**Promissory Note**

An unconditional written promise, signed by the maker, to pay a certain sum of money, on demand or at a fixed or determinable future date, either to the bearer or to the order of a designated person.

**Pro-Number**

In freight offices, records of shipments are kept, and agents' numbers are placed on freight bills with the prefix pro- (derived from the word "progressive"), so that a specific consignment may be referred to instantly.

**Proprietary Article**

An item made and marketed by a person or persons having the exclusive right to manufacture and sell it.

**Purchase**

To procure property or services for a price; includes obtaining by barter.

**Purchase change order**

See "change order."

**Purchase order**

The purchaser's document used to formalize a purchase transaction with a vendor. A purchase order, when given to a vendor, should contain statements as to the quantity, description, and price of the goods or services ordered; agreed terms as to payment, discounts, date of performance, transportation terms, and all other agreements pertinent to the purchase and its execution by the vendor.

**Purchase requisition**

A form used to request the purchasing department to procure goods or services from vendors. cf. "traveling purchase requisition."

# Q

**Quotation**

A statement of price, terms of sale, and description of goods or services offered by a vendor to a prospective purchaser: a bid. When given in response to an inquiry is usually considered an offer to sell. Also, the stating of the current price of a commodity; the price so stated.

# R

**Rate**

As applied to transportation or the movement and handling of goods and persons, the cost of, or charge for, service to be or which has been rendered.

**Rebate**

A sum of money returned by the vendor to a purchaser in consideration of the purchase of a stipulated quantity or value of goods, usually within a stated period.

**Rebidding**

Issuing a new waybill at junction point to which shipment has been billed by connecting line.

### **Receiver (In Bankruptcy)**

A person appointed by the courts in an action in bankruptcy who takes charge of the bankrupt's assets for the benefit of the creditors of the bankrupt.

### **Receiver (Of Freight)**

One to whom a shipment is consigned: the consignee.

### **Receiving Report**

A form used by the receiving function of a company to inform others of the receipt of goods purchased. Usually, copies are distributed to the purchasing and accounting departments and the storeroom.

### **Reconsignment**

A privilege extended to shippers whereby goods may be forwarded to a point other than the original destination without removal from car and at the through rate from the initial point to that of final delivery. This privilege exists only under the permission granted in a carrier's tariffs and must only be exercised in accordance with the rules and conditions therein.

### **Reefer**

A colloquialism meaning refrigerator. A motor vehicle, railroad freight car, ship, airplane, or other conveyance, especially constructed and insulated to protect its cargo from heat and cold.

### **Refused Shipment**

Freight which the consignee refuses to accept.

### **Reinsurance**

A contract of reinsurance is one where one insurance company agrees to indemnify another insurance company in whole or in part against risks which the first company has assumed. The original contract of insurance and the reinsurance contract are distinct contracts. There is no privity between the original insured and the reinsurer.

### **Released Rate**

A released rate is one based upon the value of an article (or articles) to which it applies, and directly conditioned upon the assumption of part or all the risk of transportation by the consignor.

### **Released (Valuation)**

A condition whereby the carrier's liability is limited.

### **Restricted Articles**

Goods which are handled only under certain conditions, as listed in the carrier's tariff.

### **Retailer**



A purchaser who acquires goods for resale to an ultimate consumer.

**Retention**

The practice of withholding a portion of the sum due a vendor until the purchase has been finally accepted as fully meeting specifications. The amount or percentage withheld is agreed upon the parties at the time of purchase as is the period of retention. Retention is commonly agreed upon in the purchase of building construction, and occasionally in purchase of equipment which must be "proved out" after delivery.

**Royalty**

Compensation for the use of land, equipment, or process payable to the owner, vendor, or lessor. Royalty payments are usually calculated as a per cent of income derived by the user from the property or process, as a stated sum per unit produced therefrom. or a stated sum per period such as a month or a year.

# S

**Sales tax**

A tax imposed specifically on a sale made by a vendor.

**Salvage**

(1)Property that has some value in addition to its value as scrap, but which is no longer useful as a unit in its present condition and whose restoration to usefulness as a unit is economically not practicable. (2) The act of saving or recovering condemned, discarded, or abandoned property in order to obtain useful parts and scrap therefrom.

**Same as**

A term meaning that the classified ratings for such articles are identical.

**Sample**

A small portion of merchandise taken as a specimen of quality.

