

PURCHASING STANDARD OPERATING PROCEDURES (EXTERNAL)		NO: PX-101
Title: General Procurement Process for School District Purchasing		Approved:
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1. **PURPOSE**

To provide a basic overview of the process for the procurement of goods and services. These are the basic steps in the procurement process; depending on the complexity of the purchase or the specific policies, there may be additional steps involved.

2. **SCOPE**

This policy applies to all purchases made by the Fairbanks North Star Borough School District, which operates under a "Centralized" purchasing methodology. "Centralized" Purchasing, Shipping, and Receiving helps to reduce risk by maintaining (standards), and it promotes consistency through transparency, and accountability. Under no circumstances should an employee of the School District make a commitment of School District funds without prior authorization.

3. **GENERAL**

The procurement process is how the School District acquires goods and services; typically, the process involves the following steps:

- a) **Identifying the Need:** It all starts when a department or employee recognizes a need for a good or service. This could be anything from office supplies to new equipment or raw materials for production.
- b) **Research:** With the help of the Purchasing Department, the department or school should perform market research to understand their options and costs associated with procuring the goods or services from an outside source. Vendors (suppliers) may be approached to provide budgetary quotes, and product information, to aid in the identification of goods and services that will likely meet the District's needs, and to identify Vendor's who are in a position for providing the goods or services.
- c) **Purchase Requisition:** Once the need is identified, the request to purchase is submitted to the head of the Department or School for consideration; this is often called a purchase Requisition. This document details the specific requirements, specifications, quantities, and budget for the needed item.

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- d) **Preliminary Approval Process:** The Requisition goes through an approval process to determine the appropriate procurement method, and to ensure the purchase aligns with budgets and spending guidelines. Depending on the total cost, funding source, and the purchase specifications, different levels of management may need to sign off.
- e) **Soliciting Suppliers:** When the requisition is approved by the school/management team, the procurement team solicits pricing and solutions from potential vendors who can supply the good or service. Depending on competition requirements, this may involve requesting quotes or proposals from multiple vendors, such as issuing an Invitation to Bid (IFB), Request for Quotation (RFQ), or Request for Proposals (RFP).

Vendors who are desiring to do business with the School District should be provided with the District’s standard terms and conditions as they apply to goods and purchased services, which may include certain terms specific to School District business, including, but not limited to, licensing, insurance, and warranty requirements. These costs, often referred to as the “cost of doing business” must always be considered when arriving at the agreed upon price.

- f) **Vendor Selection:** Based on factors like price, quality, reliability, and past performance, the procurement team evaluates the proposals and selects the vendor that offers the best value to the School District. Certain procurements, including contracts estimated to cost \$200,000 or more, may also require School Board approval.
- g) **Payment methods:** Payments made by the School District are typically issued in the form of a check or purchase card (pCard) transaction. Requisitions which are later converted to Purchase Orders are typically paid by check through the District’s Accounts Payable department. Often, small purchases for goods may be completed with a pCard, although there are some restrictions which are outlined in the pCard Manual and Code of Conduct; typical restrictions include, but are not limited to, services, technology, musical instruments, radios, and items requiring competition.
- h) **Contract Negotiation:** Once a vendor is chosen, the procurement team negotiates the final terms of the agreement, including price, scope of work, delivery timelines, payment terms, insurance requirements, and warranties. This is often formalized in the form of a contract.

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- i) **Purchase Order Authorization:** For purchases requiring a Purchase Order, the Procurement Official will perform a final review of the Requisition and related documentation, and will generate the authorized Purchase Order document. The Purchase Order document should detail exactly what is being purchased, at what price, and the expected delivery date. The Procurement Official will also execute the related contract agreements before submitting the PO and executed contracts to the Vendor on behalf of the District.
- j) **Order Management:** After the contract is finalized, and the Purchase Order is issued to the Vendor/Contractor, the Requisitioner (the “end user”, who is usually designated as the Contract Administrator), is then responsible for assuring procurement is meeting their expectations; they should seek additional support from the Purchasing Department as needed.
- k) **Receiving & Invoice Approval:** Once the goods or services are received, they are inspected to ensure they meet the agreed-upon specifications. If everything is in order, the vendor's invoice is reviewed and approved for payment. Payments by check are facilitated by the District's Accounts Payable department, and are typically issued within (30) days of receipt of the invoice.
- l) **Record Keeping:** Throughout the process, meticulous records are kept of all transactions, quotes, contracts, invoices, and receipts. This ensures transparency and simplifies future audits. As a matter of public record, any member of the public may request copies of purchase records.

