

Windham School District

School Administrative Unit #95

Winfried Feneberg
Superintendent

Adam Steel
Director of Business, Finance, and Operations

Kori Alice Becht
Director of Curriculum, Instruction, and Assessment

Rosalyn Moriarty
Director of Student Services

Carol St. Pierre
Director of Human Resources

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To: Winfried Feneberg, Superintendent

From: Adam Steel

RE: Purchasing Policy

Friday, March 21, 2014

Dear Winfried,

Executive Summary

Purchasing procedures need to be examined and altered to provide more transparency for District operations to stakeholders. It should be noted that the District has received clean annual audits over the past few years and that there have been no finding relative to the District's purchasing procedures.

Approximately 1/3 of the District's budget is expended via purchase orders. Roughly 2% of the District's budget is spent via single source (aka open market) purchasing methods where limited options exist.

It is recommended that a new purchasing procedure be implemented that requires notification to the Board at specific purchasing levels and authorization by the Board whenever a bid or RFP process is used in excess of \$25,000.

Further, I recommend changes to three purchasing policies to better align with how the District's purchasing procedure works and what is in the best interest of the District.

Background

Of the roughly \$44,000,000 spent or encumbered by the District so far this fiscal year, \$14.4 million is expended through purchase orders with the balance expended through payroll and benefits.

Of the \$14.4 million spent via PO's this year, the following table breaks down expenditures by the number of PO's at each spending level:

| Range Start | Range End | Number of PO's | % of Total | Total Amount | % of Total |
|--------------|-------------|----------------|----------------|------------------------|----------------|
| \$0 | \$1,000 | 2128 | 70.60% | \$601,477.23 | 4.20% |
| \$1,000 | \$5,000 | 633 | 21.00% | \$1,402,785.50 | 9.79% |
| \$5,000 | \$10,000 | 108 | 3.58% | \$786,781.01 | 5.49% |
| \$10,000 | \$25,000 | 85 | 2.82% | \$1,265,317.00 | 8.83% |
| \$25,000 | \$50,000 | 25 | 0.83% | \$945,073.05 | 6.60% |
| \$50,000 | \$5,000,000 | 35 | 1.16% | \$9,322,878.02 | 65.08% |
| Total | | 3014 | 100.00% | \$14,324,311.81 | 100.00% |

Procurement Methods

The District makes use of the following procurement methods to purchase goods and services:

1. Request for Proposal: Typically used for long term purchases, this process is used where the qualification of the vendor to provide the services required is not totally dependent on cost of the service provided and where the District wants maximum leverage to pick the best vendor to suit the District's needs as determined by the District.
2. Quotes: This method is used to purchase goods or limited services where the quality of the goods or services provided can usually be maintained across different vendors. Examples of items that would be procured via quotes would be unique school supplies, plumbing repairs, electrical supplies, or computer equipment.
3. Bid: Bids are used when the goods or services provided by the selected vendor can be guaranteed to be identical across different vendors. Lowest cost is typically the sole deciding factor when using a bid as a procurement method. Examples of items procured via bids would be sheets of drywall, fuel oil, copy machines, etc.
4. Single Source: Items purchased via single source are purchased where the District is limited to a single vendor either by a lack of an alternative vendor in the marketplace, an exigent circumstance, special education based requirements, or other specific circumstances.

Breakdown of Procurement Method Used

For the purchase order's over \$10,000, I broke down each purchase order by the procurement method used to generate the PO. The table below breaks down those purchases:

| Range Start | Range End | Bond | RFP | Quotes | Bid | Single Source | Total |
|--------------|-------------|--------------------|--------------------|------------------|--------------------|--------------------|---------------------|
| \$10,000 | \$25,000 | \$0 | \$56,326 | \$176,838 | \$154,706 | \$877,446 | \$1,265,317 |
| \$25,000 | \$50,000 | \$0 | \$37,940 | \$96,570 | \$158,928 | \$651,635 | \$945,073 |
| \$50,000 | \$5,000,000 | \$3,982,288 | \$2,375,751 | \$63,881 | \$1,649,842 | \$1,251,116 | \$9,322,878 |
| Total | | \$3,982,288 | \$2,470,017 | \$337,290 | \$1,963,476 | \$2,780,197 | \$11,533,268 |