**Scrap**

Material that has no value except for its basic material content.

**Seal**

A seal is to show that an instrument was executed in a formal manner. At early common law sealing legal documents was of great legal significance. A promise under seal was binding by virtue of the seal. Today under most statutes any stamp, wafer, mark, scroll, or impression

made, adopted, and affixed is adequate. The printed word seal or "I.s." is sufficient. See also 'car seal'

### **Seal Record**

A record of the number, condition, and marks of identification of car seals made at various times and places in connection with movement of car between points of origin and destination.

### **Seasonal Rate**

A rate instituted for specified articles or commodities and effective only certain periods of the year.

### **Secured Account**

An account on which liability is evidenced by a negotiable instrument signed by the purchaser at the time of purchase transaction is arranged or at the time of delivery. The usual types of instruments are draft, letter of credit, mortgage, promissory note, bill of exchange, or trade acceptance.

### **Seller's Lien**

The right of a seller to retain possession of goods until the price is paid. Such right does not exist where goods are sold on credit.

### **Seller's Market**

A seller's market is considered to exist when goods cannot easily be secured and when the economic forces of business tend to cause goods to be priced at the vendor's estimate of value.

### **Seller's Option**

The right of a seller to require the buyer to purchase merchandise or other property at an agreed price and within given period of time.

### **Shipper's Load And Count**

A term denoting that the contents of a conveyance were loaded and counted by the shipper and not checked or verified by the transportation agency.

### **Shipping Release**

A form used by the purchaser to specify shipping instructions of goods purchased for delivery at an unstated future date or to an undisclosed destination. Also used to specify quantities be shipped when the purchase was for an unspecified quantity or when delivery is to be made in partial lots at the purchaser's discretion.

### **Ship's Tackle**

The rigging, blocks, and other paraphernalia used on a ship for hoisting freight.

### **Short Sale**

The sale of a commodity for future delivery which the seller does not possess but intends to purchase prior to the required delivery date, expecting that the market price will be no higher or will decline during the intervening period.

**Sight Entry** A procedure that must be put through to release goods from customs, occasioned using incorrect invoice form, and particularly applicable to traffic into Canada.

### **Skid**

A wood or metal platform fitted with two sled-type runners, or with legs, upon which material is placed and transported. It differs from a pallet in that its construction does not permit stacking of loaded skids one atop another. cf. "pallet."

### **Sling**

A net of rope, chain, or other device into which goods are placed to be hoisted into and out of a ship or other conveyance.

### **Specification**

A clear complete and accurate statement of the technical requirements descriptive of a material, and item, or a service and the procedure to be followed to determine if the requirements are met. Federal: A specification established in accordance with procedures prescribed in the Federal Specifications Board and approved for use by all government activities.

### **Spotting**

The act of placing, a car, truck, or trailer to be loaded or unloaded.

### **Statement Of Account**

A detailed listing usually prepared by the vendor of transactions between vendor and purchaser for a stated period, usually a month, concluding with the open or unpaid balance.

### **Station Order Car**

A car loaded by a shipper with several less-than-carload shipments in designation order for different points along the same route. Unlike the trap car or ferry car this car is placed into a train without its contents being rehandled at the carrier's terminal at point of shipment. cf. "trap car," "peddler car."

### **Stevedore**

One who has charge of the work of loading or unloading a vessel. The stevedore is not one of the vessel's officers or crew.

### **Stock**

A supply of goods maintained on hand at the storage points in a supply system to meet demands that it is anticipated will be made.

### **Stopover**

Many carriers allow a "stopover" privilege on carload freight shipments at stations between points of origin and final destination, for the purpose of finishing loading or partly unloading or of taking advantage of transit or other privileges permitted in accordance with tariff rules and regulations.

### **Stopping in transit**

The holding of a shipment by the carrier on order of the owner after the transportation movement has started and before it is completed.

### **Storage**

(1) The act of storing, or state of being stored. in a designated storage place for safekeeping. (2) Space or a place for the safekeeping of goods.

### **Storage In Transit**

The stopping of freight traffic at a point located between the point of origin and destination to be stored and re-forwarded at a later date.

### **Store-Door Delivery**

The movement of goods to the consignee's place of business.

### **Stow**

To arrange in a compact mass: as to stow cargo in hold of a ship. Stowing is the detailed technique placing goods in storage.

