

Farmington Municipal Schools

**PURCHASING PROCEDURES**

The following procedures have been implemented to comply with State Of New Mexico regulations as established in the Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 - Purchasing, and with the New Mexico Procurement Code, Statute Sections 13-1-28 through 13-1-199, NMSA 1978, which governs the use of Public Funds by State and Local Governments.

The following local procedures reflect appropriate internal controls as stipulated and support ethical behaviors by all personnel. Further, the administrative procedures as adopted shall provide safeguards to maintain a system of quality, integrity and ethical behaviors in the purchasing process. All purchases from district funds shall be made in accordance with applicable statutes, regulations and district purchasing procedures. The district purchasing procedures must be updated annually and approved by the Board.

Per state statutes, the Board of Education is required to identify a person as Chief Procurement Officer to oversee these procedures, issue purchase orders and approve procurement pursuant to the Procurement Code. The Chief Financial Officer is designated as the Chief Procurement Officer and alternates are designated as the Comptroller and the Administrative Assistant to the Chief Financial Officer.

**A. APPLICABILITY**

Public funds are generally described as those funds, which are under the possession or custodial care of a public body, in our case the Farmington Board of Education. Public funds include: District revenues for taxes; state equalization, etc; all activity funds deposited into the District's bank accounts; Bond issue monies and Capital Improvement Fund monies; all Federal Program monies; all School Lunch Program monies; and any other monies which are deposited into the accounts of the School District.

**B. BID AND DOCUMENTATION REQUIREMENTS**

The Procurement Code specifies different levels of purchases according to the dollar amounts involved and, accordingly, specifies minimum procedures to be followed for each level.

Listed below are the three different levels of purchases along with the statutory procedural requirements and the documentation required.

**Purchasing Level Procedures and Documentation for Non-Federal Funds**

|                           |  |
|---------------------------|--|
| Less than \$20,000        | Issue a direct purchase order to a vendor based upon the best obtainable price   |
| From \$20,000 to \$60,000 | Must obtain three written quotes from authorized or legitimate vendors (use written quotation form). Attach all 3 quotes to purchase requisition in accounting system. |
| Over \$60,000             | A formal request for proposal (RFP) or formal sealed bid process is required. The RFP or BID must be advertised, received and approved by The Board of Education       |

**Purchasing Level Procedures and Documentation for Federal Funds**

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|---------------------------|--|
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| From \$10,000 to \$60,000 | Must obtain three written quotes from authorized or legitimate vendors (use written quotation form). Attach all 3 quotes to purchase requisition in accounting system. |
| Over \$60,000             | A formal request for proposal (RFP) or formal sealed bid process is required. The RFP or BID must be advertised, received and approved by The Board of Education       |

Gift Cards are not an allowable expenditure with Federal funds unless prior written consent is given by the PED Program and Fiscal office.

***It is unlawful to divide purchases into two (2) or more orders to circumvent the limits of the Procurement Code and procedural requirements stated above.***

Any purchase by the District (including activity and club accounts) from any school employee or member of the Board of Education must comply with the State Procurement code as well as the following criteria:

- a. All purchases that involve an employee or board member must be informally bid by obtaining three (3) written quotes regardless of the amount of the purchase.
- b. The Chief Procurement Officer must approve purchase orders issued to any business that involves an employee or board

member that has the low quote in section A above. The Board of Education will receive a monthly report detailing these purchase orders for their review, as well as a monthly check register.

### **C. REQUEST FOR PROPOSALS**

The procurement of professional services and other items over \$60,000 may be done through the Request for Proposal (RFP) method. This method calls for sealed proposals to be submitted by a specific date and time. The proposals are not opened at a public bid opening and the contents of proposals are not disclosed to outside parties. Proposals are evaluated and subject to negotiation before an award is made. Specifications for RFPs do not have to be as detailed as bid specifications. RFPs must list the applicable National Institute of Governmental Purchasing commodity codes to assist vendors in identifying the type of goods or services being sought by the district. **Section 13-1-76: DEFINITION - PROFESSIONAL SERVICES:** "Professional services" means the services of architects, archaeologist, engineers, land surveyors, landscape architects, medical arts practitioners, scientist, management and systems analysts, certified public accountants, registered public accountants, lawyer, psychologist, planners, researchers and persons or businesses providing similar services.

