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An Analysis of Policies, Regulations, and Procedures of Purchasing in Selected School Districts

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AN ANALYSIS OF POLICIES, REGULATIONS,
AND PROCEDURES OF PURCHASING IN
SELECTED SCHOOL DISTRICTS

by

Lawrence A. Wyllie

A Dissertation Submitted to the Faculty of the School of
Education of Loyola University of Chicago in
Partial Fulfillment of the Requirements
for the Degree of Doctor of Education

April

1979

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For their patience, understanding and most of all sacrifice, the author is extremely indebted to his wife, Marilyn, and sons, Mike, Scott, Tom, and Chris.

The author's final thank you goes to God, for giving him the ability and strength necessary for the completion of this study.

VITA

Lawrence A. Wyllie was born in Hinsdale, Illinois, November 22, 1937.

He received his elementary education in the public schools of Westmont, Illinois, and his secondary education at Downers Grove High School in Downers Grove, Illinois. After graduating from high school in June, 1955, he received the Bachelor of Science in Education degree from Northern Illinois University, De Kalb, Illinois in June, 1959, and the Master of Science in Education from Northern Illinois University, De Kalb, Illinois in August 1961.

He began his teaching career in September, 1959, at Prospect High School in Mt. Prospect, Illinois. He taught mathematics and coached baseball and basketball at Prospect High School for two years. In September, 1961, he moved to a similar position at Downers Grove High School and remained in the Downers Grove Public School system for six years. In September, 1967, he moved to York Community High School, Elmhurst, Illinois, and again taught mathematics while coaching basketball and baseball. In August, 1976, he became an administrator in the central office, working in the business area for Community Unit School District 205 in Elmhurst, Illinois, currently holding the position of Director of Financial Operations.

The author is married to the former Marilyn Knickerbocker and has four sons, Michael, Scott, Thomas, and Christopher.

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CHAPTER I

INTRODUCTION

Change and accountability are two terms educators are facing presently and will continue to face throughout the future. Change in educational technology, in local educational agency organization, and in financial support have caused the personnel charged with the responsibility of purchasing supplies and equipment for schools to upgrade the skills and procedures they use. Computerized purchasing and inventory control are examples of modern management methods used to carry out this function. Product shortages have forced the purchasing official to study the market conditions of supply and demand.

Accountability, as indicated by legislation for Planning, Programming, Budgeting, and Evaluation Systems (PPBES), by parents demanding to keep tax rates low, and by teachers' unions demanding a larger portion of the education dollar, are items that are forcing purchasing officials to develop more cost effectiveness procedures and to develop more control procedures in the use of supplies and equipment. For example, as school districts reorganize, the purchasing official becomes responsible for providing more items to more students in many more locations. No longer can one person handle all the details of purchasing, accounting for, and delivering the products. Consequently, new business office purchasing procedures and

organizations must be created.¹

School administrators today can save many dollars by wise purchasing and the judicious handling of supplies. Purchasing procedures and methods vary from state to state according to the size of the district or the types of items being purchased, but the principles underlying wise purchasing remain the same. Under normal circumstances the term "purchasing" is used to cover the process of buying supplies and equipment. On the surface it may seem academic to distinguish between "supply" and "equipment", but because of differences in purchasing processes, administration, and accounting, it is necessary to do so.²

The U. S. Office of Education, in its Common Core of State Educational Information which is intended to develop a uniform terminology for education throughout the United States, gives these definitions:

1. Supplies - materials used in the administration, the instructional program, and other school services or in plant operation and maintenance which are consumed in the course of such use. Some examples, are ink, pencils, bulbs, chemicals, etc.
2. Equipment - fixed or moveable articles such as furniture, furnishings, machinery, and various materials not immediately consumed in normal course usage. Expenditures for initial or additional equipment should be classified as capital outlay.³

¹Richard E. Munsterman, Purchasing and Supply Management Handbook for School Business Officials, (Chicago: Research Corporation of ASBO, 1978), p. 1.

²William H. Roe, School Business Management, (New York: McGraw-Hill, 1961), p. 125.

³Common Core of State Educational Information, U. S. Office of Education, 1953.

Purchasing is not an end in itself. Educational materials, supplies, and equipment are bought because they are needed in the educational process. Since purchasing has the primary purpose of implementing the work of other areas of the educational complex by procuring needed materials, it is regarded as a service function. Purchasing can be carried on under this concept with only partial effectiveness. The implication, however, is that purchasing considerations are subordinated to the aims, desires, and policies of those being served. This is to sacrifice, by default, the larger benefits and full potentialities of scientific purchasing policies and procedures.⁴

One view, which is rapidly gaining acceptance, is one where the purchasing administrator's role is coordinated with other phases of the school's activities, neither subordinate nor dominant, but working closely with other departments toward an optimal educational program. Purchasing involves the management of materials in flow, from the establishment of sources and shipping, through inventory and warehousing, to the ultimate delivery at the educational facilities. At every stage there are decisions to be made as to quality, quantity, timing, source, and cost. These decisions must be congruent with constantly changing education, business, and economic conditions that alter the policies of purchasing from week to week.

The public has begun to recognize the importance of adequate supplies and equipment, but many times the funds are not available

⁴Carl Candoli, Walter Hack, John Ray, and Dewey Stollar, School Business Administration: A Planning Approach, (Boston: Allyn and Bacon, 1973), p. 241.

for these purchases. Recognition of their need has come at a time when allocations for teachers' salaries, instructional services, and school facilities are also increasing. Data reported in the Cost of Education Index indicated that less than twelve per cent of the current operating budget in the typical school district throughout the nation was being spent for items catagorized as supplies and equipment.⁵ The importance of securing maximum return on the educational dollar cannot be overemphasized in view of the contribution this relatively small expenditure makes to the success of the educational process.⁶

Developing sound business practices in school purchasing activities is doubly important because maximum educational return must be secured from limited funds and because lay citizens often view themselves as experts on purchasing even though they may recognize that their general knowledge of the total educational process is somewhat limited.

The direct charge of accountability now being emphasized in education may very well start with the purchasing of school materials. The purchasing area is among the first of the school's business operation to be studied and improved when the often times insistent pressure of public opinion is directed toward economizing school business operations. Involved in the complicated process of purchasing are such problems as determining what is needed and in what quantity and quality, providing the quality of the product needed without overspending the budgeted amount, storing what is required

⁵K. Forbis Jordan, School Business Administration, (New York: Ronald Press, 1969), p. 85.

⁶Ibid., p. 85.

without keeping too much money invested in inventories, keeping unsuccessful bidders happy when they cannot compete successfully, and satisfying school personnel when recommended brands of items are not purchased or deliveries are received late. As great as these problems are, planning and efficiency of operation will solve most of them. Written policies concerning the use of requisitions, purchase orders, and statements of standards or specifications are mandatory for efficient procurement and use of materials.⁷ The policies and procedures mentioned here will be studied in greater depth in the next chapter. Since the present study is a study of processes based on actual performance, not on perceptions, previously completed works will serve as related research to the particular problem to be studied.

Purpose

The general purpose of this study was to analyze purchasing policies, regulations, and procedures in selected school districts. The study was guided by the following major questions:

1. What do the authorities identify as appropriate purchasing policies, regulations, and procedures for public schools?
2. What purchasing policies, regulations, and procedures are currently being used in the public schools?

Once these two major questions were explored and answered,

⁷Percy E. Burrup, Financing Education in a Climate of Change, (Boston: Allyn and Bacon, 1977), p. 338.

results were analyzed in the following manner:

1. A comparison of what the authorities say should be relevant purchasing policies, regulations, and procedures, and what actually is occurring.
2. An analysis of the actual policies, regulations, and procedures in terms of their implications upon the public school districts in the administrative functional areas of
 - a. Planning
 - b. Organizing
 - c. Budgeting

With the many issues facing education today and their implications financially to the general operation of the public schools, sound fiscal management is becoming more and more important. This study provides a structure of sound purchasing policies, regulations, and procedures with which business administrators can view their respective roles in the purchasing function. A primary purpose of the study, therefore, was to determine current practices being employed in the area of purchasing in the public schools studied. This area of school administration is extremely important and a study of this type seemed appropriate now more than ever before due to the reduced revenues available to school districts. These reductions in revenue, particularly state aid, are caused by the two fold effect of increased assessed valuation coupled with declining enrollment. These two factors have a devastating effect when computed in the resource equalizer formula, which is used to fund 83 percent of the school district in Illinois. The other 17 per cent is funded under the Stayer-

Haig Formula with the results being much the same.⁸ Proposition 13, the virtually impossible task of passing tax rate referenda, and tax reform legislation, an almost certainty to become reality in the near future, make the purchasing administrator's job challenging to say the least. All of these have direct and important ramifications on the person responsible for the purchasing function. Mismanagement in purchasing can throw an entire organization into turmoil and disrepute. The purchasing administrator must be a person of impeccable reputation, who operates on principle, and will not allow anyone, either the fawning backslapping salesman with an offer of gifts or entertainment or the important citizen with an interest to serve, to sway him from honest and unbiased performance of duty.

This study developed an outline of purchasing policies, regulations, and procedures currently being practiced as well as expanding on the research in this area which is meager at best. Recommendations were made as to acceptable purchasing procedures and the implications they have on the administrative functions of public school districts.

Procedure

The procedure in this study is not highly complex, consequently, an entire chapter will not be devoted to its development. The literature was surveyed first to determine the extent, findings, and recommendations in the major areas of purchasing policies, regulations, and procedures. The focus of the survey of the literature

⁸State, Local, and Federal Financing for Illinois Public Schools, (Illinois Office of Education, 1977), p. 8.

was to identify what the authorities considered to be appropriate purchasing procedures. Not only was related literature consulted, but also research in the area of purchasing was studied. Since the related literature was analyzed as to the implications of administrative functioning in the areas of planning, organizing, and budgeting, a literature review was also made as to the meaning of planning, organizing, and budgeting and their relevance to the business function of the school district.

Emphasis on process in the administration of public education is a relatively recent development. Process was minimized prior to 1950, but the essence of educational administration, as more recently described in popular texts considers process to be very important in the solving of operational problems such as personnel and business management. Since 1950, however, there has been a growing interest in planning, organizing, and the administrative process.⁹

The next step in the study was to determine those districts which were included in the population of the study. The districts selected were in the northern one-third of the state of Illinois with the major emphasis being in the Chicago suburban area. Twelve districts were chosen and they came from DuPage, Kane, Cook, and Winnebago Counties. The districts were selected on the basis of (1) enrollment in the district, and (2) the number of central office administrators. In a relatively large district the purchasing function is likely to be a full time responsibility thus giving the administrator

⁹Stephen Knezevich, Administration of Public Education, (3rd ed; New York: Harper and Row, 1975), p. 25.

more time to develop policies, regulations, and procedures. It was felt that in very small districts where the superintendent was the sole central office administrator, dealing with a relative small budget, his time schedule may not allow him to become deeply emersed in a complicated purchasing program. There is a significant variety of economic and social conditions within the four county area bordered by Wisconsin on the north, Iowa on the west, Lake Michigan on the east and an east-west line of approximately thirty miles from downtown Chicago on the south. Within this area are school districts which are among the largest, richest, poorest, and smallest in the state of Illinois. There is really no other part of Illinois offering such a diversity as in this portion of the state.

The selection of only large districts is substantiated by Campbell who considered the administrative process to be normative and, therefore, unaffected in theory by wealth and size variables. He realized, however, in actual practice that the "size of the organization is a variable that appears to influence the content and characteristics of the manager's work."¹⁰ This is the first year in the last four that the school districts received full funding from the state of Illinois as provided under the resource equalizer formula. The purchasing function becomes very important, even with one hundred percent funding, due to the lethal effect created by the combination of rising assessed valuation and declining student enrollments which causes drastic reduction of revenues school districts obtain in the

¹⁰Roald F. Campbell, Edwin Bridges, and Raphael Nystrand, Introduction to Educational Administration, (5th ed; Boston: Allyn and Bacon, 1977), p. 180.

form of state aid. There were significant differences in the size and the wealth of the schools used in this study as can be seen from the information presented.

The collection of the data was accomplished by, (1) the results obtained from a questionnaire administered by mail, and (2) a follow-up interview with the respondents of the questionnaire. The interview procedure was used as a primary means of gathering data for a number of reasons. Van Dalen¹¹ and Best¹² both indicated that people, for the most part, are more willing to communicate orally than in writing. As Best said, "After the interviewer gains rapport, or establishes a friendly secure relationship with the subject, certain types of confidential information may be obtained that an individual might be reluctant to put in writing."¹³ Although Best viewed the interview as a kind of oral questionnaire, the interview may be thought of as involving more than a questionnaire. Good indicated several values of the interview as compared with the questionnaire.¹⁴ Among them, in addition to the stimulus provided by the interview to retrieve personal and confidential information, were that the facts that the interviewer could follow up leads and clues in a manner not possible by a questionnaire. The interview

¹¹Deobold Van Dalen, Understanding Educational Research: An Introduction, (3rd ed; New York: McGraw-Hill, 1973), p. 329.

¹²John Best, Research in Education, (2nd ed; Englewood Cliffs, New Jersey: Prentice Hall, 1970), p. 186).

¹³Ibid., p. 187.

¹⁴Carter Good, Introduction to Educational Research, (2nd ed; New York: Appleton-Century-Crofts, 1963), p. 288.

technique then made it possible for the person conducting the interview to form an impression of the truth of the answers and interpret things that were left unsaid. Issac listed the following advantages of an interview: (1) it permits greater depth, (2) it permits probing for more complete data, (3) it makes rapport possible with the respondent, and (4) it provides a means of checking the effectiveness of communication.¹⁵ For all of the reasons above, the interview technique was chosen as a follow-up to the questionnaire.