Breakdown of Single Source Items Purchased

Of the items that were single sourced, the table below breaks down the rationale used to justify the use of a single source contract:

| <u>Rationale</u> | <u>Amount</u> |
|-------------------------|-----------------------|
| SPED | \$1,249,425.71 |
| Limited Options | \$477,863.42 |
| Technology | \$207,646.72 |
| Professional Services | \$195,866.67 |
| Lease Payment | \$174,568.00 |
| No Options | \$144,225.30 |
| Textbooks | \$122,928.24 |
| Utility | \$79,891.97 |
| Thru RFP Based Contract | \$69,000.00 |
| Exigent Circumstances | \$33,780.88 |
| Real Estate Lease | \$25,000.00 |
| Total | \$2,780,196.91 |

Detailed Records of All Purchases over \$25,000

Each purchase order over \$25,000 is listed below along with its procurement method, what item was purchased, and total amount.

| Vendor Name | Item | Amount | Process Used |
|--|--------------------------|----------------|---------------------|
| Citizens Bank | Bond | \$3,499,531.25 | Bond |
| Student Transportation of America | Bus Service | \$1,189,159.20 | RFP |
| Safeway Training & Transportation Servis | Bus Service | \$630,000.00 | RFP |
| Nh Municipal Bond Bank | Bond | \$482,756.25 | Bond |
| Public Service Of Nh | Electricity | \$296,100.00 | Bid |
| Dennis K Burke Inc. | Fuel Oil/Diesel | \$292,850.16 | Bid |
| Boyden'S Landscaping | Landscaping/Snow Removal | \$242,700.00 | RFP |
| Bonnette, Page & Stone | GBS Front Doors | \$178,000.00 | Bid |
| Dennis K Burke Inc. | Fuel Oil/Diesel | \$177,000.00 | Bid |
| Sysco - Boston | Food Service | \$175,000.00 | Bid |
| Carroll School | SPED | \$163,339.20 | Single Source |
| Student Transportation of America | Bus Service | \$149,198.40 | RFP |
| Progressive Roofing, Inc | WCS Roof | \$131,480.00 | Bid |
| Bonnette, Page & Stone | Kindergarten Project | \$114,179.00 | Bid |
| Greater Lawrence Educational Collaborati | SPED | \$104,790.00 | Single Source |
| Primex | Insurance | \$100,352.34 | Single Source |
| Greater Lawrence Educational Collaborati | SPED | \$95,970.00 | Single Source |

| | | | |
|---|-------------------------------|-------------|---------------|
| Principal Life Insurance Company | Insurance | \$94,456.20 | Single Source |
| 2-Way Communications Service | Radio System | \$93,890.99 | RFP |
| Primex | Insurance | \$93,417.00 | Single Source |
| St Ann'S Home | SPED | \$90,155.69 | Single Source |
| May Institute, The | SPED | \$86,882.84 | Single Source |
| Public Service Of Nh | Electricity | \$83,712.06 | Bid |
| Kansas State Bank of Manhattan | GBS Portables | \$77,100.86 | Bid |
| Safeway Training & Transportation Servic | Bus Service | \$70,802.64 | RFP |
| Palmer Gas Co, Inc. | Propane | \$69,200.00 | Bid |
| Boyden'S Landscaping | Landscaping/Snow Removal | \$69,000.00 | Single Source |
| Morris, Julie | SPED | \$67,500.00 | Single Source |
| Sunnytech | Tech Supplies | \$63,881.00 | Quotes |
| Apple Inc. | Laptop Lease | \$59,719.29 | Single Source |
| Apple Computer, Inc. | Laptop Lease | \$57,789.24 | Single Source |
| Apple Inc. | Laptop Lease | \$57,059.47 | Single Source |
| Primex-Unemployment Comp | Insurance | \$55,704.00 | Single Source |
| Conway Office Solutions | Copier Service | \$55,220.24 | Bid |
| Pelham School District | SPED | \$54,980.70 | Single Source |
| Mcgraw-Hill Companies | Textbooks | \$49,789.32 | Single Source |
| Landmark School | SPED | \$49,201.20 | Single Source |
| Landmark School | SPED | \$49,201.20 | Single Source |
| St Ann'S Home | SPED | \$48,744.70 | Single Source |
| St Ann'S Home | SPED | \$48,744.70 | Single Source |
| Great State Beverage | Food Service | \$48,000.00 | Bid |
| HP Hood, LLC | Food Service | \$45,000.00 | Bid |
| Soule, Leslie, Kidder, Sayward & Treasurer, Salem School District | Legal Services | \$44,130.00 | Single Source |
| Treasurer, Salem School District | SPED | \$44,000.00 | Single Source |
| Seacoast Learning Collaborative | SPED | \$42,802.20 | Single Source |
| Access Audio | WHS Speakers | \$40,728.12 | Bid |
| Cdwg | Tech Supplies | \$38,083.89 | Quotes |
| On-Site Insight | Capital Needs Assessment | \$37,940.00 | RFP |
| Merrimack Special Education Collaborativ | SPED | \$34,920.00 | Single Source |
| ENE Security | Video System | \$34,888.00 | Single Source |
| Wediko Children'S Services | SPED | \$33,600.00 | Single Source |
| Comcast Business | Cable/Phone Service | \$32,899.31 | Single Source |
| Spitzer, Ilene B M.D. | SPED | \$30,000.00 | Single Source |
| CPO Science | Science Texts & Equipment | \$29,266.42 | Quotes |
| Noonan Brothers Painting | Summer Painting | \$29,220.00 | Quotes |
| Apple Computer, Inc. | Computer Purchase | \$28,371.00 | Single Source |
| Control Technologies | HVAC Preventative Maintenance | \$27,742.00 | Single Source |
| Lang Door And Hardware, Inc. | GBS Door Lock & Hardware | \$27,070.00 | Single Source |
| Pearson Education | Textbooks | \$25,531.23 | Single Source |

