

# **PURCHASE ORDER PROCEDURES MANUAL**



**AUGUST 2010**

**BARBERS HILL  
INDEPENDENT SCHOOL DISTRICT**

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*New vendors must complete IRS form W-9 and a Conflict of Interest Form (Form CIQ) before they will be added to the vendor file. The completed W-9 and CIQ forms must be forwarded to the Receptionist before a Purchase Order can be entered. Both forms are available on our website.*

1. Purchase requisitions must be approved by the Principal or Supervisor before a purchase order is entered into the Skyward system.
2. Purchase orders must be approved by the Superintendent or Assistant Superintendent of Finance before a purchase is made or before a service is rendered. After the purchase order is approved, it will then be generated.

**Rarely should a purchase order be prepared after the purchase has been made. If an item is bought before a purchase order is approved and the purchase order is later rejected, the employee shall personally pay the District for the cost of the item or for any cost related to returning the item. Such an illegal, unauthorized purchase shall be considered a violation of school board policies and procedures and possibly State and Federal laws, and may result in disciplinary action, including termination of employment.**

All Departments should review the status of their "Batch" and "Open" purchase orders weekly. The approval status of a purchase order may be confirmed in the Skyward system. If the status of the purchase order reads "OPEN," the purchase order has been approved and printed.

All vendors must be given a PO number before ordering or making a purchase. If necessary, an arbitrary amount can be entered if you do not know the cost; but, the correct amount should be entered and Campus Approved (CA) as soon as the receipt is returned to the PO originator.

Always use the purchase order number when placing orders to vendors.

3. The purchase order entry should be completed thoroughly. All shipping instructions, receiving instructions, handling instructions, or any additional information necessary for the Business Office to correctly process the order should be included when entering the purchase order. An explanation should be entered in the first "Description" section of the PO. This section appears on supplemental reports and should be specific enough for the reader to understand what is being purchased.
4. The purchase order approval report is printed in central administration and then submitted to the Superintendent and Assistant Superintendent of Finance to review for approval or disapproval.

The purchase order will then be distributed by the Business Office as follows:

- a. Original – to Vendor - All originals (white copies) will be mailed unless otherwise noted on the purchase order.
- b. Pink Copy – to Accounting

- c. Blue Copy – to originating department or school to be used as payment authorization when signed, dated with the date the merchandise or service is received and returned to the Business Office as explained in 8a.
5. When a requisition is for an item(s) costing less than \$50, pay out of available Petty Cash funds and include support in your monthly purchase order for petty cash reimbursement.
6. If the requisition is for an item(s) costing more than \$1,000 but less than \$50,000, “Requests for Quotations” should be obtained from three or more suppliers. In some cases, the use of “Requests for Quotations” is suggested for equipment item(s) costing less than \$1,000 that can easily be provided by several vendors allowing the district to benefit from competitive pricing. For items costing more than \$50,000, see section 15 below.
7. Any important data should be entered on the purchase order for the Business Office’s information such as:
  - a. If the order was phoned in, enter instructions on the purchase order that the order was phoned and that an original purchase order should not be sent to vendor, so the order will not be duplicated.
  - b. In the rare instance that an order needs to be pre-paid, enter on the purchase order to pay in advance. An invoice, statement or contract should be signed by the supervisor and submitted to the Business Office to authorize payment in advance.
  - c. Enter on the purchase order that the price is a “quote” if you expect a different price to appear on the invoice.
  - d. Enter on the purchase order the freight, postage or handling charges that will be charged on the invoice, if determinable or if quoted over the telephone by the vendor. If not determinable, enter an estimate for freight charges.
8. When incoming merchandise such as supplies and capital outlay items is ordered and received:
  - a. The blue copy of the purchase order will be sent back to the Principal or Supervisor to be used as a “receiving report” and for payment authorization. Merchandise received should be checked off the blue copy. The blue copy should be signed and dated with the date the merchandise was received. Then forward the blue copy to the Business Office where it will be matched to the original purchase order and paid when the invoice is received. **Do not send shipping or receiving documents to the Business Office as payment authorization.**
  - b. If merchandise received is a partial shipment, indicate what items were received, sign and date a copy of the blue purchase order and forward the copy to the Business Office for partial payment. The original blue copy is to remain in your files until ALL the merchandise has been received. Immediately after ALL back orders are complete, the blue copy of the purchase order is to be signed and dated by the Principal or Supervisor or designee (such as Principal’s Secretary, Department Secretary or Sponsor) and forwarded to the Business Office for full payment of the purchase order.

