

Adopted: 12/16/2015

Revised: _____

Discovery Charter School
POLICY No. 9.1
PURCHASING, PROCUREMENT AND CONTRACTING

I. PURPOSE

The purpose of this policy is to establish procedures for carrying out purchasing, procurement and contracting functions of the charter school and to provide efficient management of public monies and ensure compliance with all applicable state and federal laws including requirements when using federal funds to make purchases under Minnesota's federal Charter Schools Program (CSP).

II. GENERAL STATEMENT OF POLICY

It is the policy of the Discovery Charter School board to utilize resources to the greatest benefit of our students' education and to establish procedures for all expenditures made with charter school funds to ensure efficiency, economy, legal compliance, internal control, ethical behavior by all staff members, and fairness in dealing with vendors.

General Purchasing Procedures

1. **Authorization:** The charter school director, in conjunction with the board treasurer, are responsible for overseeing the procurement process, including establishment of procedures, internal controls, quality assurance, methods of greatest economy, and compliance with all applicable laws. The official charter school expenditure budget (as adopted by the Board of Education) is authorization for the director to make purchases within the budget under his/her control. To be valid, the school board must approve all contracts. The school board may empower the director to enter into contracts that will be subsequently approved by the board.
2. **Scope:** Purchasing procedures apply to procurement of equipment, supplies, and services used to support the educational process. Expenditure of charter school funds may only be for the public purposes of the charter school and may not benefit an individual.
3. **Administrative Approval:** In order to provide efficient budget management, the Board Chair, in collaboration with the board treasurer, must approve each expenditure.
4. **Monitor:** The director will monitor and facilitate best practices and ensure best pricing.

5. **Economy:** Good business practice dictates that products will be purchased for the lowest price for acceptable quality. Lower prices can be achieved through researching best prices, cultivating business relationships, negotiating price contracts, and buying in quantity, competitive quotation, or formal bid process.
6. **Purchasing Methods:** All charter school purchases must be made through methods authorized by the Board of Education. Approved methods include purchase orders, purchasing card, internet sites from reputable companies with which the school does business, request for a check, reimbursement to employees upon presentation of receipts for school district purchases and imprest cash. Advanced payment will only be made when required by the vendor.
7. **Purchasing Process:** Charter school payments for goods and services shall be reported to the school board for review no later than the next board meeting. The school board not only desires to have the opportunity to review purchases but also wants no penalty or loss of discount to occur from making payment after the next board meeting; purchasing card use and office supply web site purchases shall be reviewed by the school board at the meeting following payment. At no time shall any invoice remain unpaid by the school for more than 35 days to ensure prompt payment to the vendor and to avoid being cited in the annual audit.

a. **Requesting Goods and Services:**

- i. Requisitions for purchase orders. The school is to have a written procedure for the process of generating a purchase order for goods or services.
- ii. District purchasing card (credit card). The charter school is to have a written procedure for determining cardholders, method of reconciliation of monthly statements, a plan for attaching of all receipts and the process for authorizing payment. Each cardholder is responsible for producing supporting documents that reconcile with the credit card bill. These supporting documents must be available for inspection by the director and the board of education as requested.
- iii. Internet site. Purchase from approved vendors using the purchasing card. Office supplies can be purchased from vendors with which a data communication relationship is maintained and no purchase order is necessary. When goods are received, purchaser notifies director (or designee) and payment will be generated.
- iv. Request for check. Services or supplies received and invoiced prior to initiating a purchase order may be paid by filling out a “request for check” form and getting director approval. Examples include attorneys, auditors, employee reimbursement for purchase of goods

or mileage, and other contracted services where the total cost cannot be determined ahead of time.

- v. Employee reimbursement. Employees may be reimbursed for school expenses using a “request for check” form by attaching receipts and getting the Board Chair’s approval. State sales tax cannot be reimbursed, so purchasing cards or purchase orders should be used when ever possible.
 - vi. Imprest (petty) cash. Petty cash boxes may be authorized by the Board of Directors, if recommended by the director. The director, or certain departments, may have \$100, and in special circumstances, up to \$250 in a petty cash box. The total receipts and cash must equal the authorized amount at all times. The boxes must be kept in a secure location and must be available for review by the director at any time and must be turned into the director’s office and audited at the end of each fiscal year end.
 - vii. Advance payment. From time-to-time it may become necessary to get an advance payment for goods or services. Upon approval of the Board Chair, advance payment will be made for such things as and extended field trips, conference travel by staff and/or for vendors who won’t accept a purchase order. All receipts, along with any unspent funds must be turned in upon completion.
- b. **Receiving/Return/Storing:** The Board Chair or his/her designee, upon receipt of ordered goods, will make an inspection to insure accuracy of the order and condition of the
- Goods. The initialed and dated packing slip/invoice should be filed for matching with invoice for payment.
- c. **Invoice/Payment:** Payment for goods and services will be made only after the receipt of the goods or services, with rare exceptions. MN Statute 471.425 requires payment within 35 days with exception for a negotiated shorter payment period between vendor and school. No company shall be paid late fees for payment within the 35 days.
- d. **Check Run/Emergency Purchase Orders/Emergency Payments:** The business Management Company, or office personnel, generally prints checks for payment two times a month. Emergency purchase orders and/or emergency payments will be made only with the recommendation of the director and after a conversation with the business management firm or office personnel and verification that the need is an emergency.
- e. **Outstanding Purchase Orders and Year End Cleanup:** Purchase orders remain unfilled and open until all items have been received and paid. Full year purchase orders (i.e., blanket POs for cell phone bills) and any

unfilled purchase orders at June 30 of the fiscal year must be closed out and if necessary renewed with a different PO # for the new fiscal year. Authorization to make future purchases cannot extend beyond the end of the fiscal year.