The data sought from the interview were gathered through the use of an interview guide. The respondents' answers to the questionnaire previous to the interview enabled the interviewer to zero in on more salient points much more rapidly than if the interview was constructed with no previous background. (The questionnaire instrument appears in the appendix of this study.) One reason for using the interview guide was to validate responses to the questionnaire. Another reason was to gather further data especially in the area of purchasing implications as related to administrative planning, organizing, and budgeting. The questionnaire was validated for content by administering it to two purchasing administrators whose districts were not part of the study, and to a superintendent of a large suburban unit district, and by submitting it to a panel of experts on the faculty of the Department of Administration and Supervision of Loyola University. Comments for improvement of the instrument were incorporated into the actual instrument as used in this study.

¹⁵Stephen Isaac, Handbook in Research and Evaluation, (San Diego: Robert R. Knapp, 1971), p. 96.

The following is an illustration of the kind of interview development which occurred. The interview technique made it possible to follow up on the respondent's positive answer in the questionnaire, regarding presenting all budget managers with a copy of the warehouse catalog by asking to see the document. Seeing the catalog, therefore substantiated that the respondent did in fact have a catalog at which time also the person conducting the interview could take a first hand tour of the warehouse facility.

The data collected by the questionnaire and the results of the interview process were compiled and separated into the categories of (1) Policies, (2) Regulations, and (3) Procedures.

The next step in the study was to categorize the findings of the authorities as determined in the review of the related literature and research in the same areas of (1) Policies, (2) Regulations, and (3) Procedures.

After the findings which resulted from the questionnaire/interview method were tabulated, and the findings of the authorities were categorized, an analysis was made relative to three areas.

1. An analysis was made as to the implications of purchasing policies, regulations, and procedures upon the administrative functioning of school districts in the areas of (1) Planning, (2) Organizing, and (3) Budgeting. These three areas were selected because of their relevance to the relationship of purchasing implications on the district.

2. The analysis compared and contrasted the findings recommended by the authorities and the findings generated by the questionnaire and interview procedures as to current practices in the selected school districts.
3. An analysis was made between the findings among the individual school districts analyzed and the possible reasons for similarities and differences.

The analysis of this study was structured around the three part framework listed above and the relationship to purchasing policies, regulations, and procedures.

Limitations

In most studies there are limitations and this study was no exception. The population selected for this study was a very small fraction of the population of all school districts in the United States. The state of Illinois procedure for funding public education, however, was an aspect which made its comparison to other states a virtual impossibility. Geographically, all school districts studied were located in a relatively small but very populous area of the State. Even though it was assumed that the districts selected represented a cross section of the diversity of school districts with the criteria for their selection throughout the state, there was no assurance or absolute claim that the study had applicability beyond its population.

Another significant limitation was the method of obtaining the data -- namely the questionnaire/interview method. Even though

an attempt was made to construct an instrument containing high validity, the lack of randomization of samples and the type of comparison groups used would cause some limitations. Also, even though an attempt was made to maintain an objectivity in the interviewing process by the use of a structured interview instrument, there were factors which may have altered the responses of the respondents.¹⁶ The survey interview can temporarily lift the respondent out of his own social context which may make the results of the survey invalid. The interview is a special event in the ordinary life of the respondent.¹⁷ This unique experience may affect the respondent so that he talks to and interacts with the interviewer in an unnatural manner. He is not himself, so to speak, which makes it a necessity for the interviewer to limit the effects of lifting the respondent out of the social context by skillful handling, especially by careful phrasing of the questions.¹⁸ Other limitations may have been variations in the degree of openness, bias, and unusual characteristics of the interviewer. There was also further danger in the subtle but often unconscious visual or vocal cues given the respondents. The opinions and attitudes of the interviewer and his expectations of the respondents' opinions and attitudes could influence what answers were given and how they

¹⁶Deobold Van Dalen, Understanding Educational Research: An Introduction, (3rd ed; New York: McGraw-Hill, 1973), p. 329.

¹⁷Fred N. Kerlinger, Foundations of Behavioral Research, (2nd ed.; New York: Holt, Rinehart, & Winston, Inc., 1973), p. 423.

¹⁸Edward Maccoby, "The Interview: A Tool of Social Science", Handbook of Social Psychology, (Cambridge: Addison Wesley, 1954), pp. 449-481.

were recorded.¹⁹ Isaac warned of the possibility of the problem of subjectivity and personal bias arising by indicating an eagerness of the respondent to please the interviewer, a vague antagonism that sometimes arises between the interviewer and the respondent, and the tendency of the interviewer to seek out answers that support his preconceived notions.²⁰

There was an attempt to minimize the possibility of these preconceived notions occurring by refining during the validation process, and by being aware of the potential for personal bias during the interviewing process. The questionnaire used in this study underwent validation, as previously indicated, in order to reduce these limitations as much as possible.

Definition of Terms

If objective analysis of purchasing policies, regulations and procedures is to exist, a common understanding must be reached concerning the definition and significance of relevant terms. To someone versed in the jargon of the private sector this point may seem trite; nevertheless, this semantic differential provides a real impediment to lucid and objective perception of the role of purchasing policies, regulations, and procedures. Dr. William Hazzard, in an article entitled "Semantic Gymnastics"²¹, addresses himself to this very subject. He points out the dichotomy of meanings and values

¹⁹Van Dalen, op. cit., p. 330.

²⁰Isaac, op. cit., p. 96

²¹William R. Hazzard "Semantic Gymnastics", American School Board Journal, Vol. 155: (October 1967), pp. 14-15.

attributed to many of the terms that have been borrowed from the private sector. The following list of terms and definitions are the ones used most often with a complete glossary of public purchasing terms appearing in Appendix A.²²

1. Alternate bid - (1) A response to a call for alternate bids. See, Alternate bid, call for. (2) a bid submitted in knowing variance from the specifications. Such a bid is only acceptable when the variance is deemed to be immaterial.
2. Antitrust legislation - Laws that attempt to prevent or eliminate monopolies or oligopolies and to prevent noncompetitive practices.
3. Appropriation - Legislative sanction to use public funds for a specific purpose. Money set apart for a specific use.
4. Arbitration - A process by which a dispute between two contending parties is presented to one or more disinterested parties for a decision.
5. Bid - An offer, as a price, whether for payment or acceptance. A quotation specifically given to a prospective purchaser upon his request, usually in competition with other offerors. Also, an offer by a buyer to a seller, as at an auction.

²²Eric Kohler, A Dictionary for Accountants, (New Jersey: Prentice-Hall, 1970); Dictionary of Purchasing Terms, National Institute of Governmental Purchasing, Inc., Washington, D. C., 1972; George W. Aljian, Purchasing Handbook, (2nd ed; New York: McGraw-Hill, Inc., 1966).

6. Bid bond - An insurance agreement in which a third party agrees to be liable to pay a certain amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as bid. See, Bid deposit; Bid security.
7. Bid opening - The process through which the contents of bids are revealed for the first time to the government, to the other bidders, and usually to the public. See, Public bid opening.
8. Bidders list - A list maintained by the purchasing authority setting out the names and addresses of suppliers of various goods and services from whom bids, proposals, and quotations can be solicited. See, Prequalification of bidders; Qualified bidder.
9. Caveat emptor - "Let the buyer beware." A maxim that stands for the rule that the buyer should be careful in making a purchase because the burden of defective goods rests with him. The vendor can be made to take the responsibility for some defects through specifications and warranties.
10. Centralized purchasing - A system of purchasing in which the authority, responsibility, and control of purchasing activities is concentrated in one administrative unit.
11. Collusive bidding - The response to bid invitations by two or more vendors who have secretly agreed to

circumvent laws and rules regarding independent and competitive bidding. See, Corrupt combination, collusion, or conspiracy in restraint of trade; Price fixing.

12. Competitive bidding - The offer of prices by individuals or firms competing for a contract, privilege, or right to supply specified services or merchandise.
13. Contract - A deliberate verbal or written agreement between two or more competent persons to perform or not to perform a specific act or acts. See, Uniform Commercial Code.
14. Contractual services - Services furnished under a contract in which charges, effective periods, and extent of work are defined.
15. Cooperative purchasing - The combining of requirements of two or more political entities in order to obtain the benefits of volume purchases and/or reduction in administrative expenses.
16. Default - Failure by a party to a contract to comply with contractual requirements; vendor failure.
17. Emergency purchases - A purchase made without following the normal purchasing procedure in order to obtain goods or services quickly to meet an emergency.
18. Evaluation of bid - The process of examining a bid after opening to determine the bidder's responsibility,

responsiveness to requirements, and other characteristics of the bid relating to the selection of the winning bid.

19. Fair market value - A price that would induce a willing purchaser to purchase or a willing seller to sell in an open market transaction; the price a property would bring at a fair sale between parties dealing on equal terms.
20. Fiscal year - A period of 12 consecutive months selected as a basis for annual financial reporting, planning, or budgeting.
21. Formal bid or offer - A bid which must be forwarded in a sealed envelope and in conformance with a prescribed format to be opened at a specified time.
22. Goods - Anything purchased other than services or real property. See, Uniform Commercial Code.
23. Imprest funds - Funds set aside as a cash reserve for expenditures made in accordance with established policies and controls; petty cash.
24. Ineligible bidder - A supplier who, by reason of financial instability, unsatisfactory reputation, poor history of performance, or other similar reasons, cannot meet the qualifications for placement on the bidders list or award.
25. Invitation for bids - A request, verbal or written, which is made to prospective suppliers requesting

the submission of a bid on commodities or services.

26. Legal notice - The notice that is required by law.
Legal notice for some purchases may be the posting of an announcement of the purchase in a public place, the notification of the appropriate bidders from the bidders list, a formal advertisement in a newspaper or newspapers, or a combination of these methods. See, Formal advertising.
27. Local purchase - A purchase by an agency for its own use or for the use of another agency logistically supported by it.
28. Material(s) - Supplies required to perform a function or manufacture an item, particularly that which is incorporated into an end item or consumed in its manufacture.
29. Multiple award - The award of separate contracts to two or more bidders for the same commodities in situations where the award of a single contract would be impossible or impractical.
30. Negligence - The failure to do that which an ordinary, reasonable, prudent man would do, or the doing of some act which an ordinary, prudent man would not do. Reference must always be made to the situation, the circumstances, and the knowledge of the parties.
31. Policy - In this study policy will have a somewhat narrower meaning than normal. It will be a guiding

transportation terms, and all other agreements pertinent to the purchase and its execution by the vendor. Acceptance of a purchase order constitutes a contract.

37. Purchasing manual - A formal collection of instructions relative to procedures to be followed by all parties when making use of or dealing with the purchasing department in procurement actions.
38. Qualified bidder - A bidder determined by the government to meet minimum set standards of business competence, reputation, financial ability, and product quality for placement on the bidders list. See, Bidders list; Prequalification of bidders.
39. Responsible bidder - A bidder whose reputation, past performance, and business and financial capabilities are such that he would be judged by the appropriate government authority to be capable of satisfying the government's needs for a specific contract.
40. Rules and regulations - Governing precepts and procedures made by an administrative body or agency under legislative authority that sometimes have the force and effect of law.
41. Sealed bid - A bid which has been submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids; usually required by the purchasing authority on major procurements to ensure fair competition among

principle or procedure.

32. Prepaid - A term denoting that transportation charges have been or are to be paid at the point of shipment.
33. Price agreement - A contractual agreement in which a purchaser contracts with a vendor to provide the purchaser's requirements at a predetermined price. Usually it involves a minimum number of units, orders placed directly with the vendor by the purchaser, and a limited duration of the contract (usually one year). See, Blanket order; Open-end contract; Requirements contract; Term contracting.
34. Procedure - A series of steps or course of action. A set of established forms for conducting public affairs.
35. Public bid opening - The process of opening and reading bids, conducted at the time and place specified in the Invitation for Bids and/or the advertisement, and in the view of anyone who wishes to attend. See, Bid opening.
36. Purchase order - A purchaser's document used to formalize a purchase transaction with a vendor. A purchase order, when given to a vendor, should contain statements as to the quantity, description, and price of the goods or services ordered; agreed terms as to payment, discounts, date of performance,

bidders.

42. Specification - A description of what the purchaser requires and, consequently, what a bidder must offer to be considered for an award.
43. Tabulation of bids - The recording of bids and bidding data that was submitted in response to a specific invitation for the purposes of comparison, analysis, and record-keeping.
44. Vendor - A supplier.
45. Vendor file - The accumulated record maintained by the central purchasing authority of information relevant to his business relationship with the government, including application for inclusion on the bidders list, record of performance under contracts, correspondence, and the results of special-purpose analyses.
46. Waiver of bid(s) - A process, usually statutory whereby a government purchasing office may procure items without formal bidding procedures because of uniqueness of circumstances related to that procurement action.

The original intent was to maintain a distinct difference among the terms policies, regulations, and procedures. During the data gathering, however, it became apparent that the terms are used interchangeably. Therefore, in the remainder of the data reporting sections there is not a clear delineation among these terms.