### **Strapping**

A technique of reinforce containers by which metal straps bands, or wires are placed around them in intervals, drawn taut, and fastened in place.

### **S. U.**

Setup. Any abbreviation meaning that the article described or supplied fully assembled.

### **Subcontractor**

A party who contracts with a prime contractor to perform all or any part of the prime contractor's obligations in a particular prime contract.

### **Subrogation**

The substitution of one person in another's place whether as a creditor or as the possessor of any lawful rights, remedies so that the substituted person may succeed to the rights, remedies, or proceeds of the claim.

### **Surrender**

The abandonment of leased premises by a tenant. If a landlord accepts the abandonment as a termination of the lease, a surrender has occurred.

### **Switching charge**

The charge made for moving freight cars within the switching limits of a station.

# T

## **Tally**

To count, the process of counting the pieces of an incoming or outgoing consignment and recording the data obtained by visual inspection, such as number of pieces, weight, commodity, and the like. Also, the number of pieces determined by counting

## **Tariff (Freight)**

A schedule containing matter relative to transportation movements, rates, rules, and regulations. An alternative tariff is one containing two or more rates from and to the same points, on the same goods, with authority to use the one which produces the lowest charge. A commodity tariff is one containing only commodity rates. A class tariff is one containing rates applicable to classifications of goods as established by the carriers. See also "customs tariff."

## **Team Track**

A track on which cars are placed for the use of the public in loading or unloading freight.

## **Terms of Payment**

All purchase transactions require payment for the goods or services received and, excepting an unusual exchange or barter deal, payment is made in negotiable funds in accordance with the terms agreed between buyer and seller. There are three basic payment terms: cash, open account. and secured account.

## **Through Package Car**

A through package or "merchandise car" is one loaded with less-than-carload shipments to break bulk at a given point; in some cases, containing package freight for one station only and in other cases shipments for stations beyond.

## **Through Rate**

A rate applicable from point of origin to destination. A through rate may be either a joint rate or a combination of two or more rates.

## **Total Loss**

Nothing salvageable: destroyed.

## **Tracer**

- (1) A request for an answer to a communication or for advice concerning the status of a subject  
(2) a request upon a transportation line to trace a shipment for the purpose of expediting its movement or establishing delivery.

### **Track Storage**

A charge made on cars held on carrier's tracks for loading or unloading after the expiration of free time allowed. The charge is generally made in addition to demurrage charges.

### **Trade Acceptance**

A non-interest-bearing bill of exchange or draft covering the sale of goods, drawn by the seller on, and accepted by the buyer. Its purpose is to put into negotiable form an open account having a short maturity. To be eligible for discount it must contain the statement that the acceptor's obligation arises out of the purchase of goods from the drawer, and it may be accompanied by a record of the purchase.

**Trade Terms** The broad classification applicable to purchase transactions with reference to understandings between buyer and seller, either as to the meanings of certain abbreviations, words, or phrases or to customs applicable to transactions as established by agreement between the parties or as established by general usage. "Trade terms" includes agreed or arbitrary classifications of buyers and sellers, or their agents, types and methods of discounts, delivery terms, allowances, practices peculiar to an industry etc.

### **Trademark**

No complete definition can be given for a trademark. Generally, it is any sign symbol, mark, work, or arrangement of words in the form of a label adopted and used by a manufacturer or distributor to designate his particular goods, and which no other person has the legal right to use. Originally the design or trademark indicated origin, but today it is used more as an advertising mechanism.

### **Transit charges**

Charges made for services rendered while a shipment is in transit.

### **Transit Privilege**

A tariff provision authorizing a shipper to stop specified commodities at some point between origin and destination for processing or storage and later complete their movement to destination at the through rate.

### **Transship**

A term commonly used to denote the transfer of goods from one steamer or conveyance to another: the rehandling or transshipment of goods in route.

### **Trap Car**

A freight car, also known as a "ferry car" which is placed on a shipper's siding, and in which is loaded several less-than-carload shipments destined for different points. Shipments are distributed at carrier's terminal at point of origin into other cars for forwarding to their respective destinations.

### **Traveling Purchase Requisition**

A purchase requisition designed for repetitive use. After a purchase order has been prepared for the goods requisitioned, the form is returned to the originator who holds it until a repurchase of the goods is required. The name is derived from the repetitive travel between the originating and purchasing departments

### **Truckload**

Abbreviation t.l. (1) A quantity of freight to which truckload rates apply or a shipment tendered as a truckload: (2) a highway truck or trailer loaded to its carrying capacity.

