



# **Garrard County Schools**

## **Financial Management Manual**

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## **Garrard County Schools Financial Management Manual**

The primary function of the finance department of Garrard County Schools (GCS) is to establish and maintain consistent fiscal procedures that allow students to have the greatest possible resources. The finance department oversees the purchasing process and monitors compliance with state and federal law, as well as board policy. The following financial management manual outlines procedures to be used but are not inclusive of all Board of Education policies. Please refer to the Garrard County Board of Education Policy manual for specific policies and procedures.

All purchasing must be conducted in an ethical manner. No employee shall participate in the selection or administration of a contract or purchase order with a related party, or where a conflict of interest exists. Such a conflict would arise when the employee or any member of his/her immediate family, his/her partner, or an organization which employs or is about to employ one of the parties, has a financial or other interest in or a tangible personal benefit from a vendor considered for a contract or purchase.

No employee shall solicit or accept gratuities, favors, or anything of monetary value from contractors, vendors, or parties to any awards, contracts, or agreements unless it is an unsolicited gift with a value of less than \$50 as defined in KRS 45A.445(5).

### **Model Procurement Code**

GCS has adopted the Model Procurement Code (MPC) pursuant to KRS 45A. The Model Procurement Policy as defined in the body of this document governs purchasing for GCS. It is the responsibility of the purchaser to determine the proper method of procurement and provide any required documentation to finance. All representations made in a requisition are those of the originator and shall be their responsibility.

### **GCS Model Procurement Methods:**

#### **Small purchases – Purchases under \$40,000**

- \$0 - \$1,000 - Purchases in aggregate do not require any price quotes;
- \$1,000 - \$2,999 - Purchases require three (3) documented quotes;
- \$3,000 - \$39,999 – Purchases require three (3) written quotes from vendors

## **GCS Model Procurement Methods (Continued):**

**Competitive Sealed Bid** – Purchases \$40,000 and above require formal bidding. This can be accomplished through local bids, cooperative bids or state contract bids.

- (1) **Local Bid** – issued by the district’s finance department.
- (2) **Cooperative Bid** –accomplished through an approved bid vendor (KEDC, KPC or CKEC).
- (3) **State Contract Price** –accomplished through the use of a State Master Contract

## **Small Purchase Procedures:**

Some confusion exists as to the extent that small purchase procedures can be utilized. The General Assembly authorized small purchase procedures to save governmental agencies from spending valuable resources and staff time on bidding incidental items and services. The term “aggregate amount” indicates that all like items with a total cost of \$40,000 or more should be bid, however, 45A.345(1) states that “the need for items which could not reasonably be established in advance or which were unavailable because of a failure of delivery need not be included in the aggregate amount.” Staff members should check all other procurement options before authorizing the small purchase procedure.

Purchases shall not be fragmented or artificially divided to avoid use of appropriate procurement methods. The contract may be for any period of time that will provide the most beneficial market price to the local school district provided no time period shall be fixed for the sole purpose of avoiding the requirements of competitive sealed bidding. In determining whether supplies, services or construction is normally supplied as a unit, the test is not whether a particular vendor does furnish such supplies, services or construction, but rather whether supplies, services or construction are closely related in their function and use.

The purchase of copy paper from four (4) different supplies @ \$7,500 each is an obvious violation. However, it is conceivable that the director of maintenance may purchase more than \$40,000 worth of material without bidding because of the many separate unforeseen repair projects, which must be completed within such a time frame that bidding is not practical.

The superintendent or designee should not use the small purchase procedure to bypass state price contracts, bids, etc., or to bypass conflict of interest regulations. When an item(s) is available through an approved vendor (cooperative contract/state contract), the item(s) should be purchased through the approved vendor unless an exception exists (see list of exceptions starting on page 6 and the flowchart on page 8).

## **Small Purchase Procedures (Continued):**

KRS 45A.445 through KRS 45A.455 are applicable to all small purchases and are incorporated herewith for specific notice to small purchasing agents, vendors, and the general public.

The Model Procurement Law and the Board's Model Procurement Policy allows for the purchase of supplies at reduced prices that will afford a purchase at savings to the district. Purchase of items at reduced costs will be treated in the same manner as small purchase items, and written justification and documentation will be maintained. The determination as to the level of savings, which allows a staff member to purchase outside bid prices contract, etc., is subjective.