CHAPTER II

REVIEW OF RELATED LITERATURE

The primary focus of this study was to analyze the policies, regulations, and procedures relevant to purchasing in the public schools. The purchasing function is an integral part of the administrative complex. The director of purchasing can assist educational personnel in exploring new instructional materials and media. In maintenance and capital outlay programs, purchasing personnel can obtain the information relating to the cost of the items. Purchasing efficiency in institutional and governmental administration seeks to make the material dollars go further thereby either reducing the necessity of raising additional funds by taxation and appropriations or releasing available funds for use in other areas. A general overview of administration is presented to demonstrate exactly how the business department operates and more specifically how purchasing functions in public education.

The chapter will begin with an historical overview of administration, move to purchasing policies and procedures, legal aspects of purchasing, bidding regulations, ethics in purchasing, planning in both administration and purchasing along with organizing and budgeting dealing with the same two areas. These phases of this study will incorporate what the authorities say is relevant and their views as they relate to both public school administration and the purchasing function.

Brief Historical Overview

Administration, or the need for it, has been evidenced whenever there were complex tasks to be performed and two or more people involved. A brief historical overview will be presented to quickly trace the development of education, educational administration, and the development of the school business function.

As Knezevich indicated, administrative activities are described in the most ancient records of significant events in past cultures. Constructing pyramids in Egypt, outfitting Phoenician ships, developing Babylonian commerce, and constructing the temples of ancient Israel. Operating governments in the city states of ancient Greece, equipping and sustaining Hannibal's legions, carving roads to the distant reaches of the Roman Empire, governing colonies in a distant hemisphere, demanded a degree of skill and understanding of the administration of institutions, organizations, or activities.¹

From these early beginnings administration evolved toward educational administration with the development of early schools in Western Europe. Religious institutions flourished with the Protestant Reformation, the activities of the Cameralists in the 1700's, and the formation of national educational structures in Germany, England, and France greatly increased not only education but the need for administration.

With the formation of national educational structures in

¹Stephen J. Knezevich, Administration of Public Education, (New York: Harper and Row, 1975), p. 4.

Western Europe the Puritans were settling in the New England Colonies in the early sixteen hundreds bringing with them religious beliefs that were perpetuated by a strong educational structure. As education developed in the New England Colonies, the Colonial South and the Mid Atlantic Colonies developed their own educational experiences to fit the life style of the region and the needs of the people of that period.

As these educational institutions grew in complexity, the need for formal study in the area of public school administration increased. Horace Mann spearheaded the common school movement and his superior administrative talent was evidenced by his ability to reconcile all political factions in opposition to the common school movement without compromising his own principles. Although the concept of administration was developed by gradual, but finally radical, revision of the meaning of a new word the concept which later became known as "management" was well developed as a new and commanding idea before acquiring any fixed label at all.² Whether it be administration or management, the fact is well established that the role of educational administration developed quite rapidly to include areas of curriculum, personnel, and business management.

School business administration is probably more apparent today than it has ever been in terms of visibility in the eyes of the education profession as well as in the eyes of the general public as

²Roald F. Campbell, and Russell T. Gregg, Administrative Behavior in Education, (New York: Harper and Row 1957), p. 93.

a whole. The financial "crunch", the calls for accountability, equal educational opportunity, reordering priorities, increasing productivity, the search for program and fiscal alternatives, and the taxpayer's revolt have placed demands on the school business administrator for explaining and defending the procedures and processes used, as well as developing and adopting activities which can deliver the needed services as perceived by the given public. Within the context of the school business administrator's function is that of purchasing.

The progressive view, which is advocated by Candoli, is the role of purchasing where coordinated with those roles of other phases of the school's activities, neither subordinate nor dominant, but working closely with other departments toward an optimal educational program.³ Purchasing involves the flow of material, from the establishment of sources and shipping through the inventory and warehousing, to the ultimate delivery at the educational stations. At every stage there are decisions to be made as to quality, quantity, and cost. These decisions must be keyed to constantly changing educational, business, and economic conditions that alter the immediate objectives and policies of purchasing from month to month. The next section is an examination of purchasing policies, regulations, and procedures as perceived and advocated by the authors of the current literature relevant to these areas.

³Carl I. Candoli, Walter G. Hack, John R. Ray, and Dewey H. Stollar, School Business Administration: A Planning Approach, (Boston: Allyn and Bacon, 1973), p. 241.

Policies and Procedures

Written documents distributed to all staff members provide purchasing policies and guidelines for the administration of the entire purchasing process. These policies provide school board members and staff members with a better understanding of mutual roles as they perform their duties.

Purchasing policies evolve from state laws, court decisions, and administrative rulings of the state department of education, and provide the general overall framework for purchasing. Boards of education must have some direction by the legislation provided in their state, but they must also operate within the law. Local school boards establish policies which provide for the application of the state laws and rulings, according to their local needs and circumstances.

Policies must be clearly stated, broad in scope, and carefully considered to show the public that there is nothing to hide in an area of sensitivity to all concerned, especially in the economic climate of today. Policy statements must be constructed using the best judgment possible to attempt to prevent a future emotional issue from developing.

Roe suggested in 1961, policy statements that even today are used concerning school board policy with regard to purchasing that should include the following:

1. An interpretation or summary of state statutes affecting purchasing.
2. An interpretation or summary of state court cases having implications for local purchasing.

3. A ~~summary~~ summary of administrative rulings or purchasing by state boards of education or state departments of education.
4. A statement on authority and responsibility in purchasing for the district.
5. A designation of the purchasing administrator for the school district.
6. An outline of steps for approval and disapproval of purchases, designating different situations according to amount and type of purchase.
7. A clarification of local purchasing practice.
8. A statement clarifying how those who use materials and equipment shall work with the purchasing administrator in selecting supplies and equipment.⁴

If policies and procedures are to be effective in bringing about economic efficiency in the purchasing process and providing the right item at the right place at the right time they must be sufficiently flexible so that the purchasing function may be performed as economically as possible in terms of the expenditure of funds and the utilization of personnel.⁵

In order to accomplish this flexibility, Jordan advocated the following policies for a school district to use as a guideline for the school purchasing activities. These suggestions of Jordan's will not be analyzed specifically in this paper, but will be related to what other authors suggest and an appropriate analysis made later in the study.

1. School Board policies and regulations should stipulate the administrator who is responsible for the efficient and ethical conduct of all purchasing activities.

⁴William H. Roe, School Business Management, (New York: McGraw-Hill, 1961), p. 130.

⁵K. Forbis Jordan, School Business Administration, (New York: Ronald Press, 1969), p. 87.

2. A participative approach should be used in making purchasing decisions so that the eventual user of the product will have the "right choice" whenever possible.
3. The administrative goal of the purchasing process should be to have the right product purchased at the right price and available at the right place at the right time.
4. An effective communications network should be developed so that the purchasing office has adequate knowledge of product performance.
5. Whenever practical, frequently used items should be placed on a standard list to expedite the purchasing process and to effect greater economy.
6. Statutory provisions and related legal requirements should be carefully observed in all aspects of the purchasing process.
7. An inspection and testing program should be inaugurated to assure that the products purchased by the school district reflect a favorable balance of quality performance and economy in both purchase price and utilization.
8. Accepted codes of ethical conduct for school board members, staff members, and vendors should be observed in all purchasing contracts.⁶

Effective school purchasing requires, according to Burrup, a systematic organization that is operated by established procedure.⁷ The first step he advocated for establishing such an organization is for the board of education to establish written policies concerning purchasing. Such policies are very valuable, and they bring clarity and understanding to school operation. Carefully considered and well written policies are the basis of all board functions.⁸ They legalize

⁶Ibid., p. 86.

⁷Percy E. Burrup, Financing Education in a Climate of Change, (2nd ed., Boston: Allyn and Bacon, Inc., 1977), p. 339.

⁸Ibid., p. 339

actions and relieve employees of the responsibility of making policy decisions under pressure of time or expediency.

Jordan and Brock suggested that purchasing policies and procedures should provide guidelines in the following areas:⁹ (1) purchasing structure, (2) purchasing personnel, (3) establishing specifications, (4) selecting vendors, (5) purchasing procedures, (6) receiving and inspecting supplies, and (7) storing, inventorying and distributing supplies. Along these lines the areas of standardization must also be examined.

Many of the supplies that a school district uses can be of a standard size and quality without loss in effectiveness. Where such standardization is possible, the use of standard lists has certain advantages, including reducing unit costs through buying larger quantities and through competitive bidding by vendors. Even when the personnel concerned help determine the standards and specifications of materials to be used, there will sometimes be justifiable reasons for buying special supplies or supplies with nonstandard specifications. Important as standards are in procuring supplies and equipment, no worthwhile school program should suffer unduly because of inability to use standardized materials.

Burrup indicated that standardization practices usually result in a number of benefits to school districts. Standardization:¹⁰

⁹K. Forbis Jordan, and Dale E. Brock, "Principles of Public School Purchasing", American School Board Journal 49, (August 1974), p. 14.

¹⁰Ibid., p. 341.

1. Allows lower costs from bids on large quantities of one item.
2. Reduces and facilitates repairs and replacements.
3. Reduces inventories, thereby reducing storage costs, and at the same time increases the amount of school funds available for other purposes.
4. Speeds delivery of materials or equipment.
5. Reduces the number of materials and equipment for which specifications must be written.
6. Reduces the work of the purchasing department, including that of business office record keeping.

One of the problems involved in determining the standards of quality that should be established, and therefore of price, is determining what quality in a product is required to achieve a particular function for a particular period. The school district purchasing administrator may often be tempted to procure the least expensive item in order to save money which may be used for purchases of other items. All too often purchases of this type result in employee dissatisfaction, poor performance, high repair costs, early replacement, and an unwise and uneconomical expenditure of school funds.

In determining the standard of quality, the purchaser should consider: (1) length of term for which the product is to be used, (2) the comparative service that each potential choice is known to have given, (3) prestige factors involved if any, (4) the extent of safety hazards involved if any, (5) the availability of the products under consideration, (6) initial cost and upkeep costs, and (7) disposal problems and costs.¹¹

¹¹Ibid., p. 342.

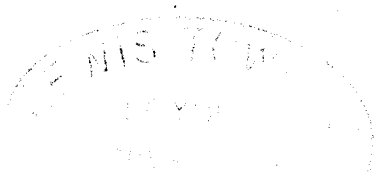
Specifications for materials to be purchased often require much time and effort to prepare. When possible, districts take advantage of the standard specifications already prepared by private companies or by the Federal Bureau of Standards. These specifications will save the time of the business office in soliciting quotations and in ordering the product. This knowledge also will provide some fore-knowledge of the quality of the product being purchased. One important disadvantage is when using standard specifications the user often is required to use one brand-name product when experience and personal bias would strongly suggest the purchase of a different one, often at little or no additional increase in cost.

Along with the ideas expressed by Burrup, Jordan, and Brock pertaining to purchasing policies, regulations, and procedures, a bulletin published by The Association of School Business Officials summarized fairly well the state of the literature regarding purchasing policies and procedures.

In the ASBO bulletin, the fundamental objectives of the purchasing function were categorized as cost reduction, service, and control.¹²

Cost reduction is concerned with obtaining the best products or services for the dollar. A fundamental objective of the purchasing function is more concerned with getting a product or service

¹²Richard Munsterman, Purchasing and Supply Management Handbook for School Business Officials, (Bulletin Number 22, Research Corporation of ASBO, 1978), p. 2.



for the lowest ultimate price than it is with getting the product for the lowest initial price. Cost effectiveness is a term generally used to describe this concept, which is attempting to achieve the highest use from a product per dollar cost. Therefore, the ultimate price (cost) of the product must include not only the immediate price of the product as well as secretarial, clerical, labor, and administrative charges, but subsequent costs such as storage, foregone interest, maintenance, and obsolescence.

Specific objectives included in the cost reduction category are the following:¹³

1. To purchase materials at the lowest cost consistent with the quality and service required;
2. To avoid duplication, waste and obsolescence of materials and equipment;
3. To maintain standards of quality in products and services consistent with their use;
4. To provide the necessary supplies without maintaining an excessive supply inventory.

The service objectives of the purchasing function were concerned with the interrelationships of this function with other functions of the Local Educational Agency. Those objectives are as follows:¹⁴

1. To maintain continuity of supplies and equipment for the educational process;
2. To maintain a record keeping system that provides administration with useful reports;
3. To make available to the other departments and personnel information received from present and potential suppliers

¹³Ibid., p. 3.

¹⁴Ibid., p. 5.

regarding new products, process, and techniques; economic information; and forecasts on product supply and price;

4. To provide a system to enhance good relations with vendors;
5. To provide a system for short and long range planning of the educational program;
6. To inform other local Educational Agency employees of the services offered by the purchasing function.

Maintaining control of the purchasing function involves more than controlling the employees involved with this function. Specific objectives of control are:¹⁵

1. To provide a process for purchasing that is consistent with all legal statutes of the local, state, and federal governments;
2. To provide centralized supervision of vendor-school district employee relations;
3. To provide the necessary data for the accounting and property records offices;
4. To provide a process for the disposal of salvage or scrap supplies and equipment.

In summary, the objectives of purchasing can best be described by the analogy of the businessman-customer relationship. If customers (educators) are not satisfied, then the purchasing department must react to their needs. Therefore, coordinating the purchasing functions with the educators' functions is absolutely necessary. Providing supplies, services, and equipment to the other educators is the major component of the purchasing function.

In order to carry out the objectives of purchasing, a procedure must be established that will provide the means to insure that the quality, cost, service, and control objectives can be

¹⁵Ibid., p. 3.

realized. The purchasing procedure to be presented contains the basic steps and necessary forms to insure a system that will be accountable to the public and will provide the checks and balances that are necessary for internal control. It is possible adjustments must be made in procedures that will be presented due to different state laws regarding purchasing, size of school districts, and administrative structures.