- c. Items received at the Warehouse will be inspected for damage and manufacturer's defects. Damaged or defective merchandise will be noted on the consignee delivery receipt. Before the delivery driver leaves, Warehouse personnel will notify the secretary at the appropriate building of the damage/defect.

**It is the Secretary, Principal or Supervisor's responsibility to notify the vendor and/or the freight company of the damage/defect.** Document your phone call in writing. A claim with the freight company may have to be filed if damage is discovered. The Warehouse should not accept deliveries without inspection. Writing 'subject to inspection' on the receipt will not protect you.

The Warehouse will keep the damaged/defective goods and all packing materials in a safe place until the carrier makes an inspection and/or the problem is resolved. Notify the Business Office when and how the problem is resolved.

The carrier's inspection must be made at the delivery site.

- d. Accounts Payable **must** be notified when merchandise is returned or credits are issued.
  - e. When school merchandise is purchased offsite by an employee and is paid for personally by that employee, a purchase order should be prepared for reimbursement of the employee. The blue copy should be signed and dated with the date the merchandise was received. Then, the blue copy should be sent to the Business Office as authorization for reimbursement. **Prior approval from the appropriate supervisor is required for items to be purchased offsite. If prior approval is NOT obtained, then the employee may not be reimbursed.**
9. Vendors should mail invoices directly to the Business Office for verification with the purchase order. Any original invoice received by a department should be forwarded immediately to the Business Office with the purchase order number included on the invoice. **Rarely should the purchase order be prepared after the invoice is received.**

Once the signed and dated blue copy of the purchase order is received, the Business Office will attach the invoice to the appropriate purchase order and will pay from the original invoice. The Business Office will not pay from an invoice copy unless the copy itself has an original signature of approval from the Assistant Superintendent of Finance.

Before an invoice is paid, the Business Office must have:

- a. Blue copy of the purchase order, signed and dated when the merchandise was received.
- b. Original invoice from vendor. All invoices are to be sent directly to the Business Office, Attention: Accounts Payable.
- c. If an invoice exceeds the purchase order amount by \$500, a supplemental PO needs to be issued to cover the additional amount.

10. The following types of purchases require special supporting documentation as indicated:
  - a. **Subscriptions** – should be entered as a purchase order and supported with an order form signed and dated by the employee and supervisor. A signed and dated blue copy should be returned when the subscription begins to arrive.
  - b. **Pay stipend or payment to employee for extra work performed** – A payment to an employee for work performed should NOT be entered as a purchase order. Such a payment should be reported to the Payroll Office and will be included in the employee's next paycheck.
  - c. **Membership Dues, Registration Fees and Field Trip expenses** – should be entered as a purchase order and supported with a signed Travel Request Form. (See separate Travel Request Procedures Manual)
  - d. **Contracted Services** – Fees for referees, UIL judges and other contract labor should be entered as a purchase order and supported with a signed Athletic Game Report or other such document. The Supervisor should sign the report acknowledging receipt of the service from the person being paid.
  - e. **Other Services** – Professional services, rental contracts, service contracts, licensing fees, utility fees, and other such services should be entered as a purchase order and supported with an invoice, statement or contract document, **signed and dated** by the supervisor with a notation "Ready to Pay," or similar remarks hand-written on the support document.
11. Closing out a purchase order: When a purchase order remains open and unpaid for at least 30 days after the required delivery date shown, the campus or department is expected to take action with the vendor to obtain delivery. The Business Office can sometimes assist in dealing with vendors where there are delivery problems, particularly involving merchandise purchased on bids. However, the Business Office usually does not have firsthand knowledge of whether the merchandise ordered has been received and/or billed. **Every effort should be made by the campus or department to promptly close out a purchase order once merchandise is received or it is determined that, for some reason, the purchase order should be canceled.**
12. Procedures for requesting missing Purchase Orders, Invoices or signed and dated Blue Copies are as follows:
  - a. 1<sup>st</sup> request will be sent from the Business Office by email to the campus or department secretary.
  - b. 2<sup>nd</sup> request from the Assistant Superintendent of Finance's Secretary will be sent by email seven days after the original request to the campus or department secretary.
  - c. 3<sup>rd</sup> request will be sent by email from the Assistant Superintendent of Finance to the Principal or Supervisor seven days after the second request.