### **D. EXCEPTIONS TO BID REGULATIONS**

Purchases may be made without bidding if the District has a:

1. Copy of GSA (Govt. Service Agreement) contract on file, showing the eligible vendor and prices;
2. Copy of a State of New Mexico Purchasing Division (or SPD) contract on file showing the eligible vendor and prices;
3. Copy of a bid award from another school district, city, county or governmental agency in New Mexico, showing eligible vendors, with price equal to or above the purchase price;
4. Purchase order issued to Cooperative Educational Services (CES) contract.
5. Any other cooperative purchasing agency or organization Farmington Municipal Schools is a member of.

In order to qualify for one of these four exceptions, the documentation must be on file in the Business Office and the appropriate reference clearly made on the purchase order. The reference can be a contract number or referral to the appropriate file.

### **E. PROCEDURES ON SEALED BIDS**

All sealed bids are sent out by the Chief Procurement Officer. Specifications for desired materials or services should be sent to the Purchasing agent at least one month before the order is to be placed. One month is needed to cover the time of sending out bids, advertising, opening bids, evaluation of bids and approval by the Board of Education.

Specifications should be as detailed as possible in describing the material and/or service desired. The more detailed the specification, the better the communication to the vendors of the products desired. Specifications should include the desired manufacturer and brand names when possible. Including brand names in a specification does not mean that only that brand name will be acceptable. When brand names are used however, the specifications are more detailed because the brand name helps to define the minimum standards. Bids must list the applicable National Institute of Governmental Purchasing commodity codes to assist vendors in identifying the type of goods or services being sought by the district.

Specifications for an RFP should be sent to the Chief Procurement Officer at least one month before issuing a purchase order. These specifications can be open-ended to describe the basic services desired. One example is auditing services. We describe the basic services requested and let the vendors tell us what they will do and how much it will cost.

### **F. SOLE SOURCE PROCUREMENT**

A contract/purchase over \$20,000 may be awarded without quotes, competitive sealed bids or competitive sealed proposals regardless of the estimated cost when the Chief Procurement Officer determines, in writing, that:

- (1) there is only one source for the required service, construction or item of tangible personal property;
- (2) the service, construction or item of tangible personal property is unique and this uniqueness is substantially related to the intended purpose of the contract; and
- (3) other similar services, construction or items of tangible personal property cannot meet the intended purpose of the

contract. Prior to award of a sole source procurement contract, the Chief Procurement Officer shall:

- (1) provide the following information to the state department of information technology for posting on the sunshine portal;
  - (a) the contractor's name and address;
  - (b) the amount and term of the contract;
  - (c) a listing of the services, construction or items of tangible personal property procured under the contract;
  - (d) that the contract was a sole source procurement contract;
  - (e) the justification for the procurement method; and
- (2) forward the same information to the legislative finance committee; and
- (3) post the information described above on the district's web site.

At least thirty days before a sole source contract is awarded, the Chief Procurement Officer shall post notice of the intent to award a sole source contract on its web site. The notice shall identify at a minimum:

- (1) the parties to the proposed contract;
- (2) the nature and quantity of the service, construction or item of tangible personal property being contracted for; and
- (3) the contract amount.

Any qualified potential contractor who was not awarded a sole source contract may protest to the Chief Procurement Officer. The protest shall be submitted in writing within fifteen calendar days of the notice of intent to award a contract being posted by the Chief Procurement Officer.

## **G. EMERGENCY PROCUREMENT**

The Chief Procurement Officer may make emergency procurements when there exists a threat to public health, welfare, safety or property requiring procurement under emergency conditions; provided that emergency procurements shall be made with competition as is practicable under the circumstances.

An emergency condition is a situation that creates a threat to public health, welfare or safety such as may arise by reason of floods, fires, epidemics, riots, acts of terrorism, equipment failures or similar events and includes the planning and preparing for an emergency response. The existence of the emergency condition creates an immediate and serious need for services, construction or items of tangible personal property that cannot be met through normal procurement methods and the lack of which would seriously threaten:

- (1) the functioning of government;
- (2) the preservation or protection of property; or
- (3) the health or safety of any person.

The determination by the Chief Procurement Officer shall be in writing and included in the procurement file. Within three business days of awarding an emergency procurement contract, the Chief Procurement Officer shall:

- (1) provide the following information to the state department of information technology for posting on the sunshine portal: (a) the contractor's name and address; (b) the amount and term of the contract; (c) a listing of the services, construction or items of tangible personal property procured under the contract; (d) that the contract was an emergency procurement contract; and (e) the justification for the procurement method.; and
- (2) forward the same information to the legislative finance committee; and
- (3) post the information on the district's web site.