The basic steps in purchasing, identified in the ASBO bulletin, are:¹⁶

1. Recognize the need.
2. Describe the article.
3. Determine the sources of supply and price.
4. Select the vendor.
5. Follow-up on the order.
6. Check the invoice.
7. Receive and inspect the goods.
8. Maintain records and forms.

The purchasing function includes all that is necessary to insure that persons requesting materials, services, or equipment receive the proper material at the proper price. The policies and procedures discussed indicate what the authorities regard as possible guidelines for that phase of the purchasing function. An examination of what the authorities have written regarding purchasing regulations, is contained in the next section.

¹⁶Ibid., p. 4.

Regulations

Purchasing practices in individual states are regulated by pertinent state statutes and administrative rules and regulations, but a limited number of established legal principles have evolved from court decisions and these are applicable in virtually all situations except where statutes have contrary decisions.

Legal Aspects of Purchasing

Several express statutory provisions are found in the Illinois School Code, as well as separate provisions relating to officers, which prohibit any interests in contracts of the school district. Section 10-9 of the School Code provided that any school board member who is "interested in a contract made by the board of which he is a member shall be guilty of a Class A misdemeanor".¹⁷ Section 22-5 of the School Code provided that no school district officer or teacher shall be interested in the sale, proceeds or profits of any book, apparatus or furniture used or to be used in any school with which such officer or teacher may be connected, and any officer or teacher who violates the terms of such section shall be guilty of a Class A misdemeanor. The statute makes an exception for teachers where the interest of the teacher is based upon authorship or development of instructional materials listed with the State Superintendent of Education under the provisions of article 28 of the School Code, and

¹⁷ The School Code of Illinois, (St. Paul: West Publishing Co., 1978), p. 75.

adopted for use by a school board under Section 10-20.8 of the School Code.¹⁸

In addition, one should consider the provisions of the Illinois Purchasing Act to determine its applicability (if any) to specific school contracts. Under said Act, it is unlawful

for any person holding an elective office or who is the wife, husband or minor child of any such person, to have or acquire any contract, or any direct pecuniary interest in any contract, therein, whether for stationery, printing, paper, or for any services, materials or supplies, which will be wholly or partially satisfied by the payment of funds appropriated by the General Assembly of the State of Illinois.

Diamond indicated that anyone who violates this section is guilty of a business offense, which means a petty offense for which the fine is in excess of \$500. No Illinois cases have been found interpreting the possible application of said Act to school contracts.¹⁹

No person holding any office, either by election or appointment under the laws or constitution of this state, may be in any manner interested, either directly or indirectly, in his own name, or in the name of any other person, association, trust or corporation, in any contract or the performance of any work in the making or letting of which such officer may be called upon to act or vote. No such officer may represent, either as agent or otherwise, any person, association, trust or corporation, with respect to any application or bid for any contract or work in regard to which such officer may be called upon to vote. Nor may any such officer take or receive, or offer to take or receive, either directly or indirectly, any money or other thing of value as a gift or bribe or means of influencing his vote or action in his official character. Any contract made and procured in violation hereof is void.²⁰

Clearly, the above statutory provisions serve notice that self-

¹⁸Ibid., p. 167.

¹⁹ Stewart H. Diamond, Illinois School Law, Illinois Institute for Continuing Legal Education, 1977, pp. 9-45.

²⁰Ibid., pp. 9-46.

dealing by public officials will not be tolerated. The statutory provision is not only representative of the modern political climate, but is also reflective of the common law which held contracts in which government officials had an interest void on grounds of public policy to protect the government from being defrauded by its own servants. The heritage of our common law is reflected in the opinion of the Illinois Supreme Court in *Sherlock v. Winnetka*, where the court, without citing any statutory authority, held the sale of municipal bonds by the village council to its own members to be invalid. The court indicated that such a sale was void on the ground that no man can contract with himself. The rationale of the statutes and the common law is that public officers are in a fiduciary relation to the government which employs them and to the general public. As stated in *McCarthy v. City of Bloomington*,

In so far as they (the statutes) prohibit officers of municipal corporations from being beneficially interested in contracts for the performance of services and furnishing of supplies to such corporations, they are merely declaratory of the common law, which, upon considerations of the highest public policy, affirms such contracts to be illegal.²¹

Millions of dollars are spent each year in purchasing supplies, materials and equipment for the operation of the schools. Unless a purchase order is issued in acceptance of a specific bid, it is not a contract; it is an offer and becomes a contract only when accepted by the vendor and approved by the board. In many situations the board and purchasing officials must condone practices that are technically illegal according to the laws of the state. An example of a

²¹Ibid., pp. 9-47.

technically illegal act is when an officer of the board, the purchasing official, or other school official approves a purchase order with a vendor. Technically an approval of this type is not a legal contract until the board approves the purchase at a regular board meeting.²²

Singer has summarized the most basic legal principles as follows:²³

1. Purchasing activities by local school districts constitute a governmental activity which must be carried out within the context of the legal powers of the school district.
2. The public interest must be kept paramount in all purchasing activities since they reflect a public function using public funds.
3. Applicable statutory limitations and state regulations must be observed.
4. In the absence of statutes granting permission to do so, school boards may not delegate purchasing responsibilities to a committee of the board or to a staff member, for these activities involve discretionary acts on the part of the school district.
5. Vendors have the responsibility to be familiar with the legal limits on the powers of school boards and have only limited rights of recovery for losses due to illegal transactions.
6. In the absence of statutes to the contrary, individual school board members or staff members do not possess the authority to purchase; however, such acts may be legalized through later ratification by the school board if the original act was not in conflict with statutes or the public interest.
7. As a general rule school board members and school employees are prohibited from having a personal interest in purchases

²² Munsterman, op. cit., p. 58.

²³ H. H. Singer, "Legal Aspects of School Purchasing," Current Legal Concepts in Education, ed. L.D. Garber (Philadelphia: University of Pennsylvania Press, 1976), p. 280.

by the school district, but specific provisions will vary among states.

8. Competitive bidding statutes in most states stipulate the dollar amount beyond which competitive bidding procedures must be observed.
9. When bidders or contractors have made "honest errors" in the preparation of bids or quotations, the courts generally will not permit the school district to take advantage of the situation.
10. School boards have discretion in reviewing and accepting low bids, and they normally have the power to accept the "lowest responsible" or the "lowest and best" bid; however, the courts will not permit abuse of this discretionary power.
11. The practice of splitting purchases to avoid statutory bidding limits is generally considered illegal by the courts.
12. As a general rule business activities of the school district are to be completed during each budget year except for long-term contracts such as those relating to building construction; however, school boards are considered to be continuing bodies, and actions, if originally legal and performed in good faith, are binding on subsequent boards even though the membership of the board may change.

The purpose of this section was to review the legal aspects of purchasing and to assist the purchasing administrator in the performance of purchasing functions. The following, summarizing general guidelines, presented in the Association of School Business Officials Research Bulletin, if adhered to may overcome the general concern that a little knowledge about law can be dangerous.²⁴

1. Good purchasing practices and procedures will prevent most situations from developing into legal suits.
2. Written policies on the duties, responsibilities, and authority of the purchasing department personnel will provide the board and vendors information about who has the authority to sign contracts.

²⁴Munsterman, op. cit., p. 58.

3. An attorney should be consulted as soon as possible as any problem develops concerning legal purchasing problems with vendors.
4. Use of good ethical practices is required in all purchases.

A large part of the purchasing administrator's responsibility lies in the area of bidding. The procedures, both legal and logistical, are discussed in the following section.

Bidding Regulations

The purpose of the formal bid procedure is to assure the local educational agency that it is receiving the quality of product desired and the lowest possible price. Public bidding should also indicate to the local educational agency's constituents that the school purchasing officials are buying on an open and competitive market. Section 10-20-21 of The Illinois School Code states the legal requirements to be adhered to by all public school districts. Those requirements are stated as follows:²⁵

To let all contracts for supplies, materials or work involving an expenditure in excess of \$2500 to the lowest responsible bidder after due advertisement, except contracts which by their nature are not adapted to award by competitive bidding, such as contracts for the services of individuals possessing a high degree of professional skill where the ability or fitness of the individual plays an important part, contracts for the printing of finance committee reports and departmental reports, contracts for the printing or engraving of bonds, tax warrants and other evidences of indebtedness, contracts for utility services such as water, light, heat, telephone or telegraph, contracts for materials and work which have been awarded to the lowest responsible bidder after due advertisement, but due to unforeseen revisions, not the fault of the contractor for materials and work, must be revised causing expenditures not in excess of 10% of the contract price and contracts for the purchase of magazines, books, periodicals, pamphlets and reports,

²⁵The School Code of Illinois, (St. Paul, West Publishing Co., 1978), p. 77.

and except where funds are expended in an emergency and such emergency expenditure is approved by 3/4 of the members of the board. All competitive bids for contracts involving an expenditure in excess of \$2500 must be sealed by the bidder and must be opened by a member or employee of the school board at a public bid opening at which the contents of the bids must be announced. Each bidder must receive at least 3 days' notice of the time and place of such bid opening. For purposes of this Section due advertisement includes, but is not limited to, at least one public notice at least 10 days before the bid date in a newspaper published in the district, or if no newspaper is published in the district, in a newspaper of general circulation in the area of the district.

Contracts for "supplies, materials, or work involving an expenditure in excess of \$2500 must be let to the lowest responsible bidder, except those contracts which by their nature are not adapted to competitive bidding." In The Illinois Institute of Continuing Legal Education book on Illinois School Law are examples of contracts not adapted to competitive bidding:²⁶

1. Contracts for the services of individuals possessing a high degree of professional skill where the ability of fitness of the individual plays an important part;
2. Contracts for the printing of finance committee reports and departmental reports;
3. Contracts for the printing or engraving of bonds, tax warrants and other evidences of indebtedness;
4. Contracts for utility service such as water, light, heat, telephone or telegraph;
5. Contracts for materials and work which have been awarded to the lowest responsible bidder after due advertisement but which, due to unforeseen revisions not the fault of the contractor for materials and work, must be revised causing expenditures not in excess of ten per cent of the contract price;

²⁶ Stewart Diamond, General Editor, Illinois School Law (Illinois Institute for Continuing Legal Education, 1977), p. 9-8.

6. Contracts for the purchase of magazines, books, periodicals, pamphlets and reports;
7. Contracts for the expenditure of funds in an emergency and such emergency is approved by three-fourths of the members of the board.

Unfortunately, neither the legislature nor Illinois case law provided any assistance in defining the words "individuals possessing a high degree of professional skill where the ability or fitness of the individual plays an important part." Therefore, it is left to the discretion of the board to determine who such individuals are. The actions of the board in the exercise of this discretion are presumed lawful in the absence of facts showing that the board acted arbitrarily, practiced favoritism, or was guilty of fraud or collusion. It is widely assumed that persons rendering a professional service, such as architects, engineers, and lawyers, fall in this category. However, a 1971 Illinois Attorney General's Opinion, S-256, interpreted the term "professional skills" as used in the Illinois Purchasing Act as intending to include services of consultants from other than traditional professions. No Illinois court decisions consider these matters or whether the phrase "professional skills" would extend to such things as business entities operating school food facilities, services of agencies performing student testing, or insurance contracts sold by an insurance agent. For that matter, it is not clear whether insurance is in fact a "material service, or supply" requiring competitive bidding. The case of *Leaman G. Reynolds Insurance Agency v. Housing Authority*, (1964), has dicta to the effect that insurance is not a "material or supply." If insurance is considered such, it is arguable that the purchase of insurance need not be bid, since a

school district would wish to deal with insurance agents who are thoroughly knowledgeable in their field and who would be able to secure policies suitable for particular needs, assist the district in processing claims under the policy, and so forth. Similar arguments can be made for various other school contracts.

Illinois case law provides practically no aid regarding other questions that may arise under the concept of contracts "not adapted to competitive bidding."

The office of the Superintendent of Public Instruction issued an opinion of March 8, 1974 that competitive bids should be sought in the case of school bus transportation contracts.²⁷

The form which a notice or advertisement for bids is to take is not specified in the statutes. The notice should, of course, be sufficient in detail to enable prospective bidders to bid intelligently, but if it is impractical to include detailed plans and specification in the advertisement, they should at least be on file at the school district office for inspection and be referred to in the advertisement.

In general, a notice or advertisement for bids should contain the following:²⁸

1. A description of the materials, supplies or work involved;
2. A reference to the time and place where specifications may be obtained and inspected, if they are not contained in the advertisement;
3. Time within which work is to be completed or materials and supplies delivered;

²⁷Ibid., p. 9-9.

²⁸Ibid., p. 9-11.

4. Requirement of bid deposit or bond;
5. Requirements of performance bond and labor and materials, payment bonds;
6. Time and place for receiving bids;
7. Other pertinent information which will enable prospective bidders to submit informed and intelligent bids.

Frequently, however, most of the above information is contained in the specifications or bidding materials distributed to prospective bidders by the school district or its representative and need not be included in the advertisement.

The plans and specifications must be complete and furnished to all prospective bidders. If the advertisement or specifications are deficient and a prospective bidder requires verbal explanation, the notice and advertising requirement has not been met.²⁹

All bids must be sealed by the bidder and opened at a public bid opening by either a school board member or employee. The contents of the bids received must be announced at the opening and each bidder must receive three days' notice of the time and place of the opening as was indicated in The Illinois School Code.³⁰

For a bid to be properly considered, it must substantially comply with all advertised requirements. Minor deviations will not require rejection of the bid. However, in the case of *Sanitary District of Chicago v. McMahon and Montgomery Co.*, it was held that a bid's failure to conform to the advertised requirements caused the contractor, as a matter of law, to lose his status as a bidder and

²⁹Ibid., p. 9-12.