Common Purchasing Terms and Definitions

- Actual expense = Expense resulting from PO or P-card purchase.
- Agent = Person authorized to create an encumbrance/liability on behalf of the District.
- Allocate = Assigning an account number to the expense.
- Approval Workflow = The approval system built into the District's financial software which allow for procurement approval by “Step”; (Dept. Head, Grants, Travel, Technology, Budget, Purchasing)
- Asset = For tracking purposes, items with Unit price => \$500, items or devices that may be “checked out” to students or staff, items that require Periodic Maintenance.
- Authority = Signature by Superintendent, COO, or authorized Purchasing Agent
- Authorized Agents - Superintendent, COO, or authorized Purchasing Agent
- Backup = (ie. Quotes, Bid, Agreement, Invoice, Item specifications, Brand/Only cert, Sole Source, Account/Funding source, or other order documentation)

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- Buyer = Authorized Agent of the District (Purchasing Dept.)
- Central Stores = “Stock” Items, on-hand at Central Receiving Warehouse
- Commodity (“General Commodity”) = Type of good or service
- Consideration = A benefit each party receives as part of the contract agreement
- Contract = Outline of understanding and agreement; often includes purchase commitment, consideration, and liability terms.
- Encumbrance = “Commitment to purchase”. A Purchase Order (“PO”) is a form of payment that creates an encumbrance; the funds are held, to be paid upon receipt of the goods/service, and invoice.
- Fiscal Year “Current Year” = Budget appropriated for spending July 1st - June 30th.
- Freight terms:
 - “FREE” shipping = Freight cost is included in unit price
 - FOB-Destination = Freight cost is included in the unit price; Vendor is responsible until order is received.
 - FOB-Origin = District is responsible for freight; Vendor will “pre-pay and add” the freight to the invoice.
- General Fund; funds allocated through Federal/State/Local dollars
- Hard Dollars = General Fund
- Inventory Item = Standardized Item; either “stock”, or “non-stock”
- Invoice “Bill” = Notice from Vendor requesting payment, or “Statement” notice of balance due.
- Liquidate = No longer encumbered; either spent (actual expense), or returned to available budget.
- Outsourced services = Services that cannot be performed by District staff/employees.
- Payment = Check voucher, or p-card transaction.
- Pick Ticket = List of Items to be “picked” off the shelf at Central Stores.
- Purchase Order “PO” = Commitment to Purchase
- Purchasing Official = Authorized Agent of the district (Purchasing Dept.)
- Receive = Proof of delivery; needed to pay PO (“Ok to pay” invoice).
- Requisition, “PO Requisition” = Request to process PO (Approval from Dept. Heads, budget, purchasing).
- Risk = Exposure to liability.
- Salvage = Unserviceable and cannot be economically repaired; broken/damaged but may have parts/pieces that can be salvaged or recycled for other School District use. (Usually a term reserved for technology)
- Service = Any work, labor, action, time/effort to fulfill a public need; a transaction in which no physical goods are transferred. When contracting for a service, even when the price is \$0, the expectation is that the risk associated with the services is transferred to the service provider.
- Software = A resource that incorporates the benefit of computerization/computation.
- Standardization “standards” = Specific item and service specifications that have been determined meet School District standard requirements (ie. furniture, janitorial, medical, curriculum supplies).
- Surplus = Items owned by the School District that are no longer needed by the original user; can be re-allocated for other school district use.
- Vendor = An Individual, Business, Corporation, Contractor, Seller, or Offeror who provides outsourced goods or services.