## **Competitive Sealed Bid Procedures:**

Any group of like items that total more than \$39,999 district wide in one fiscal year must be competitively bid. State master contracts and cooperative contracts with contract numbers not listed as catalog are competitively bid unless one of the exceptions allowing noncompetitive negotiations applies. Artificially splitting an order to avoid the total is illegal and is punishable by fine and/or imprisonment. "Aggregate amount" as defined in 45A.345 means the total dollar amount during a fiscal year of items of a like nature, function and use, which can be reasonably determined at the beginning of the fiscal year. The \$40,000 amount is that amount purchased by the total district (including activity funds) in a fiscal year, not just the purchases of one location.

Bids need not be evaluated on price alone but can be considered based on lowest evaluated bid. Pursuant to Kentucky Revised Statute 45A.345(8). "Evaluated bid price" means the dollar amount of a bid after bid price adjustments are made pursuant to objective measurable criteria, set forth in invitation for bids, which affect the economy and effectiveness in the operation or use of the product, such as reliability, maintainability, useful life, residual value, time of delivery and performance, or completion. When considering factors other than price, the evaluation criteria, and the relative importance of each must be communicated in the solicitation of bids. For services this may include experience, past performance, etc.

## **Local Bids**

GCS may award local bids when a cooperative bid or state price contract etc. is not available and/or the superintendent and Board of Education feels it is in the best interest of the school district. All local bids must be approved at a meeting of the Board of Education.

## **Competitive Sealed Bid Procedures (Continued):**

### **Cooperative Bids**

Cooperative groups of school districts bid items and receive vendors based on competitive catalog quotes on an annual basis. GCS is a member of the Kentucky Purchasing Cooperative (KPC), the Kentucky Educational Development Corporation (KEDC), and the Central Kentucky Educational Cooperative (CKEC). Cooperative bids (except catalog bids) for member districts meet all bid requirements per the Kentucky Model Procurement Code. Therefore, no local bid is required for those items unless deemed in the best interest of the school district. All items offered by these bids must be purchased through these vendors unless it meets an exception criterion. Catalog bids may be used under small purchase procedures up to \$40,000. By entering and approving requisitions as bid, the person entering and approving is certifying that they have been awarded a bid either locally or through a solicitation from an approved coop or state master agreement.

### **State/Federal Price Contracts**

The school district is considered a political subdivision of the state and may purchase under the terms of state contracts. These contracts meet all bidding requirements of the MPC and therefore no local bid is required for those items unless the Board of Education deems in the best interest of the school district.

### **Purchasing Bid Items**

If a bid vendor offers the item, it must be purchased from the bid vendor unless the item meets applicable criteria for one of the exceptions to competitive negotiations (next page).

There may be a number of reasons that an item may be cheaper to purchase from an alternative vendor. Nothing in this manual prevents the purchaser from purchasing from an alternate vendor if one of the exception criteria is applicable and proper documentation is provided. The item may be cheaper because the entity does not accept purchase orders or the employee would have to travel to get the product or potentially the store is cash and carry. Bid lists are set up to allow ease of purchasing and overall value to the consumer. The bid lists eliminate additional administrative time. While, an individual price may be lower, the administrative time to procure the product will cause the price of the product to increase. Any like items purchased from a vendor exceeding \$40,000 must be competitively bid.

## **Other Competitive Negotiation**

KRS 45A.370(1) allows school districts to purchase through other competitive negotiation, which may include a reverse auction, upon a written finding that:

- Specifications cannot be made sufficiently specific to award based on either the lowest bid or lowest evaluated bid (examples: developmental research, highly complex equipment);
- Sealed bidding is inappropriate because the available sources of supply are limited, the time and place of performance cannot be determined in advance, the price is regulated by law, or a fixed price contract is not applicable; or
- The bid prices received through sealed bidding are unresponsive or unreasonable. The negotiated price must be lower than the rejected bid price.

Other Competitive negotiation should always be used as a last resort.

## **Exceptions to Competitive Negotiations:**

Exceptions to competitive negotiations are located in the GCS policies and procedures (04.32AP.1). Some of the more prevalent exceptions are listed below:

**Emergency** – An “emergency” shall result in public harm as a result of the delay caused by competitive negotiation procedures. An emergency exists only when declared by the superintendent or his designee. This exception is very rarely applied.