³⁰The School Code of Illinois, op. cit., p. 77.

permitted the district to let the contract to the next lowest bidder without readvertising.³¹

As a general rule, once the time has passed for opening the bids, those submitted cannot be modified to any substantial degree. However, if the bidder has made an inadvertent mistake in the preparation of the bid, such as a typographical error, he may be entitled to withdraw the bid if he notifies the board of the mistake and attempts to withdraw or cancel prior to any action by the board which would cause public prejudice or actual damages. Even after the bid has been opened and acted upon by the board, rescission may be permitted by a court of equity when the mistake was or should have been apparent to the board and enforcing the contract would be unconscionable.³²

The board minutes should indicate that the bids were publicly opened and the contents announced. The minutes should further show the amount of each, including any alternate bids as well as any other pertinent matter contained in the bids.³³

The board need not award the contract immediately, but may take a reasonable time to determine the lowest responsible bidder. It would seem generally advisable for the board to specify in its notice or advertisement for bids, the period of time allowed between the opening and the award for the board to examine the bids and verify the qualifications of the bidders. The notice should further provide that no bids will be permitted to be withdrawn or revoked prior to the award.³⁴

³¹Ibid., p. 9-12.

³²Ibid., p. 9-13.

³³Ibid., p. 9-13.

³⁴Ibid., p. 9-15.

Notice of the award should be given to the successful bidder in writing. However, in *Pennel v. New York*, it was noted that in the absence of a statutory requirement that notice be given in writing, oral notice was sufficient.³⁵

Unless the advertisement for bids or the specifications provide otherwise, the acceptance by the board of a definite bid made pursuant to the advertisement constitutes a contract between the board and the bidder. If the successful bidder fails or refuses to enter into the contract or to undertake and carry out the contract made by the acceptance of the bid, the bid bond or deposit accompanying the bid may be forfeited and retained by the board.³⁶

After the acceptance of the successful bid and award of the contract, the board cannot materially alter the plans or specifications without readvertisement except to the extent that permits an increase in the contract price after the award for material and work not in excess of ten per cent of the contract price due to unforeseen revisions not the fault of the contractor.³⁷

The authority to select the successful bid is discretionary and has been held to be judicial in nature. In the absence of fraud or an abuse of discretion, a court will not review the judgment of the board.³⁸

The determination of the lowest responsible bidder is not simply a mathematical tabulation of the bids, nor does it mean

³⁵Ibid., p. 9-14.

³⁶Ibid., p. 9-15.

³⁷Ibid., p. 9-15.

³⁸Ibid., p. 9-15.

financial responsibility of the bidder only. As stated in the case of *People ex rel. Peterson v. Omen* and still applicable today, (1919):³⁹

It has been repeatedly held by this court that the statutory requirement that contracts for public improvements shall be let to the lowest responsible bidder does not require the letting of a contract to the lowest bidder upon the ascertainment of his financial responsibility only, that the term "responsible" includes the ability to respond by the discharge of the contractor's obligation in accordance with what may be expected or demanded under the terms of the contract and that when the municipal authorities have exercised their discretion in the award of a contract for a public improvement the presumption obtains that the action of such authorities was regular and lawful, and the courts will not interfere, in the absence of fraud, with the exercise of official discretion by the municipal authorities in awarding such contract.

The successful bidder should be one who is capable of doing the work in a satisfactory manner.

The board, in awarding the contract to other than the low bidder, should make its decision on facts which reasonably support its conclusions. It would be helpful, especially if there were a later lawsuit, if such facts were set forth in the board's minutes. In *Walley v. Board of Trustees of Richton Municipal Separate School Dist.*, 241, an award by the board of a gasoline contract to a bidder at 21-3/4 cents per gallon was sustained in the face of a lower bid of 21-1/4 cents per gallon, because the lower bidder did not have gasoline storage tanks as set forth in the bid specifications.⁴⁰

There are both state and federal statutes requiring the inclusion of certain provisions in contracts to which a school district is party. Additionally, there are state and federal statutory re-

³⁹ Ibid., p. 9-16.

⁴⁰ Ibid., p. 9-17.

quirements to be met in performance of school district contracts whether or not specifically referred to or mentioned in the contract documents.⁴¹

A school district, as a form of municipal government, has a responsibility to protect against discriminatory employment practices by the private enterprise with whom the school district is contracting. Title VII of the 1964 Civil Rights Act, as amended, makes it an unlawful employment practice to discriminate on the basis of race, color, religion, sex, or national origin. This provision has been held to extend to local governments as employers. Further, Executive Order 12319 elaborates on the aforesaid provision of the 1964 Civil Rights Act and has been held to require a governmental body is to ensure compliance by contractors with whom the governmental body is dealing.⁴²

It should be additionally noted that Illinois statutes prohibit denial of employment of any person for reasons of race, creed, color, sex or national origin by one contracting for the performance of any work or service for a governmental body. The provisions of the Act are contained automatically in every contract providing for public work or service.⁴³

Every contract to which the State, any of its political subdivisions or any municipal corporation is a party shall be conditioned upon the requirement that the supplier of materials or services or the contractor and his subcontractors, and all labor organizations furnishing skilled, unskilled, and craft union skilled labor, or who may perform any such labor or services as the case may be, shall not commit an unfair employment practice in this State as defined in this Act, and

⁴¹Ibid., p. 9-16.

⁴²Ibid., p. 9-15.

⁴³Ibid., p. 9-15

shall take affirmative action to insure that no unfair employment practice is committed. To the full extent to which the State may have authority with respect to such contracts, this Section shall be applicable.

The term "contract" was broadly defined in Article II, of the Fair Employment Practices Commission's Rules and regulations for public contracts.⁴⁴

The term "Contract" means any contract, purchase order, lease, or other agreement or understanding, written or otherwise, between the State of Illinois, any of its political subdivisions or municipal corporations or any agent thereof and any other person, for the procurement of any thing or service of value, such as for example any real or personal property, equipment, merchandise, goods, materials, labor or services for or by the State, such political subdivisions or municipal corporations from which such a contract, purchase order, lease, or other agreement or understanding may be financed in whole or in part.

In addition, Article IV, of the same rules and regulations set forth a lengthy clause to be included on every contract entered into by the governmental entity. Fortunately, the clause does not have to be physically incorporated within every contract. Instead, Article III provides that it can be incorporated into all contracts by reference. Incorporation by reference can take a form similar to the following:⁴⁵

This contract is subject to and governed by the rules and regulations of the Illinois Fair Employment Practices Act.

Laborers, workmen, and mechanics employed by or on behalf of a school district, its contractors or subcontractors, to perform construction work (exclusive of maintenance), must be paid not less than the hourly wage generally prevailing for similar work in the area. The school district must ascertain the prevailing rate of

⁴⁴Ibid., p. 9-16.

⁴⁵Ibid., p. 9-16.

wages on a per-hour basis (or must ask the Department of Labor to ascertain the rate), must specify in its resolution and call for bids that the prevailing hourly rate must be paid for each workman, and must stipulate in the contract that all workmen must be paid no less than such prevailing rate. The school district must further require the contractors to include in their bonds provisions to guarantee the payment of such prevailing wage rate.⁴⁶

On June 24, 1976, the United States Supreme Court, in *National League of Cities v. Usery*, held that the Federal Fair Labor Standards Act amendments of 1966 making the FLSA applicable to school districts were unconstitutional. However, school district employees are covered by the Illinois Minimum Wage Law. The August 22, 1976 amendments to this Act provide inter alia (among other things) for hourly wages of not less than \$2.30 per hour on and after January 1, 1977. Significantly, the overtime provisions contained in these amendments do not apply to governmental bodies.⁴⁷

Real estate owned by a school district, like that owned by other governmental bodies, is immune from liens of subcontractors and materialmen participating in construction of improvements on the real estate. Instead, subcontractors and materialmen have a lien on the money, bonds, or warrants due or to become due the contractor having a contract with the school district for the public improvement.⁴⁸

In order to perfect the lien on the funds to be paid the contractor, the subcontractor or materialman must give written notice

⁴⁶ Ibid., p. 9-17.

⁴⁷ Ibid., p. 9-17.

⁴⁸ Ibid., p. 9-18.

of his claim to the school district and a copy to the contractor. The lien then attaches to that portion of the money, bonds or warrants due the contractor and against which no voucher or other evidence of indebtedness has been issued and delivered to the contractor by the school district. The person claiming the lien must then bring suit for an accounting against the contractor within sixty days after notice of the claim has been given to the school district. A certified copy of the complaint must be delivered to the school district, and the district must then either continue to withhold the amount claimed or pay the amount to the clerk of the court pending a final determination of the lawsuit.⁴⁹

In addition to the remedy of an unpaid subcontractor or materialman allowing a lien on funds due the contractor, relief should be available through the contractor's labor and material payment bond. Every public works contractor must furnish, supply, and deliver a bond, with good and sufficient sureties, to guarantee the completion of the contract and payment for all material used and labor performed. This statutory provision sets forth the following language to be deemed contained in the bond whether or not actually inserted:⁵⁰

The principal and sureties on this bond agree that all the undertakings, covenants, terms, conditions and agreements of the contract or contracts entered into between the principal and the State or any political subdivision thereof will be performed and fulfilled and to pay all persons, firms and corporations having contracts with the principal or with subcontractors, all just claims due them under the provisions of such contracts for labor performed or materials furnished in the performance of the contract on account of which this bond is given, when such claims are not satisfied out of the contract price of the contract on

⁴⁹Ibid., p. 9-19.

⁵⁰Ibid., p. 9-19.

on account of which this bond is given, after final settlement between the officer, board, commission or agent of the State or of any political subdivision thereof and the principal has been made.

Numerous cases in our Federal government from the Teapot Dome scandals right up to vicuna costs have created national controversy. Out of all these situations has come a definition of the public attitude: "There must be no hint of personal monetary gain as a result of a public official's acts while performing his job, or the integrity and honor of this official may be questioned."⁵¹

In accepting and deciding upon bids on certain items to be purchased or constructed, boards of education can expect occasional litigation from unsuccessful bidders, especially when statutes are flexible and allow some judgment and discretion by the board. R. R. Hamilton, former dean of the College of Law, University of Wyoming, reviewed a large number of cases involving litigation over bidding procedures and arrived at some general conclusions which are useful to boards of education and purchasing administrators.⁵²

1. Statutory "lowest responsible bidder" requirements are not construed strictly by the courts. Boards have wide discretion under them.
2. Boards are not required to specify the grounds upon which their decision of lack of responsibility of bidders is based.
3. Proposed cash discounts may not legally be taken into account in determining the lowest bidder.

⁵¹William H. Roe, School Business Management, (New York: McGraw-Hill, 1961), p. 129.

⁵²R. R. Hamilton, National School Law Reporter, Arthur C. Croft Publications, Vol. IV, No. 11 July 1964 and Vol. V, No. 11, p. 44, July 1965.

4. If there is reason to suspect a mistake in a bid, and such a mistake exists, it may not legally be accepted by the board.
5. Goods or services furnished to districts without compliance with competitive bid statutes may not be legally paid for by the district. Of course, if the goods can be returned the district must return them.

The philosophy of the courts in considering the numerous cases coming before them appears to be the protection of the public as their main concern. They show little sympathy where collusion is evident, personal gain suspected, or intent of the law evaded. On the other hand, unless proven guilty of collusion, a public official must be assumed to be acting in good faith and according to his best judgment in making any public decision.⁵³ A New York court may be quoted in this regard.⁵⁴ "It is well settled law of this state that in the absence of fraud, corruption, or abuse of discretion, the judgment or discretion of the proper officials will not be disturbed by the courts." These decisions are the precedent cases and are still applicable.

Ethics in Purchasing

The nature of their duties makes it necessary for purchasing officials to remain independent, free from obligation, and above suspicion. A written code of ethics for both purchasing officials and vendors can greatly assist in achieving these objectives. Such a code can delineate the relationship between central purchasing employees and vendors' representatives, and set forth the standards of

⁵³Roe, op. cit., p. 130.

⁵⁴Pioneer Coal Company v. Board of Education of City of Rochester, Monroe County Sup. Ct., Wheeler, J., Sept. 10, 1949.

conduct expected of public personnel. All persons involved can then be aware of the mode of behavior expected of them.

Obviously, any purchasing program is greatly harmed by actions involving bribery, kickbacks, conflict of interest, or similar acts. When such cases of corruption are discovered, strong direct action is usually taken to rid the system of the people involved and to prevent a recurrence of the situation. However, when vendors merely circumvent the purchasing laws and rules, the situation can appear trivial compared to a case of bribery or conflict of interest. In most purchasing systems, when such unlawful purchases are discovered, the measures taken to prevent their recurrence must be strong.