| | | | |
|------------------------------|-------------------|-------------|---------------|
| Casella Waste Services, Inc | Waste Removal | \$25,199.76 | Bid |
| Language Literacy & Learning | Textbooks | \$25,000.00 | Single Source |
| Costa Fruit & Produce | Food Service | \$25,000.00 | Bid |
| Massahos, Anthony R | Real Estate Lease | \$25,000.00 | Single Source |

Analysis and Recommendation

Every school district struggles to both develop and uphold a purchasing policy that covers every potential scenario faced in a school district. When salaries, benefits, bonds, RFP based contracts, bids, quoted items, special education expenses, lease payments, utilities, no option purchases, and textbooks are accounted for, only \$984,157.69 remains on single source contracts, or roughly 2% of the District’s annual budget.

I recommend the following purchasing authorization limits:

| Range | Procurement Method | Highest Level of Approval |
|---------------------|-------------------------------|--|
| \$1 - \$25,000 | Best interest of the District | Business Administrator |
| \$25,000 - \$50,000 | Bid | WSB |
| | RFP | WSB |
| | Quotes | Business Administrator |
| | Single Source | Business Administrator and notice to WSB |
| \$50,000 + | Bid | WSB |
| | RFP | WSB |
| | Quotes | Business Administrator and notice to WSB |
| | Single Source | Business Administrator and notice to WSB |

Recommended Policy Changes

Policy DJ: Purchasing

Add the following line at the end: “It is the responsibility of the Business Administrator to make purchase decisions that, in totality, are in the best interest of the District.”

Policy DJB: Purchasing Procedure

Fiscal management can only be achieved through proper and consistent purchasing procedures for the procurement of supplies, equipment, and services for the District. These purchasing procedures are to ensure not only the proper encumbrance for forecast purposes, but to ensure management of funds is in compliance with District policy, generally accepted accounting principles, and the rules of the New Hampshire Department of Education.

This procedure shall:

A. Provide for the consistent accountability of all District funds.

B. Require that purchases be supported by purchase orders, contracts, or itemized procurement card (p-card) receipts. Payment shall be made only upon receipt of an original invoice or monthly p-card statement, and acknowledgement by the school or person receiving the goods or service of the completion of the order. When authorized by the Superintendent or Business Administrator to complete a cash purchase, school personnel shall submit the original itemized receipt for reimbursement.

C. Require school personnel to maintain a clear audit trail from receipt of funds to disbursement of funds.

Purchase requisitions must be entered in the District's financial software containing the budget unit organization and object codes to be charged, and bear the electronic approval of the Principal and/or Director. Orders that must be put to bid or have solicited price quotations must have a copy of the bid or quotation provided. The Business Office shall verify that District policy and correct accounting codes are followed prior to the issuance of a purchase order. It shall be the responsibility of the Principal or Director to request a budget transfer of funds to cover any order that may take an account over-budget.

Expenditures that are less than the amount allocated to a particular function/object line shall be authorized in the following manner:

- \$0 to \$2,500 Building Principal or Director
- \$2,500 & above Business Administrator

Purchases and projects involving expenditures in excess of the following dollar amounts shall be expected to comply with these practices:

- \$0 to \$25,000 Best interest of the District
- \$25,001 and above: Request at least three (3) written quotes, a bid process, or an RFP process, if feasible.