### **Truckload Minimum Weight**

The least weight at which a shipment is handled at a truckload rate.

### **Truckload Rate**

The rate applying to a truckload quantity of freight.

### **Trust receipt**

A document given banks by exporters and importers in exchange for bill of lading.

### **Trustee in bankruptcy**

An agent of the court authorized to liquidate the assets of the bankrupt, protect them, and bring them to the court for final distribution for the benefit of the bankrupt and all the creditors.

# **U**

### **Ultimate Consumer**

A purchaser who acquires and consumes the goods in their entirety or who converts them into another product entirely unlike the goods received, or who secures the goods with no intention of resale.

### **Uniform Express Receipt**

A receipt furnished the shipper for goods entrusted to the express company for transportation.

### **Use Tax**

A tax imposed on the user of goods. Specifically, a use tax is levied on the purchaser of goods acquired outside the jurisdiction of the taxing authority if a sales tax would have been applicable had the goods been purchased within such jurisdiction.

# V

## **Valued policy**

As used in fire insurance, a valued policy is one in which the sum to be paid in case of loss is fixed by the terms of the policy. No reference can be made to the real value of the property that is lost.

## **Vendee**

A purchaser of property. The term is generally applied to the purchaser of real property. The word "buyer" is usually applied to the purchase of personal property

## **Vendor**

One who sells something: a "seller."

## **Vendor's lien**

An unpaid seller's right to hold possession of property until he has recovered the purchase price.

## **Visual Inspection**

A term generally used to indicate inspection performed without the aid of test instruments.

## **Voucher**

A written instrument that bears witness or "voucher" for something. Generally, a voucher is an instrument showing services have been performed, or goods purchased, and authorizes payment to be made to the vendor.

# W, X, Y, Z



**Warehouse**

A warehouse in which goods are held under bond to the government subject to payment of customs duties or taxes on the goods.

**Warehouse (Public)**

A place of storage for the use of the general public: usually embracing merchandise and/or household goods, or sometimes limited to certain commodities. In addition to the service of storage many public warehouses are performing the functions of distributing agent and forwarder.

**Warehouse Receipt**

An instrument showing that the signer has in his possession certain described goods for storage, and which obligates the signer, the warehouseman, to deliver the goods to a specified person or to his order or bearer upon the return of the instrument. Consult Uniform Warehouse Receipts Act.

**Warranty**

An undertaking, either expressed or implied, that a certain fact regarding, the subject matter of a contract is presently true or will be true. The word should be distinguished from "guarantee" which means a contract or promise by one person to answer for the performance of another.

**Waybill**

A document prepared by a transportation line at the point of origin of a shipment, showing the point of origin, destination, route, consignor, consignee, description of shipment and amount charged for the transportation service, and forwarded to the carrier's agent at transfer point or destination. An astray waybill is used for freight miscarried or separated from its proper waybill. A blanket waybill is one covering two or more consignments of freight. An interline waybill is one covering the movement of freight over two or more transportation lines.

**Weight, Gross**

The weight of an article together with the weight of its container and the material used for packing.

**Weight, Net**

The actual weight of the contents of a container or of the cargo of a vehicle. It is the total weight less the tare weight.

**Weight, Tare** The weight of an empty container and the other material used for packing its contents. Actual tare is determined when each cask, bag, etc., is weighed; average tare, when one is weighted as a sample; and estimated tare, when a fixed percentage is allowed.

**Wharfage**

A charge against a vessel for lying at a wharf. It is often synonymously with "dockage" and "moorage."

**Wholesaler**

A purchaser who acquires goods for resale to a retailer or a jobber.

**Without Engagement**

A phrase incorporated in a quotation and used to avoid having to accept an order at the price quoted. A safeguard against price fluctuating in the interval between the giving of the quotation and the order being placed.

**W/O**

An abbreviation meaning (1) without or (2) with order, as cash w/o.

**Zones (express)**

Portions of the country employed in rate making in connection with express traffic rates.

**Zones (Parcel Post)** The United States and its possessions are divided into eight zones for the application of parcel-post charges, the rate from a point to any of the points located in one of the zones being the same.

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