## **H. REQUISITION AND PURCHASE ORDER PROCEDURES**

### **1. Enter Requisitions**

Site requisitions for Purchase Forms are completed and then approved by the principal or director. Once approved, they are to be entered by the secretary into the Business Plus system. All orders must be entered in detail on the purchase order, or as an attachment. If the line item does not contain the available funds, the system will **GIVE A WARNING TO THE SECRETARY ENTERING THE REQUISITION and she/he should not continue until funds are available to be entered. A transfer request/BAR must be submitted to the finance department before submitting the Requisition.**

If for some reason a requisition cannot be keyed into the computer at the school, the form can be forwarded to the central office for entry.

Complete your site's requisition form. Make sure the form includes a key and object, an authorized vendor, and a requisition number. Business Plus will generate a pre-numbered requisition number. Authorized vendors can be found within the Business Plus system. The vendor copy of the purchase order must be forwarded, either by delivery, mail, fax, or email, to the Vendor referenced on the purchase order (**an alternative vendor may not be used**). School personnel are prohibited from changing purchase orders or vendors without prior authorization from the Business Office.

### **2. Print Purchase Orders**

Once approved by the Chief Procurement Officer, the requisitions are converted to purchase orders when printed at the location. If a purchase order needs to be disencumbered/voided, send the purchase order to the Purchasing Department.

### **3. Receiving and Payment**

Upon receipt of goods, the secretary will receive the purchase order in the receiving screen of the Business Plus system. All invoices are received in the Accounts Payable department of the Business Office where they are batched and scanned. When the order is received and verified against the invoice then the PO should be received in the system. The secretary should run the AP DD to Invoice Report to verify the invoice has not already been received by AP. The AP Invoice Listing should also be run to verify the invoice has not already been paid. These steps will prevent duplicate payments. The invoice should specifically reflect the goods or service description on the purchase order. Invoice discrepancies will be rejected and unpaid by the Business Office until further review by the secretary and Accounts Payable.

It is imperative that as soon as merchandise is received at a school/department that the purchase order is immediately cleared for payment. *Vendors are required by state statute to be paid within 30 days of a purchase. If the Purchase Order is not validated by school personnel, payment cannot be issued to the vendor.*

Purchases of tangible goods must always be checked *visually* by authorized personnel. A Purchase Order or receiving document alone cannot be used to validate an order has been received. Authorized personnel shall verify *services* have been received before any payment is processed. The school secretary must receive the PO into Business Plus by the dollar amount. Local purchases should be verified that product was received on site.

Vendors should always reference Purchase Order numbers on the invoice and forward directly to the Business Office to expedite processing. Invoices will not be processed for payment without the PO indicated on the invoice.

Vendor records should be reviewed annually to determine if the vendor should remain active on the business system. The disbarment listings from the New Mexico General Services Department and the Board of Education should be reviewed monthly to inactivate any vendors on these lists. Vendor records are reviewed monthly for timely payments.

#### **4. Purchase Order Payment Schedule**

The payment schedule is as stated, except for holidays or unexpected absences:

There will be one check run produced on a weekly basis, normally every Thursday. However, there will not be a check run on the last Thursday of the month. All check requests received on or before Wednesday's mail will be included in the check run for that week.

If an emergency should arise and a check is needed, approval will be on a case-by-case basis. Payments will be mailed or by electronic transfer.

Purchase Orders will be paid by invoice only, **no exceptions**. A packing slip or a statement will not be substituted for an invoice.

#### **5. System and Security**

A workflow module is utilized within Business Plus (the district accounting software) to control both access and security regarding purchasing procedures.

Any change to vendor payment information is verified using documents currently in the Master Vendor File. No change will be made without contacting the vendor by phone using their original information on file in the purchasing department or using a Google search first. Periodic and ongoing reviews verifying changes to the Master Vendor Files will be conducted by the department supervisor. Any deficiencies in internal controls will be corrected in a timely manner. Rev 09/08/20

**Note: Under no circumstances should the purchase order be dated later than any invoices that might be attached. If this happens, it is obvious to the auditors that proper procedures were not followed and goods were ordered before the P.O. was executed. In all cases, the preparation and execution of an authorized purchase order must precede the placement of any order for goods, services or construction. Any person who places an order for goods, services or construction without a duly authorized purchase order may be held personally liable for payment of delivered items and may be subject to the penalty stipulations of the Procurement Code.**

#### **I. BUDGET**

Farmington Municipal Schools provides supplies, purchased services and equipment budgets for each individual school by means of a per capita formula. The formula is based on the number of students in a particular school multiplied by the instructional allocation index. During the budgeting process, the instructional allocation is based upon projected enrollment.