Exceptions to Bidding or Written Quotation Requirements:

- Purchases made through collaborative purchasing groups.
- Purchases of utilities, where competitive sources are not available.
- Purchases involving the acquisition of personal or professional services.
- Purchases of proprietary maintenance contracts, where alternate "authorized" sources are not available.
- Renewal of current vendor service contracts where quality and timely performance is a critical requirement and where the Business Administrator determines renewal is in the best interest of the District.
- Purchases involving minor repairs.
- Purchases involving major repairs where bidding or formal request for quotation (RFQ) requirements are waived by the Business Administrator due to the urgency of the repair.
- Purchases involving a documented sole source of supply (e.g. textbooks) or Board

approved sole source vendors.

- Any other purchases deemed to be within the best interest of the District and approved by the Board.

No exception shall be made nor procedure followed that is contrary to New Hampshire or Federal law.

All bids and Requests for Proposals shall be issued from the SAU Business Office unless otherwise stated by the Superintendent.

Purchase orders or District procurement cards are to be used in every possible instance. Blanket purchase orders may be issued to vendors where repeated purchases of incidental items take place. All blanket purchase orders must be approved by the Business Administrator. The requirement for purchase orders may be waived by the Business Administrator.

Employees provided with a District procurement card for business purchases must follow the procedures established for p-card purchases.

In the event that a function and object line would become over expended, the expenditure must be approved by the Superintendent or designee. Every effort shall be made to find savings in other areas of the budget to offset such expenditure.

The Superintendent, with the advice of the Business Administrator, may institute a partial or full freeze on expenditures at any time to protect the District against a potential deficit.

All purchasing, whenever possible and in the best interest of the District, shall be done cooperatively through collaborative purchasing groups (e.g. State of New Hampshire bids and U.S. Communities) or with other districts and/or municipalities to take advantage of lower prices for bulk purchasing, and to reduce the administrative costs involved in bidding.

Any individual who places an order without complying with the purchase order or p-card procedures shall be responsible for the payment of or return of the items received.

Administrative procedures relating to purchasing shall be recommended by the Business Administrator and approved by the Superintendent of Schools.

In the event of an emergency, the Superintendent or Business Administrator may approve a purchase outside the regular procedure. The Board shall be notified immediately of such purchases over \$10,000.

Policy DJE: Bidding

All contracts for, and purchases of supplies, materials, equipment, and contractual services in excess of \$25,001, shall be based, when feasible, on at least three competitive bids or quotations in response to district developed requirements, unless the purchase falls under the authorized exceptions (see Policy DJB). All purchases of \$25,000 or less may be made in the open market. Such purchases shall be completed after careful pricing, quality, and other factors are determined

to be in the best interest of the District.

When bidding procedures are used, bids shall be advertised appropriately on the District website, unless the Business Administrator determines that a pre-qualified vendor list is in the best interest of the District, and such list is approved by the Board.

Vendors shall be invited to have their names placed on mailing lists to receive notices of invitations to bid. When specifications are prepared, they will be made available to all merchants and firms who have indicated an interest in bidding or have been pre-qualified. The District reserves the right to use online electronic bid processes to meet its bidding requirements. The Business Administrator is authorized to determine when online bids will be used. Online processes shall not be used for construction bids unless specifically approved by the School Board.

All bids must be submitted in sealed envelopes, addressed to the SAU, and plainly marked with the name of the bid and the time of the bid opening. Bids shall be opened at the time specified and all bidders and other persons shall be invited to be present. These requirements are waived when an online electronic bid process is used.

All bidders must meet all qualifications established by the District and must certify that they do not have business or personal relationships with members of the School Board or Administration. If a business or personal relationship exists, bidders must disclose such relationship as part of the bid.

The District reserves the right to reject any or all bids and to accept that bid which they deem to be in the best interest of the District. The District reserves the right to waive any formalities in, or reject, any or all bids or any part of any bid. Any bid may be withdrawn prior to the scheduled time for the opening of bids. Any bid received after the time and date specified shall not be considered. The District also reserves the right to negotiate with a bidder when all bids exceed the budgeted appropriation.

The bidder to whom the award is made shall be required to enter into a written contract with the District.

Upon successful award of a bid, a contract shall be required between the successful bidder and the District in a form acceptable to the District.

Requested Board Actions

1. Adopt updated policies DJ, DJB, and DJE as recommended.

Attachments: None.