Often, circumvention simply takes the form of efforts by using agencies to obtain a particular brand or to avoid the competitive bidding process by acquiring an item immediately. Methods used involve such ploys as ordering an item from a vendor without requisitioning in the prescribed manner, taking emergency purchase measures in situations that are not in fact emergencies, and splitting requirements into smaller amounts to get below dollar limit for which competitive bidding is required.⁵⁵

The appropriateness of the action that can be taken, other than by the courts, depends upon whether the illegality of the purchase is detected before or after the payment has been made. Split purchases may not be discovered until after they have been delivered and paid for. Some purchasing laws call for after-the-fact approval or review of

⁵⁵State and Local Government Purchasing, The Council of State Governments National Association of State Purchasing Officials Law Enforcement Assistance Administration, Peat, Marwick, Mitchell, and Co., (Lexington, Kentucky, Council of State Governments, 1975), p. 10.5.

emergency purchases, and circumvention of the law may not be discovered until after the transaction has been completed.⁵⁶ When this is the case, the most effective tactic is a strong reprimand from the Legislature or the chief executive, warning of action to be taken if the practice recurs.⁵⁷ In some school districts central purchasing and auditors regularly report instances where the purchasing statute has been circumvented; lack of effective follow-up only, permits this practice to continue.

Central purchasing can correct problems of this type if the transgression is discovered before payment. Such a discovery may occur if approval from central purchasing is required prior to payment. In many systems, central purchasing must approve completed emergency purchases before payment can be made, and, in this way, it can be aware of any abuses of emergency purchase provisions.⁵⁸

The American Association of School Administrators developed a buying and selling code for schools in conjunction with the Association of School Business Officials of the United States and Canada, The National School Board Association, and The National School Service Institute. This code, designed to place the buying and selling activities of public schools on a highly ethical and efficient basis enunciated the following principles:⁵⁹

⁵⁷ State & Local Government Purchasing, op. cit., p. 10.5.

⁵⁸ P. H. Gantt, R. C. Burg, "The Doctrine of Substantial Compliance in Federal Government Contracts," Public Contract Law Journal, Vol. 2, July 1969, p. 313.

⁵⁹ Code of Ethics adopted by American Association of School Administrators, The National School Board Association, and The National School Service Institute, 1966.

Good policy, like religion, comes from within. The Golden Rule is the standard of ethics for buying and selling, as well as for living...

Divorce political maneuvering from purchasing and selling. What is good ethics in selling is also good ethics in buying. Neither party should ever encourage the other to do an unethical, illegal, or unmoral thing.

The belief, confidence, trust, and faith each has in the other constitute the basis for good relations between reputable business houses and responsible school buyers.

No individuals concerned with the sale and purchase of materials for schools -- board member, school personnel, sales representatives, or others -- shall derive any gratuitous benefit from the transactions, directly or indirectly.

It is unethical to throw out bids because of some salesman wants to make a better price after seeing results of the bidding.

It is unethical to ask for further reductions or to give them after bids are opened.

It is unethical to give or accept a bribe and to indulge in or listen to destructive selling arguments.

Excessive entertainment is bad business procedure for either buyer or seller. It is a degenerating experience which invites unethical and unmoral business practices. Parties to this Code are agreed that entertainment favors should be discontinued.

1. Ethics in salesmanship: A salesman should:

- a) Present the product which he wishes to sell fairly, honestly, and clearly, with no adverse criticism of his competitors' products.
- b) Offer his help in writing specifications which are practical and to the best interest of the buyer, but which are open enough to allow qualifying quotations from two or more bidders.
- c) Respect a firm order, once placed, and never be a party to suggesting that a buyer cancel an order already given or return merchandise so that he may deliver his items instead.
- d) Keep sales presentations on the highest possible level, and never employ questionable methods or entertainment as a substitute for the logical presentation of the product.
- e) Never be a party to tampering with samples of a competitor, or in any way to mis-use samples which may be available for him to examine.

- f) As nearly as possible maintain a one-price policy, meaning that the same price is available to all customers for the same item in the same quantity with differences only on transportation charges for varying distances.

2. Ethics in buying: A buyer should:

- a) Allow the seller a reasonable amount of time to present his product fairly and honestly.
- b) Welcome help in writing specifications which are clear, practical and fair to all bidders and which will protect the best interest of all parties.
- c) Respect a firm order which has already been placed and not cancel it because some competing salesman offers to undercut the price.
- d) Do everything possible to protect samples which are left in his custody by sales representatives and to discourage tampering with them.
- e) Anticipate purchases as far in advance as possible to take advantage of quantity purchases and to assure complete delivery of the order on time.
- f) Recognize the value of good service and good quality of merchandise and give consideration to these two items in making awards or in placing an order.
- g) Recognize that the sellers' products have to be paid for in reasonable trade terms, and endeavor to have the school's bills paid promptly, in order to take advantage of discounts and to protect the sources of supply.

The New York State Association of School Business Officials formally adopted a code of ethics with a somewhat different approach.⁶⁰

CODE OF ETHICS FOR SCHOOL PURCHASING OFFICIALS

1. To consider first the interests of the school district and the betterment of its educational program.
2. To endeavor to obtain the greatest value for every tax dollar expended.
3. To be receptive to advice and suggestions from colleagues, both in the educational field and in other departments of business administration, insofar as such advice and suggestions are not in conflict with legal or moral restrictions in purchasing procedures.

⁶⁰

Code of Ethics formally adopted by the New York State Association of School Business Officials, May 26, 1954.

4. To strive for knowledge of school equipment and supplies in order to recommend items that may either reduce cost or increase the efficiency of the means of education.
5. To insist on and expect honesty in sales representation whether offered verbally or in writing, through the medium of advertising or in the sample of a product submitted.
6. To give all responsible bidders equal consideration and the assurance of unbiased judgment in determining whether their product meets specifications and the educational needs of the district.
7. To discourage the offer of, and to decline, gifts which in any way might influence the purchase of school equipment and supplies.
8. To accord a prompt and courteous reception, insofar as conditions permit, to all who call on legitimate business missions.
9. To counsel and assist fellow school purchasing officials in the performance of their duties whenever occasion permits.
10. To cooperate with educational, governmental and trade associations in the promotion and development of sound business methods in the procurement of school equipment and supplies.

For comparative purposes the most recent code of ethics adopted by the Association of School Business Officials is presented below:⁶¹

The actions of a school business official will at all times be:

I. BEST FOR PUPIL

The ultimate objective of all actions and decisions shall be to give the pupil the opportunity to develop mentally, physically, socially, and morally to the fullest extent of his or her capabilities.

II. FAIR TO ALL CONCERNED

The acceptance of personal responsibility and respect for the rights of others shall be a basic philosophy in all actions. All facets of responsibility shall be administered in a manner to provide justice at all times with a realization that satisfaction for all is not always possible, to act with objectivity and impartiality, and to do everything to advance this standard.

⁶¹Munsterman, op. cit., p. 49.

III. DESIGNED TO BUILD GOODWILL AND BETTER UNDERSTANDINGS

The development of appropriate, well defined policies concerning communications, public and interdepartmental relationships, employee conduct, discipline and welfare, along with the constructive implementation of these policies is the basis of a sound public, pupil and employee relationship. The result should provide the broadest opportunity for the development of good will and better understanding.

IV. BASED UPON RESPECT FOR THE PAST, KNOWLEDGE OF THE PRESENT, AND CONCERN FOR THE FUTURE

The realization of the richness in legacies left by predecessors and use of efficient methods based upon both these experiences and present ideas, leads to strengthening education in the present and in the future. Valid research methods are sound bases in building for the future.

V. LEGALLY AND MORALLY RIGHT

The conformance to all laws is the foundation of integrity of operation. Procedures shall support only that which is legitimate under the spirit and letter of existent pertinent law.

Stewardship of the school business official is one of public trust, and duties shall always be performed in accordance with the highest moral and ethical standards that will bring honor and credit to the school district.

VI. LOYAL TO MY ASSOCIATES, TO MY SCHOOL DISTRICT, TO MY STATE OR PROVINCE AND COUNTRY, AND TO MY CONSCIENCE

The administrative staff of a school district is a team with a common goal always directed toward better education of youth. Cooperation with and loyalty to the team is essential for the achievement of this goal.

Loyalty to democratic ideals directed towards the goal of better education for youth must also include loyalty to the community, state, province, and nation.

The responsibility of stewardship and careful handling of public funds may be accomplished only by the application of our highest abilities.

VII. THE BEST THAT I CAN PERFORM

There shall be recognition of a constant obligation to perfect knowledge of the disciplines of public school administration and skill in their application. The highest professional

ideals in performance shall always be the challenge -- to be met boldly through the implementation of new techniques, based upon proven research, that will provide the best ultimate tools for education.

The purchasing administrator of the school has two major responsibilities: (1) to furnish supplies and equipment of the right quality and quantity to various schools when needed, and (2) to purchase these supplies and equipment at the lowest possible cost. Because the money spent comes from taxes, the public will be inclined to be sensitive about the purchasing activity. As a result this function has been structured by state law, court decisions, and local school board policy. To be sure, these laws and policies increase the routine of the purchaser's work; however, one cannot be too scrupulous when using public money. Protective safeguards are necessary and right. It is the job of business management to keep purchasing on a high professional plane. Instead of trying to get around legislation, the purchasing administrator should try to improve it so that it serves as a protective safeguard yet will still allow professional judgment to shine through.

A good personal code of ethics is imperative for the school administrator engaged in the purchasing responsibility. He establishes a reputation for courtesy and fair dealing by actions that are guided by a code of ethics. The school purchasing official has a responsibility to maintain a high ethical standard of conduct, and a reputation that is always above suspicion.

Planning, organizing, and budgeting are important in areas of educational administration as well as to a smooth functioning business

office. These areas will be explored relevant to financial considerations and the general administration of the school district in the following sections.

Relationship of Purchasing to Planning, Organizing, and Budgeting

Planning

School boards are charged with carrying out state mandates on education, and since school board members are elected to represent community interests in education, one major function of any board is to study the local situation and make plans fitting together state requirements and local needs and desires. Considerable leeway is allowed in almost all states for school districts to exceed statutory prescriptions or minimum standards, so that both a need and an opportunity for planning face the board of education. In the absence of planning, both short range and long range, schools will run in a haphazard and inefficient fashion or be bound by tradition, in either case becoming increasingly out of step with the times. As one of the most complex enterprises in our society, education requires continuous attention to planning.

Perhaps one reason for the possible neglect of planning is the feeling on the part of board members that they lack the background and knowledge. Another could possibly be the lack of leadership on the part of professional administrators. Planning should be conducted as a joint effort by board administrators, professional staff, non-certified staff, and citizens advisory committees. The contributions of

outside consultants can also be of value, especially in bringing to the planning effort a degree of objectivity that local participants may lack.⁶²

The growing reference today to the fact that administrators should be "educational planners" and the establishment of planning departments in local and state school systems leads to examining what makes up planning or planning processes in the public school today. Knezevich wrote that planning is a process of preparing a set of decisions for future actions directed at achieving goals by optimal means.⁶³ With our world in a state of unrest, administrators must develop special competencies that will allow them to anticipate future demands and to get the system ready to cope with change.

Planning cannot and does not exist in a vacuum. Goals and objectives must be set. Forecasting is not the same as planning, although estimates of likely future conditions are important to decisions influenced by planning activities. Information is so vital that many argue that the quality of planning to reach a given objective is only as good as the accuracy, recency, and organization of the data available and the rationality of procedures employed.⁶⁴

⁶²Roald Campbell, Edwin Bridges, and Raphael Nystrand, Introduction to Educational Administration, (5th ed., Boston: Allyn and Bacon, 1977), p. 143.

⁶³Stephen J. Knezevich, Administration of Public Education, (3rd ed., New York: Harper Row, 1974), p. 70.

⁶⁴R. A. Johnson, F. E. Kast, and J. E. Rosenzweig, The Theory and Management of Systems, (2nd ed., New York: McGraw-Hill, 1967, p. 36.

In the opinion of Knezevich, the educational planner should pursue a series of steps such as:⁶⁵

1. Appraising the political, economic, and social environments that will face the schools at some future point in time.
2. Determine what changes in learner and school patron needs will be evident in the projected new environment for education.
3. Project (develop a scenario of) the desired goals to be pursued and administrative roles to be played in the type of future school environment envisaged.
4. Establish vehicles within a system for the communication and information flow to facilitate the involvement of institutional and other personnel in the planning process.
5. Translate the broadly defined planning objectives into a series of functional programmatic efforts.
6. Develop more detailed planning activities within each of the programmatic efforts.
7. Report the findings and conclusions of the planning efforts.
8. Design a set of decisions leading to actions consistent with the findings and conclusions that will enable the organization to more effectively fulfill future missions.

Roald F. Campbell defined planning as an intelligent preparation for action.⁶⁶ Campbell also indicated two crucial questions must be answered by planning. What is to be accomplished? How shall it be accomplished?⁶⁷

A definition of planning as stated in a recent yearbook of The

⁶⁵Knezevich, op. cit., p. 71.

⁶⁶Roald F. Campbell, Russell T. Gregg, Administrative Behavior in Education, (New York: Harper and Row, 1957), p. 281.

⁶⁷Ibid., p. 282.

American Association of School Administrators is as follows:⁶⁸

Planning involves (a) the definition and clarification of purposes and scope of operation; (b) investigation to reveal conditions affecting the achievement of purposes; (c) analysis to determine the meaning of the facts and to forecast effects of possible courses of action on achievement of purpose; and (d) decision making to set the course of the enterprise as indicated by the process of purpose defining, investigation, and analysis.