**Single Source** – Item available from one vendor (determined by features, not brand). Must have a single source letter attached to the request to purchase.

**Professional Services** – Contract for licensed professional such as an attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, educational specialist, a technician (such as a plumber, electrician, or mechanic). This does not apply to architects or engineers providing construction management services.

**Perishable Items** – A purchase of perishable items purchased on a weekly or more frequent basis such as fresh fruits, vegetables, fish, or meat. This is to be used primarily by Food Service.

**Replacement Parts** – Replacement parts are only available from manufacturer.

## **Exceptions to Competitive Negotiations (Continued):**

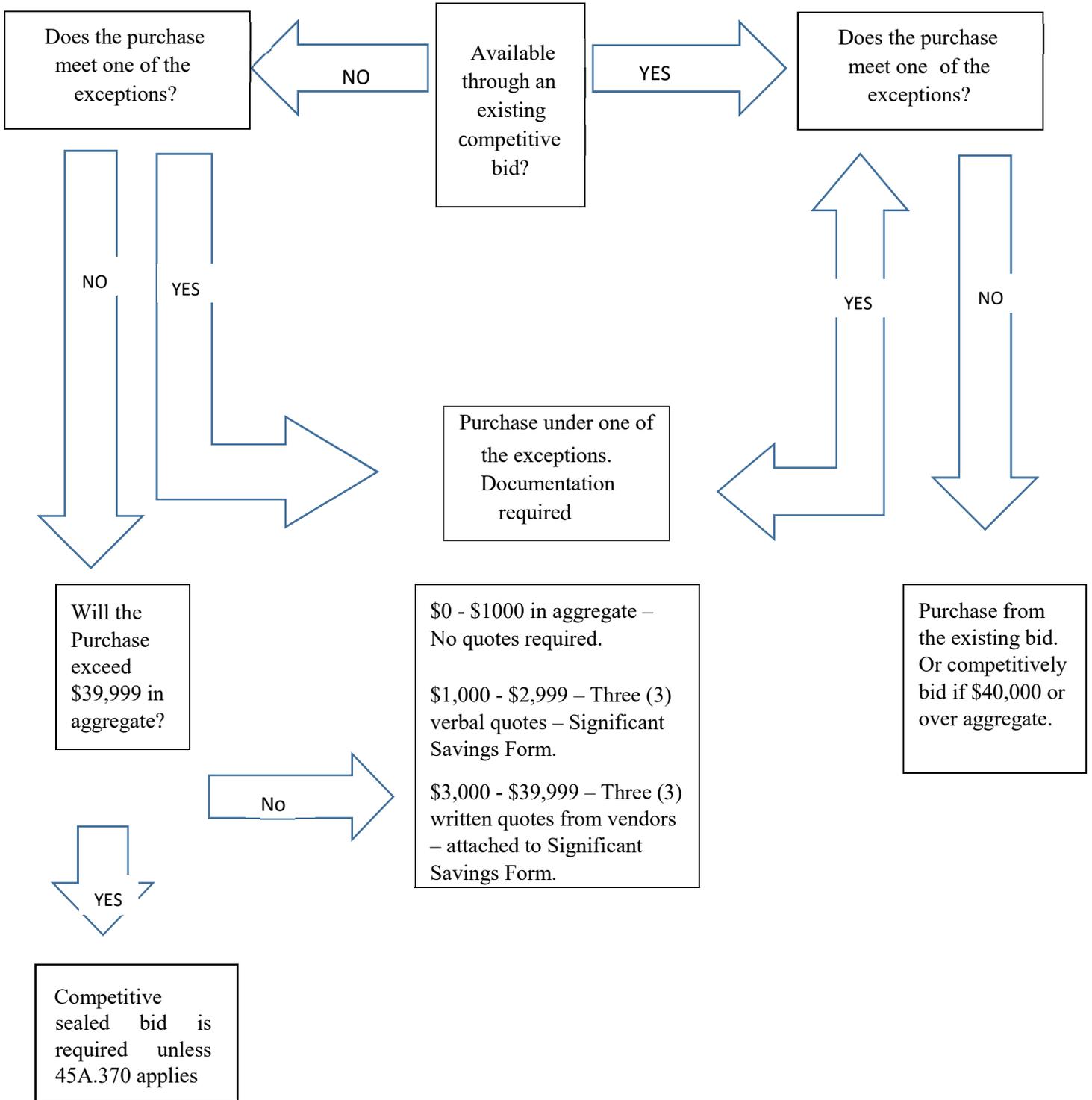
**Items for Resale** – A purchase of proprietary items for resale; purchases in an enterprise in which the buying or selling by students is part of the educational experience.