Procedures for Purchases from \$10,000 to \$49,999 with non-federal money

A contract for supplies, materials, equipment or construction estimated to cost from \$10,000 to \$49,999 must be made by obtaining two (State Statute) or more competitive quotes or by sealed bid. Charter school contracts of this size must be in compliance with MN Statute 471.345. The director and the board treasurer must oversee this process.

Procedures for purchases \$50,000 and over with non-federal money

A contract for supplies, materials, equipment or construction estimated to cost \$50,000 and over must be solicited by sealed bid after a public notice period. Contracts of this size must be in compliance with MN Statute 471.345. The director and the board treasurer must oversee this process.

Procedures for using federal funds to purchase materials, products, or services under Minnesota's federal Charter Schools Program (CSP).

A. Follow the eight steps as outlined above for General Purchasing Procedures. This will assist the school in following a free and open competitive process in securing those products or services. It will allow the school to properly document their purchasing activities and decisions. In addition, this policy will assist the school in following the special rules for particular kinds of purchases typically used under the federal Charter School Program. The federal requirements for these administrative areas are found in the Code of Federal Regulations (CFR) at 34 CFR 80.36 for governmental sub-recipients and 34 CFR 74.40-48 for sub-recipients that are non-profit organizations (e.g. CSP sub-grantees). These regulations are found at www.ed.gov/policy/fund/reg.

B. The Federal CSP has permitted three Procurement Methods as follows:

1.) Small purchases (34 CFR 80.36(d)(1)):

a. May be used for procurement of \$100,000 or less in the aggregate:

Small purchases are usually made through the use of purchase orders for purchases of goods and written contracts for purchases of consultant vendor

Services; Proposals must be solicited from a three to five qualified sources (Federal CSP Grant Requirements) consistent with the nature and requirements of the procurement;

Competition is sought through oral or written price quotations; and for procurement of goods, catalogs or price lists may also be used.

b. Competitive Proposals (34 CFR 80.36(d)(3)):

A procurement in excess of the small purchase threshold (more than \$100,000) may not be inappropriately broken up into smaller components solely to qualify for the less complicated procedures followed under the

“Small purchases” approach.

- c. Noncompetitive proposals/sole source procurement (34 CFR Part 80.36(d) (4)) Noncompetitive negotiations may be utilized only under very limited circumstances. The CSP sub-grantee must show that another method of procurement was infeasible because:
 - The item or service was only available from a single source;
 - A public emergency or condition requiring urgency existed which did not permit the use of competitive procurement; or
 - Competition was determined to be inadequate after receiving proposals from numerous sources.

C. Contracting with small and minority firms and women’s business enterprises [34 CFR Part

80.36 (e)]. Grantees and sub-grantees will take all necessary affirmative steps to assure that small and minority firms and women’s business enterprises are used when possible. Affirmative steps include:

- a. Placing qualified small and minority business and women’s business enterprises on solicitation lists;
- b. Assuring that small and minority business and women’s business enterprises are solicited whenever they are potential sources;
- c. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority business, and women’s business enterprises;
- d. Establishing delivery schedules, where the requirements permits, which encourage participation by small and minority business and women’s’ business enterprises; and
- e. Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce.

D. The Administrative Process. The administrative procedures shall include a *system of contract administration* that includes the following:

WRITTEN PROCUREMENT PROCEDURES

For procurements within the small purchase threshold (\$100,000) the procurement procedure ensures that the purchase of unnecessary or duplicate items is avoided; and a cost or price analysis will be performed for every proposed procurement action,

including contract modifications, and documentation to that effect is maintained in the procurement file.

SELECTION PROCEDURES

The charter school selection procedures ensure that:

Awards will be made to the bidder/offer or whose offer is responsive to the solicitation and is most advantageous to the CSP sub-grantee, price and other factors considered;

Any and all offers may be rejected when it is in the CSP sub-grantee's interest to do so;

The CSP sub-grantee ensures that the award is only made to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement;

Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources; and

The school will check references, contact current and prior clients, check resource organization web sites, etc.

The school ensures the use of the EPLS database/SAM to verify proposed contractors are not debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549 and shall file documentation of search results with the contract.

The school ensures that there is protest procedures in place to handle and resolve disputes relating to procurement and in all instances report such disputes to the State (34 CFR 80.36(b)(12)).

CONTRACT ADMINISTRATION PROCEDURES

If a charter school has contract administration procedures it will:

- Insure all purchase orders (and contracts) are signed by the authorized official(s) of the CSP sub-grantee;
- Determine the adequacy of contractor performance (34 CFR 80.36(b)(2)); and
- Establish reasonable payment schedules defining amount and timing of funds to be paid (we recommend payment *after* services rendered).
- Insure items delivered and paid for are consistent with the purchase order and/or contract or the goods or services;
- Provide that timely payment to vendors occurs once the order is delivered, inspected, accepted, and payment authorized.

WRITTEN CONTRACTS WITH VENDORS WILL INCLUDE THE FOLLOWING:

Provisions or conditions that allow for administrative, contractual or legal

remedies in instances in which a contractor violates or breaches the contract term, and provisions which provides for such remedial actions as may be appropriate; Provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement; and Conditions under which the contact may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

RECORDS TO BE MAINTAINED

According to 34 CFR 80.36(b) (9), as a CSP sub-grantee the school will maintain records to detail the significant history of a procurement. These records include, but are not limited to documentation on:

- The rationale for selecting the method of procurement used; The rationale for selecting/rejecting the contractor;
- The rationale for selecting the type of contract; The basis for the *cost* or price of a contract;
- The receipt of an adequate number of price or rate quotations from qualified sources; and Justification for lack of competition when competitive bids or offers are not obtained.