The educational planning advocated in the foregoing paragraphs would remain only an academic exercise if it were not related to finances. The administrative staff and school board must play the major role, for the teaching staff and non-certificated personnel are not in a position to estimate the financial requirements of a given program, although they can be of some assistance. In the past, many school district budgets were made by merely revising the figures of the preceding year's budget, with little or no regard for program change or new requirements except in the most general way.⁶⁹ School districts today still construct budgets with similar concepts. The theory is that the educational program shall control the financial requirements, not the reverse, where the money determines the program.⁷⁰

Short term plans are especially crucial to the financial well being of the educational system. The financial planner, working with program planners can effectively project educational costs over the short term. These predicted budget figures are a basis for sound

⁶⁸American Association of School Administrators, Staff Relations in School Administration, (Washington, D. C., The Association, 1975), p. 17.

⁶⁹Calvin Grieder, Truman M. Pierce, K. Forbis Jordan, Public School Administration, (3rd ed., New York: Ronald Press Co., 1969), p. 406.

⁷⁰Ibid., p. 406.

judgments made by the planning staff and are extremely important in the area of purchasing. Decisions on tax levy requests to be submitted to the county are predicated on such information. Efforts to gain state and federal support for education can also be indicated as a result of intelligent planning. Priorities are more easily established when cost benefit analysis is made of program plans with the most effective programs highest in priority.⁷¹

In the past, persons associated with schools, as well as with industry, have commonly thought of planning as primarily a function of administrators. More recently, however, both teachers and administrators have placed increasing emphasis on staff participation in planning. Administrators of schools undoubtedly should be competent planners, but the wise administrator will not overlook the value of the contributions which other persons can make to planning. There is reason to believe that group leadership which Pigors advocated many years ago "as a process of mutual stimulation which by the successful interplay of relevant differences, controls human energy in pursuit of a common cause", is still very true today.⁷²

The foregoing paragraphs have given evidence that planning is felt by most authorities to play a prominent part in both the administrative and financial aspects of public education. The organizational concepts necessary to both administration of the school

⁷¹Carl I. Candoli, Walter Hock, John Ray, Dewey Stollar, School Business Administration: A Planning Approach, (Boston: Allyn and Bacon, 1973), p. 19.

⁷²Paul Pigors, Leadership or Domination, (Boston: Houghton Mifflin Co., 1935), p. 16.

district in general and to the business will now be examined.

Organizing

Knowing where one wants to go keys the question of how to get there. Organizing the institution provides the structure to facilitate the task of achieving objectives. The organization is concerned with determining (1) how work shall be divided, (2) the nature and number of positions to be created, (3) what relations shall exist between various positions, and (4) establishment of communications between positions.⁷³ An organization as defined by Knezevich, is a system of structured interpersonal relations with the roles and expectations prescribed for incumbents of various positions.⁷⁴ Through the organizing process a group of people is patterned into a unified body with the ability to act toward the environment in an effective manner.⁷⁵ This unified body has important implications in not only the educational function of a school district but the purchasing areas as well. As differentiation of responsibility emerges, a system of structured interpersonal relations is created with roles and expectations prescribed for persons of various positions.

Organizing provides a systematic means of differentiating and coordinating resources to attain the purpose of the institution. Organizing of the institution makes it possible to capitalize on human

⁷³Knezevich, op. cit., p. 34.

⁷⁴Ibid., p. 34.

⁷⁵Ralph M. Stogdiel, "Leadership, Membership and Organization," in C. J. Browne and T. S. Cohn eds, The Study of Leadership, (Danville: Interstate Printers and Publishers, 1958), p. 34.

differences.⁷⁶

Campbell indicated that organization, simple or complex, is always an impersonal system of coordinated human effort.⁷⁷ Campbell and Knezevich have defined organizations, but these definitions must also be applied to a more practical usage, applicable not only to the general administration of a school system but to the area of purchasing as well.

Organization is concerned with functions to be performed, the tasks necessary to achieve each function, the people who are involved in the enterprise, other resources available, and the use of resources for institutional objectives. The informal organization within an institution grows out of the personalities of position incumbents and the consequences of their frequent contacts.

According to Simon the term informal organization refers to interpersonal relationships in the organization that affects decisions within it, but either are omitted from the formal scheme or are not consistent with that scheme.⁷⁸

The operational effectiveness of the entire educational program in a local school district is dependent upon the operational utility of the fundamental principles which underlie the organization. As the first consideration, as indicated by Grieder, there must be general agreement concerning the purposes of the schools. Then

⁷⁶Knezevich, op. cit., p. 38.

⁷⁷Campbell, op. cit., p. 287.

⁷⁸Herbert A. Simon, Administrative Behavior (2nd ed., New York: MacMillan, 1957), p. 148.

policies should be formulated by the school board to achieve these purposes with an administrative organizational structure through which the policies may be executed. Finally a plan for evaluating the results and improving the programs should be developed.⁷⁹

For effective performance of the school business activities, the importance of a sound operational administrative structure for all administrative functions cannot be overemphasized. If the desired service and support activities are to be provided at the optimum level of quality and quantity, the school purchasing administrator must be actively involved in the full range of educational decisions which are made about the school program. He should be a participating member of the central office administrative team which actually administers the schools and charts the plans for the future.⁸⁰

The organizing basis of any school district depends upon the interrelationship of many people. In order for a school system to operate efficiently, the entire organization, of which the business office plays a very prominent role, must function smoothly. The purchasing administrator is a part of that business office and his expertise must be interwoven into the general fabric of the organizational setting of the administrative team in order for the total educative process to act efficiently.

In the following section the area of budgeting is addressed as well as the related aspects that affect the administering of the school district.

⁷⁹Grieder, op. cit., p. 435.

⁸⁰Grieder, op. cit., p. 440.

Budgeting

In a global sense, educational resources may be defined as the totality of the inputs that impact in some manner upon the student.⁸¹ Within the context of this definition, educational resources include parents, teachers, administrators, boards of education, buildings, equipment, supplies, books, and dollars. Each of these has an impact on students, thus must be considered as educational resources. These educational resources must be monitored and controlled; thus the formation of what is called the budgetary process.

The desirability of some form of budgetary procedure for public schools has long been recognized. There has never been dissent from the basic idea that school expenditures can be made more effectively when available funds are apportioned among the various items necessary for the efficient conduct of the school system and that serious effort should be made to restrict expenditures to the various estimated amounts set forth in the adopted budget.⁸²

In a broad sense of the term, the word budget means a plan for financing a school system for a period of time in the future, usually one year.⁸³ The budget is the heart of fiscal management. Through the budget the board can approve and determine the expendi-

⁸¹Roe L. Johns and Edgar L. Morphet, The Economics of Financing of Education, (3rd ed., New Jersey: Prentice Hall, 1975), p. 392.

⁸²Paul R. Mort, Walter C. Reusser, and John W. Polley, Public School Finance, (3rd ed., New York: McGraw-Hill, 1960), p. 345.

⁸³Percy E. Burrup, Financing Education in a Climate of Change, (2nd ed., Boston: Allyn and Bacon Co., 1977), p. 289.

tures of the school system. The budget is the fiscal integration of the educational program.⁸⁴ Reducing the proposed expenditures or refusing to approve the procurement of receipts stipulated in the budget has more than monetary significance. In a sense, the budget can be regarded as an expression of the educational hopes and aspirations of the people.

Budgeting is promulgated by the need for economy and efficiency in financial operations. It is traditionally conceived as a control device. Rather than serving as an arbitrary strait jacket on the educational program, budgets for schools have evolved to permit the orderly operation of the district. The basic function of a budget is to serve as an instrument for planning so that the educational program will not be interrupted or restricted because of insufficient funds or depleted accounts.⁸⁵ Sound budgeting practices do not guarantee a never ending source of funds, however, they do provide local school officials with information which can be used in sound financial and educational planning for a given period of time.

Since the budget, in effect, establishes the ceiling for the operation of a school district, decisions made in formulating and administering the budget should be based on sound well conceived principles rather than expediency. Following are the principles

⁸⁴Knezevich, op. cit., p. 546.

⁸⁵K. Forbis Jordan, School Business Administration, (New York: Ronald Press, 1969), p. 109.

advocated by Jordan, that serve as guidelines while school districts engage in the fiscally intricate and educationally important process of budget formulation and administration:⁸⁶

1. Rather than being viewed as an end in itself each annual budget should be construed as the present and first step in a long-term budget through which the educational program will be supported over an extended period of time.
2. In the early stages of developing the budget citizens and staff members should participate in discussions at their respective levels of expertise so that central office administrators and the school board may have maximum information at their disposal during the decision-making process.
3. Final decisions relating to the budget should be based on true assessments of educational program needs, but also tempered in terms of the fiscal resources and established traditions of the local school district and pertinent statutory limitations.
4. Sound fiscal practices should be observed in both the formulation and administration of the budget to assure that the available financial resources will be sufficient to support the proposed educational program.
5. In recognition of the dynamic nature of the current public school operation the budget should not be viewed as an arbitrary "strait jacket" but rather as a "guide" to permit operational flexibility as school personnel seek to achieve educational goals and objectives.
6. When the detailed budget has been formally approved and adopted, local school administrators should be given considerable leeway in administering the budget.
7. School officials should view budget evaluation or appraisal as a responsibility shared by the school board, central office staff, staff members at the building level, and interested lay citizens.

Percy E. Burrup presented certain basic principles concerning preparation and administration of the budget also. These include, as

⁸⁶ Ibid., p. 110.

a minimum in his opinion, the following:⁸⁷

1. The superintendent of schools should administer the school district budget. In this, he is responsible for preparing the budget document; he should involve administrative and other school staff members, and also citizens and groups in the community in its preparation; and he should present and defend the tentative budget to the school board and the public. It is his responsibility to administer the budget and to be held accountable for the results that it produces.
2. The school board has legal responsibility for the formal adoption of the budget; it should hold the superintendent responsible for its administration.
3. Preparation of the budget is a continuous process, which should proceed in three phases: (1) determination of the educational plan, (2) calculation of the cost of the proposed program, and (3) determination of the plan for obtaining the necessary revenue.
4. The proposed budget should be reviewed in an open hearing where all citizens have an opportunity to study it and make recommendations and comments concerning it; the hearing should be held soon enough for adjustments to be made by the board should they choose to do so as a result of public reaction; the final budget should be operable on the first day of the fiscal year to which it applies.
5. The approval budget should be included with the minutes of the board meeting as official verification of its acceptance.
6. Continuous appraisal by all parties concerned is necessary in order to assure yearly budgetary improvements.

The tentative budget is presented to the board of education at a regular meeting for its study and recommendations for changes. The board is free to make whatever changes it desires within the limits of the statutes governing such practices in the states. The tentative budget is then accepted, summaries are prepared, and the board of education and the superintendent prepare for the required budget

⁸⁷ Burrup, op. cit., p. 291.

hearings.⁸⁸

The budget does not stand by itself. It is related to many other records involved in the school district's business affairs, such as salary schedules, insurance policies, inventories, and is influenced by them. Many of these schedules accompany the budget document as it is presented to the board for study and adoption. Ovsiew and Castetter made an excellent and inclusive list of such materials:⁸⁹

1. Letter of transmittal
2. Statement of introduction, especially relating budget to the school philosophy
3. Justifications
4. Curriculum review, by unit, divisions, and departments
5. Audited statements of funds
6. Bonding schedule
7. Recapitulations of sections of the budget
8. Salary schedules
9. Statistical summary of salary program, showing experience, training, and classifications
10. Statistical summary of other pertinent data, such as
 - a. Enrollment, showing trends and projections
 - b. Numerical adequacy of staff
 - c. Average daily attendance
 - d. Pupil-teacher ratio in instruction
 - e. Per pupil costs by budget categories
 - f. Enrollment by curriculum in the high school
11. State-aid provisions, indicating changes
12. Insurance in force
13. Transportation schedules
14. Property tax experience, including relationship to assessments, market values, per cent of collection, and mileage limits
15. Non-property tax experience, by type levied and by potential
16. Cost experience, by trends in prices of selected items
17. Retirement and social security schedules
18. Expenditure and revenue items for 2 to 3 previous years
19. Policy statements mandating expenditures
20. Unmet needs report

⁸⁸Burruip, op. cit., p. 395.

⁸⁹Leon Ovsiew and William B. Castetter, Budgeting for Better Schools, (New Jersey, Prentice Hall, 1960), p. 52.

21. Items mandated by new laws or official directives
22. Inventory report
23. Budget transfers during previous year
24. Summary of germane committee reports
25. Comparative costs data with selected school districts

The development of theory in educational administration, with an emphasis on the science of administrative behavior, was accompanied during the past ten years by what has become known as systems analysis. According to the AASA Commission on Administrative Technology, the beginnings of the systems approach can be traced back to the first part of this century.⁹⁰

The systems approach and systems analysis, has become increasingly popular and prestigious as terms and practices but their definitions remain elusive and subjective as indicated in the following:⁹¹

The term (system) may be used to gain some measure of recognition for the user. There may be little concern for its preciseness in describing accurately what the concept means... New approaches to management decision making, such as systems, may be expressed in many ways and applied in a variety of contexts. In addition, a full range of terminology associated with technology has developed as new applications have increased and spread. This has resulted in a lack of standardization of terms, creating difficulty for those interested in identifying and describing the emerging technology.

Hartley summarized the problem of terminology and definition concerning the systems approach as follows:⁹²

⁹⁰Administrative Technology and the School Executive, (Washington, D.C.: AASA Commission on Administrative Technology, 1969), p. 17.

⁹¹J. A. Kershaw and R. N. McKean, Systems Analysis and Education, (Santa Monica, California: Rand Corporation, 1969), p. 1.

⁹²Harry J. Hartley, Educational Planning - Programming - Budgeting, (New Jersey: Prentice Hall, 1978), p. 36.