**Travel/Conference Registration** – Expenditures made on authorized trips outside the boundaries of the service area of the agency. The Board shall reimburse school personnel for school-related travel when such travel is required as part of the job duties. Allowable expenses include:

- Mileage – Board approved mileage rate when the employee uses his/her own vehicle.
- Tolls and Fees – All tolls and parking fees incurred must be substantiated by a ticket or receipt.
- Food – Meals will be reimbursed per policy and must be substantiated by an itemized receipt.

# Garrard County Schools Purchasing under Model Procurement Code

## All purchases require a converted purchase order



## Documentation of Compliance with MPC

<b>Compliance Item</b>	<b>Model Procurement Method</b>	<b>Documentation Required</b>
Competitive Sealed Bid	Formal Bidding	Bid Tabulation
Cooperative Bid	Coop-State Bid	Board Approved Cooperative
State or Federal Price Contract	Coop-State Bid	Inclusion on the State Master Agreement or State contract number
Small Purchase < \$40,000	See small purchase procedures	Significant Savings Form
Emergency KRS 45A.380(1)	Emergency	Declaration of emergency – Approved by Superintendent
Single Source within KRS	Single Source	Single Source Letter
Licensed Professional	Other Professional Services	Written Determination
Replacement Parts	Replacement Parts	Written Determination

# APPENDIX A

## ADDITIONAL PROCUREMENT ITEMS

### **Purchase Orders**

Purchase orders are critical in the procurement process. **No purchase should be made without a purchase order.** Any purchase made by an individual without appropriate approval will result in that person being personally responsible for the purchase. Purchase orders protect against overspending by ensuring that funds are available. A purchase order is a legally binding document, committing GCS to purchase from a vendor. When a purchase order is approved, those funds are encumbered and no longer available for purchasing. Only products approved on the purchase order shall be purchased. No additional purchases may be added even if the amount indicated on the purchase order has been reached.

In accordance with board policy, a purchase order is required for every purchase in advance of ordering or receiving goods or services except the following: salaries and benefits, district utility payments, bond payments, board approved contracts and bids and reimbursements to employees for approved travel.

### **Annual Cut-Off dates**

District purchase orders must be approved by the cut-off date established by the superintendent or his designee each fiscal year. After that date, only purchase orders expressly approved by the superintendent and director of finance will be allowed. Nothing in this manual prevents directors from setting earlier cut off dates for their programs. Cut-off dates for school activity funds will be at the discretion of each principal. This deadline facilitates the close out process and helps ensure that funds in any given fiscal year are spent for the benefit of students in that same year.

### **Purchasing Process**

Employee fills out Request to Purchase

1. Purchase requisitions must be approved by principal/supervisor, budget coordinator, finance director and superintendent. NOTE: ensure quotes are Bill To the Garrard County Board of Education (GCBOE) at the correct address;
2. Purchase requisitions are then assigned a purchase order number by the finance department;
3. Purchase order is returned to employee for ordering process with vendor

## **Receiving/Payment of Invoices**

When the goods are received, it is the responsibility of the requesting department to verify the items and sign the document as proof of receipt and send to finance in a timely manner. If some items were not received, indicate the missing items on the receiving document. If items were received damaged or otherwise unacceptable, it is the responsibility of the requesting department to work with the vendor to resolve the situation. Finance shall not pay any invoice without documentation that the goods or serviced were received in acceptable condition.

### **Receiving and Paying for Purchases**

Sign your invoice indicating that you received the items. Ensure invoices are Bill To the GCBOE at the correct address.

- If you picked up your purchase from the vendor, the documentation they gave you is likely the only invoice to be printed (i.e. Walmart, Kroger, Lowe's). Sign the invoice and send to finance as you return to work so it may be processed for payment. The invoice and purchase order must be returned to the finance office together for payment.
- If you received a shipment, there should be a packing list enclosed. Review this packing list indicating that you received the merchandise and give the signed invoice to finance the day you receive your shipment. The packing slip, invoice and purchase order must be returned to together for payment.
- If you receive an invoice in the mail sign the invoice indicating that you received the merchandise and give it to finance the day you receive it. The invoice and purchase order must be returned to the finance office together for payment.