It is the purchase order generator's responsibility to insure that the purchase order, the invoice and the signed and dated blue copy are submitted promptly to the Business Office.

13. Reorders are not to be placed on a previous purchase order. If merchandise is returned, damaged, etc., and you need to reorder, a new purchase order is required.
14. In the event it is necessary to cancel a purchase order, the Principal or Supervisor should notify the vendor and should inform the Business Office of the cancellation.
15. Purchases Requiring Competitive Bids: A purchase or aggregate purchases for \$50,000 or more must be made through the competitive bid process. This will be done by the Business Office upon receipt of the user's needs or product requirements furnished by the Principal or Supervisor. Other pertinent facts and regulations relating to competitive bidding are:
  - a. Related Purchases: As a rule of thumb, in determining a category of items to group for competitive bidding, schools should pool related classes or types of items, or consumable supplies, such as athletic supplies, automotive supplies, office supplies, cafeteria commodities, gasoline, books, instructional supplies and so forth, costing more than \$50,000 in the aggregate, should be bid. Competitive bidding requirements also apply to purchases of computer and computer-related equipment, if the purchases are not exempt under existing law.
  - b. Lease Purchases: Competitive bidding law also applies to property, such as office equipment, school buses, and computer equipment, acquired through lease-purchase agreements (a lease-purchase is a lease agreement by which a district can acquire title to an item after the completion of installment payments by exercising a bargain-price purchase option). Multi-year contracts, such as lease agreements and various kinds of service agreements, must contain a non-appropriation clause. Such a clause provides the district, on an annual basis, the right to reconsider a contract during the budget process if financial resources of the district are insufficient to meet the financial liabilities of said contract. **Only the Superintendent or designee may execute a lease contract or may obligate the District to future installment payments.**
  - c. Service and Maintenance Agreements: Service contracts do not require bidding unless the district bought the service contract together with a purchase of an item or items valued at \$50,000 or more. This applies to various types of professional service agreements, including: instructional service contracts, cafeteria management services, custodial services, and so forth.
  - d. Subsequent Purchases of Previously Bid Items: Subsequent purchases totaling \$50,000 or more of items previously bid must also be bid. Such purchase cannot be made from the same vendor, even at the same bid price(s), without competitive bids.
  - e. Equipment Repairs: Competitive bidding requirements cover equipment repairs including repairs to both personal property and buildings. If a repair comes to the attention of a district before a similar one is performed for the same type of equipment and the combined repairs will exceed \$50,000, then the combined repairs must be competitively bid. The only exception is when the board of trustees makes a prior determination that classroom instruction would be impaired by the delay in time to obtain competitive bids.

16. Items may be purchased through the Texas Building and Procurement Commission (TBPC), Region VII, the Southeast Texas Purchasing Cooperative (Region V), the Cooperative Purchasing Network (TCPN (Region IV)) or any other purchasing cooperative of which the District is a member. Items purchased through these organizations have already been competitively bid. They offer competitive pricing, eliminating the competitive bid process mentioned above, and may be ordered directly. You may visit their websites at [www.tbpc.state.tx.us](http://www.tbpc.state.tx.us), [www.tcpn.org](http://www.tcpn.org), or the others mentioned for additional information.

17. “Rush” Purchase Orders – rarely should a “Rush” PO be requested. When an event is known a week or more in advance, failure to enter a purchase order in sufficient time for the Business Office to process a check does not constitute a “Rush.”

“Rush” requests should be sent to the Secretary of the Assistant Superintendent of Finance and must be approved by the Assistant Superintendent of Finance before processing.

Supporting documents should accompany all “Rush” requests.

18. Purchase orders that result in an account being overspent – **Any PO that causes an account to be overspent will be denied unless the overage is pre-approved by the Assistant Superintendent of Finance.**

19. Blanket Purchase Orders – A blanket (“annual” or “open”) PO must be approved by the Assistant Superintendent of Finance before it is entered into the system. A blanket PO is one that is used for multiple purchases with the same vendor. Though convenient, a blanket PO is not usually allowed.