In addition to the instructional allocations, there are certain special allocations for startup of new programs and other special needs determined by the Superintendent. These special allocations are distributed by schools and become part of that school's budget.

The instructional and special allocations combine together to form the school's budget. The principal must then decide how this budget is to be expended and allocate the total budget into the appropriate instructional line items to meet the needs of that school.

#### **J. INSTRUCTIONAL LINE ITEMS**

Expenditure types are in three basic categories for school budgets: Purchased Services, Supplies and Materials, and Equipment. The Supplies and Materials are further broken down by function, or what the supplies are being used for. These categories are Direct Instructional, Library and Audio Visual, and Instructional Support.

Instructional Support is the function of the principal's office, the counselor and other non-classroom functions located in a particular school.

#### **THE FOLLOWING ARE THE OBJECTS USED TO DETERMINE PURCHASES**

**55915 Purchased Services, Non-Instructional** - Includes services such as janitorial, security, advertising/promotional, legal notices, linen and industrial, printing and binding, grounds keeping, officials and related services. Examples: Non-Instructional - Assembly expenditure, contracted printing and rental of equipment for support functions.

**56113 Computer Software**

**56118 Supplies and Materials - Direct Instructional** - Example: Paper, pencils, chalk, PE supplies, teaching aids, laboratory supplies, music, etc.

**56118 Supplies and Materials - Non-Instructional** - Supplies and materials for the operation of school district facilities, equipment, vehicles and programs. Example: Report cards, grade books, diplomas and office supplies.

**56114 Library and AV Supplies** - Any supplies, materials and books, which are used in the library, or library functions should be included here. Also, film strips, films, recordings, etc., should be expended out of this line item. All projectors, book carts, record players, etc., should be placed in the equipment line item.

**K. NON-INSTRUCTIONAL – ATHLETICS AND ACTIVITIES**

The District budgets for some non-instructional expenditures in the Operational Budget in the 9000 functions. These include operational expenditures for athletics and non-instructional support functions. Descriptions of these line items follow:

**55819 Employee Travel** - Direct Instructional Personnel

**55813 Employee Travel** - Instructional Support Personnel

**Necessary and legal travel for school district employees in accordance with state and local policy and regulations.**

**53330 Employee Training** – Personnel/Instructional Support Personnel

**55817 Student Travel** - Direct Instructional

**57331 Equipment > \$5000**

**56119 Equipment < \$5000**

Enter the cost of initial and additional items of equipment such as furniture, machinery and instruments. Include all equipment for classroom, office, shop, PE, etc. Such items shall be added to the fixed assets inventory presented to the auditor.

**Note: All 57331(individual items over \$5,000.00 each) are to be shipped to the Warehouse at 2855 Southside River Rd, attention: School name and Teacher/Secretary. These items are inventoried, tagged and added to the inventory listing by the warehouse custodian who will then deliver the order to the school.**

**9000. Athletics**

55915 Other Contract Services  
56118 General Supplies & Materials  
55813 Employee Travel  
53330 Employee Training  
55817 Student Travel  
57331 Equipment > \$5000  
56119 Equipment < \$5000

**9000. Activities**

55915 Other Contract Services  
56118 General Supplies & Materials  
55813 Employee Travel  
53330 Employee Training  
55817 Student Travel  
57331 Equipment > \$5000  
56119 Equipment < \$5000

**L. INVENTORY**

It is very important for your school's inventory to be kept current with correct serial numbers, room numbers, and descriptions that make the equipment easy to locate should it be necessary to do so.

All requisitions for equipment **over** \$5,000 for each item (line item 57331) should have the **shipped to address** as the warehouse. The warehouse custodian will label the equipment as it is received into the warehouse with an inventory number that will be entered into the data base along with the purchase order and fund used to purchase the equipment.

An **Inventory Record Form** indicating the reason must be completed when an item is transferred to another site or sent to the warehouse. The auditor will not accept a note indicating that an asset that was previously listed on the inventory can no longer be found, is lost, etc. An **Inventory Record Form** must be completed for the file that describes why the asset should be removed, i.e. transferred to another school, it no longer works, or if missing, was it reported stolen?

The Business Office reconciles the school's inventory listing to the general ledger each year. If your school records do not agree, you must follow through and determine the reason.

The inventory listing must be approved and signed by the principal or designee and returned to the Business Office.

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