Please process your paper work for purchases in a timely manner. A vendor cannot be paid until you do your part of processing the packing slip and/or invoice. The longer you take to send it in, the longer the vendor has to wait for their money. If the vendor must call on a past due invoice this is time consuming for the finance office to track down your bills. We need to pay our invoices in a timely manner, this is just good business.

### **Payment of Invoices**

Original invoices or receipts are required to process a payment. Payments shall not be made from statements. Requesting department should not accept backorders on items.

## **Receiving/Payment of Invoices (Continued):**

### **Invoices Greater than the Purchase Order Amount**

Because a purchase order is created before the purchase is made, the amount on the purchase order is estimated and will not always match the invoice amount. If the amount of the invoice is less than the purchase order, the entire amount will be liquidated when the invoice is posted, making those excess funds available in the budget to re-obligate. If the invoice amount is greater than the purchase order, keep in mind that the amount recorded as expenditure will be more than what had shown in MUNIS as an encumbrance, reducing the amount of available funds.

**The invoice date shall not be prior to the approved purchase order date.** Invoices received for which there is no approved purchase order may be the responsibility of the purchaser.

### **Reimbursements**

The district maintains purchasing procedures to facilitate the purchase of supplies and services for district staff. For proper internal control, all expenditures of the district must be made through administrative channels. In an event an employee makes a purchase using personal funds, for whatever reason, the district is not obligated to reimburse the employee.

### **Travel**

The Garrard County Board of Education has adopted the following policy for certified staff (Board policy 03.125) and classified staff (Board policy 03.225).

Provided the superintendent/designee has given prior approval to incur necessary and appropriate expenses, the Board shall reimburse school personnel for school-related travel when such travel is a required part of the duties of the employee or for school-related activities approved by the superintendent and, when appropriate, the School Council. Travel expenses of school-based personnel in SBDM schools shall be paid from council funds.

The Board will be responsible only for actual expenses. Allowable expenses are:

**Mileage** – Actual mileage between official work stations within the school system and actual mileage for trips outside the school system which have been approved by the superintendent and the council in SBDM school will be reimbursed at the board approved rate per mile when the employee used his/her own vehicle. Mileage will be paid from the work station or home of the individual (whichever is the shorter distance) to the travel destination.

## **Travel (Continued):**

**Gasoline** – Actual cost of gasoline and oil purchased and placed in a Board-owned vehicle by an employee while engaged in school-related travel. A receipt showing total gallons and total charges must substantiate purchase.

**Tolls** – All tolls incurred in school-related travel. Toll charges must be substantiated by a toll ticket or receipt.

**Car Rental** – Car rental charges when approved by the superintendent and the council in SBDM schools. Charges must be substantiated by a receipt.

**Common Carriers** – All charges or fares for necessary travel on common carriers (plane, bus, train, subway, taxi, ferry, etc.). Sightseeing and pleasure tours are not reimbursable.

**Out-of-State Travel** – Reimbursement for out-of-state travel by privately owned vehicles shall be made on the basis of airplane coach fare or mileage rate, whichever is the lesser amount. All out-of state travel must have prior Board approval.

**Food** – Based on per diem established by the board. Charges must be substantiated by an itemized receipt.

**Lodging** – To be eligible for lodging, authorized work must be more than forty (40) miles from both work station and home. When overnight stay is not associated with a meeting/conference/convention with assigned lodging, an employee may choose to stay in any motel, but payment shall be for the actual costs of reasonably, economical lodging in a particular area as determined by the superintendent. Lodging must be encumbered through the purchase order process, unless included on an approved conference attendance form for reimbursement.

**Reimbursement Form** – Travel vouchers shall be submitted within one (1) week of travel. No requests for travel reimbursement will be considered unless filed on the proper form and accompanied by itemized receipts. Without proper documentation, individuals shall not receive reimbursement, and, if it is determined that reimbursement was made based on incomplete or improper documentation, the individual may be required to reimburse the District.

**Receipts** – Any expense over \$2.00 must have receipts to qualify for reimbursement.