Systems approaches to planning are not blessed with clear terminology. Different writers and policy makers use terms interchangeably. In addition to general systems theory and such economic concepts as input-output and cost-benefit analyses, several other analytical techniques from management science deserve mention. One writer found forty different code names and acronyms for managements control or approaches such as PERT (Program Evaluation and Review Techniques) and OR (Operation Research).

The concept of systems analysis is based on the premise that a school offers a variety of viable programs, each of which can be determined. Hartley described it as "part of the new generation of interrelated management procedures that seek to enhance organizational rationality."⁹³

Regardless of the definition and associated terminology PERT, OR, and PPBS, are new and exciting innovations. School districts have not yet widely accepted program budgeting because its basic structure is difficult to augment, for the necessary expertise is often lacking, especially in small districts. Undoubtedly, however, this new concept, with improvements and refinements, will be used extensively in educational planning and budgeting in the years ahead.⁹⁴

This chapter has included data gleaned from the literature regarding purchasing policies, procedures, regulations, legal aspects, ethics, and bidding procedures. In addition, planning, organizing and budgeting were explored as they relate not only to purchasing, but also to the general administrative functioning of the school district. The authorities have been examined as to the relevant topics of this study

⁹³Ibid., p. 5.

⁹⁴Burrup, op. cit., p. 303.

and it is now time to look at the presentation of the data and focus in explicitly on what is taking place in the selected school districts relating to policies, regulations, and procedures related to public school purchasing.

CHAPTER III

PRESENTATION OF DATA

The purpose of this study was to analyze purchasing policies, regulations, and procedures in selected school districts. The districts selected are in the northern one-third of the State of Illinois with the location of major emphasis being in the Chicago suburban area. Nine districts were chosen from DuPage, Cook, Kane, and Winnebago Counties. The districts were selected on the basis of (1) student enrollment, and (2) the number of central office administrators. In a relatively large district the purchasing function is likely to be a full time responsibility, thus giving the administrator more time to devote to the development of policies, regulations, and procedures. It was felt that in very small districts where the superintendent was the sole central office administrator or even districts with two or three central office administrators, their time must be spread among many functions which normally would not allow them time to develop sophisticated purchasing policies, regulations, and procedures.

There was a significant variety of economic and social conditions found within the four county areas selected for this study which is bordered by Wisconsin on the north, Iowa on the west, Lake Michigan on the east, and an east-west line of approximately thirty miles from downtown Chicago on the south. Within this area are school districts which are among the richest, poorest, and smallest

in the State of Illinois. No other part of Illinois could offer such a diversity.

The collection of the data was accomplished by (1) a questionnaire administered by mail, and (2) a follow-up interview with the purchasing administrator responding to the questionnaire. A copy of the questionnaire is found in Appendix A of this study. Each respondent had less than complete answers to some of the questions on the questionnaire. These voids became a part of the interview guide for each respondent. The interview procedure also made it possible to validate the purchasing administrators' responses to the questionnaire which were submitted and tabulated prior to the interview. This interview guide was, therefore, different for each person interviewed except that all interview guides contained the items which sought implications of the purchasing function to planning, organizing, and budgeting in their respective districts. All respondents were asked to react to these items. The questionnaire was validated for content by several professionals in the purchasing field, a superintendent of a large suburban unit district, and by submitting it to a panel of experts on the faculty of the Department of Administration and Supervision of Loyola University.

Chapter II of this study, the review of the related literature, was organized into (1) policies and procedures, (2) regulations, (3) legal aspects of purchasing, (4) bidding regulations, (5) ethics in purchasing, and (6) the relationship of planning, organizing, and budgeting to the purchasing function. To maintain a consistent approach to the study, this presentation of data chapter will follow a

very similar format. The exception will be that the regulations section will be subdivided into bidding and legal aspects of purchasing. With this adjustment, the presentation of data is organized as follows: (1) policies and procedures, (2) regulations - bidding and legal aspects of purchasing, and (3) the relationship of purchasing to planning, organizing, and budgeting in the district. Within each of these three areas the data are organized into, first, the presentation of the relevant data from the questionnaire, and second, the data gleaned from the interview procedure. Data obtained from the interview process, in some cases, is presented with the results of the questionnaire if the data pertains to a specific question and was clarified by the purchasing administrator during the interview procedure.

Policies and Procedures

The first specific purpose of this study was to study purchasing policies and procedures. Question numbers 1, 2, 13, 16, and 22 of the questionnaire related to various aspects of policies and procedures relevant to purchasing. As was stated earlier in this study, a policy will be defined with a somewhat narrower meaning than normal. It will be a guiding principle or procedure. A procedure will be a series of steps or course of action, or a set of established forms for conducting public affairs. With these definitions in mind, it will now be possible to examine the questions relevant to purchasing policies and procedures in a more meaningful manner.

1. What are the purchasing policies, regulations, and procedures regarding quotations when formal bidding is not required?

Formal bidding is required by state statute for a purchase costing more than \$2500. One of the respondents indicated using a decentralized purchasing procedure with the administrator serving as the control mechanism. The purchasing administrator reviewed all purchase orders and if he was not satisfied with the prices, he personally requested or initiated further price investigations.

One respondent indicated their district's purchasing policy indicated formally bidding all items costing \$500 or more. For any items costing less than \$500 the respondent indicated that their purchasing department employees would call four companies and obtain competitive phone quotes on the items being purchased. One purchasing administrator indicated that in his district, all items costing more than \$1500 were formally bid.

All other respondents indicated that for any purchase less than \$2500, a minimum of three quotations must be obtained either in writing or in some form of phone quotation.

In all cases the purchasing administrator in his response to the questionnaire had a procedure for purchases when formal bidding was not required.

2. What is the district's formal board policy regarding purchasing?

Only two respondents answered this question in the questionnaire. Information from the other districts was obtained at the time of the interview. Of the two purchasing administrators responding to the question, one indicated, that the district board's policy regarding purchasing was to achieve maximum value for each dollar

spent. The other respondent reported that all items costing more than \$1500 required a bid and were to be approved by the board of education prior to the issuance of a purchase order.

13. What is your district's procedure when a new vendor wishes to be placed on your bid list?

Three purchasing administrators responded to this question by simply saying, "We put him on the bid list."

One indicated that their district would accept most vendors, but limitations are imposed if the vendor is a long distance from the school district.

The other respondents indicated that references must be presented along with a letter of introduction by the vendor. In some cases both product and financial information must be submitted before formal approval is granted to become a member of the school district's vendor list.

16. What is the district policy regarding purchases made by individuals in which they pay for the item out of their pocket? How are they repaid?

All responses to this question, except one, indicated a general disfavor with a procedure of this type. One purchasing administrator specified that the school board does not allow purchases of this type and if a district employee purchases an item and asks for reimbursement, the request is not granted. During the interview process, the purchasing administrator indicated that the original implementation of this procedure was difficult, but now the district employees are aware of the procedure and make all purchases thru the purchase order process.

The general procedure seemed to be that even though expenditures

of this type were not totally acceptable, reimbursement might be approved if the proper forms were submitted, and then only through the normal bill paying procedure. However, respondents indicated that under no conditions did the reimbursement include sales tax.

One respondent found nothing unacceptable with a procedure of this type and indicated that if a district employee obtained and filled out the correct forms he would receive total reimbursement.

22. Does your Board of Education award all bids at the normal monthly business board meeting or is the purchasing administrator able to award the bid after the opening thus making the board process one of ratifying at the next normal business meeting?

In all cases but one, the responses indicated that the board of education awarded all formal bids at the monthly meeting at which business matters were attended. In the lone case not following this procedure, the purchasing administrator awarded all bids after the bid opening. The only bids awarded formally by the board of education, in this respondent's district, were those dealing with construction projects.

The interview process of obtaining data made it possible to deal with more specificity with regard to some pertinent aspects of the questionnaire. The interview also made it possible to obtain information directly from the interviewee as the conversation progressed and dictated various types of leading questions. Upon discussing policies and procedures with the respondents and examining their documents, it was felt that this study should include the policies and procedures obtained from three school districts. The information presented summarizes the purchasing policies and procedures

prevelant in the selected school districts used in this study. The following information is taken directly from information obtained from a purchasing administrator employed by one district participating in this study.

Purchasing Policies and Procedures obtained from School District A:

The purchasing practices of School District A shall be such to benefit the educational program. To accomplish this result, the decisions on purchases shall be based on:

1. Specifications which stress good quality within limitations of the budget.
2. The lowest cost within adherence to the specifications.
3. Consideration for the quality of service.
4. Promptness of delivery.

I. Purchases shall be subject to quotations (oral or written) or formal bids within these restrictions.

1. Purchases not to exceed \$500.

Purchases shall be made at the discretion of the Assistant Superintendent for Business Affairs. Where competitive bids or quotations are deemed advisable, such practices shall be allowed.

2. Purchases between \$500 and \$2500.

All such purchases shall be made by the Assistant Superintendent for Business Affairs only after written quotations or formal bids shall be received, and considered within the criteria established above. Action on formal bids shall be taken only by the Board of Education sitting in formal session.

3. Purchases above \$2500.

All such purchases shall be subject to formal bidding, and to decision by the Board of Education sitting in formal session. Where it is practical, two or more smaller items under \$2500 shall be grouped together into one bid amounting to \$2500 or more, and shall be subject to formal bidding procedures as outlined herein.

4. Emergency purchases of \$2500 or more.

In the event of an emergency, especially one that concerns the health or safety or that would impede the proper conduct of the school system, the Administration shall assume the responsibility for immediate action without formal bids. Whenever such emergency action is considered necessary, the Board of Education shall be informed in writing within forty-eight hours, and the item shall be submitted for formal approval at the next meeting of the Board of Education.

5. Awards for school building construction and repairs of \$2500 or more.

Award of contracts for all school construction, major renovations, remodeling, and repairs shall be based on formal specifications, and decisions shall be approved by the Board of Education.

II. Formal Bidding Procedures

1. Bids shall be advertised on all large purchases on which specifications can be reliably written, the quality measured or gauged, and the quantity measured or counted.
2. Sealed bids are to be opened in the office of the Board of Education, at the specific time stated in the bid form. Bids on construction contracts and items of unusual nature are to be opened at the Board of Education office at a regular time as stated in the bid form. All bidders shall be notified at the opening and invited to be present.
3. Bids or quotations received after date and time specified in the specifications shall be returned to the bidder unopened.
4. The Board shall have discretion in determining the responsibility of the bidders and shall award the contract to the lowest responsible bidder, providing he fully meets the specifications. If there are local responsible dealers who submit equal bids on the same quality of merchandise, they may be given preference.
5. Changes in the amount or the condition of the bid will not be allowed once the bid has been

received by the Board of Education or its agents. Awards shall be made only on the specifications advertised or amended prior to the official opening of the bids.

III. Relationship of Purchases to Budget Items

1. The Administration shall have the authority to make all purchases of capital outlay items, repairs, and replacements under \$2500 which have been approved by the Board of Education in the adoption of the school budget.
2. The Administration shall have the authority to make all purchases for which competitive bids are not obtainable (textbooks, specialized instructional materials, etc.), within the limits of budgeted amounts. Whenever it is necessary to exceed budgeted funds in any item, the Board of Education shall be so informed at its next meeting.
3. The Administration shall draw specifications for capital outlay, repair, renovation, and replacement items which have previously been budgeted. Whenever any item not budgeted is desired for purchase, such approval shall first be sought from the Board of Education except when such item is of an emergency nature.
4. In accordance with state law, the purchase or adoption of a new series of textbooks shall receive prior approval by the Board of Education, whether such a series has been previously budgeted or not.

IV. Responsibility for Purchasing

1. The Assistant Superintendent for Business Affairs shall be delegated the responsibility for executing purchases by the Superintendent of Schools in the name of the School District A.
2. The Assistant Superintendent for Business Affairs shall make decisions on purchases based upon review of requisitions by various school personnel. The Assistant Superintendent for Instruction shall determine the desirability of the purchase of items within the framework of educational needs and practices. The Assistant Superintendent for Business Affairs shall determine the desirability

of a purchase within the availability of budgeted funds. Appeal to the Superintendent of Schools shall be possible by any member of the staff through appropriate channels.

3. The time of principals and teachers should not be spent with salesmen, contractors, and vendors without appropriate delegation.
4. When there has been a decision by a central office administrator to reject a requisition on the grounds that an item is educationally undesirable or should be postponed until a later time, school administrators and supervisors shall not circumvent this decision by securing the item through other funds, or by having youngsters bring in money for the item.
5. If the item has been rejected on the grounds of lack of budgetary funds only, consultation with the appropriate central office administrator shall take place before additional steps are taken to obtain the same item.

V. Execution of Purchases and Distribution of Purchases

1. The Assistant Superintendent of Schools for Business Affairs shall be authorized to issue purchase orders and to execute contracts on behalf of the Board of Education. Unauthorized personnel shall not contract any obligations which the Board of Education will be expected to pay, nor shall the business office issue "Confirming Orders" based upon commitments made by unauthorized personnel.
2. Books and other materials shall not be ordered "For Examination" or "On Approval" by unauthorized personnel. Because of taxes, budgeting, pricing and discount policies, the Board of Education shall not pay invoices previously charged to individuals.
3. Where any gift to the district is likely to require special installation or additional cost, consultation with the appropriate central office administrator is requested.
4. Any material or equipment purchased by the school district shall be transferred from one building to another if, in the discretion of central office administrators, it will be to the benefit of the school district.

5. Any equipment within a school building shall be made available, within the discretion of the building principal, to all personnel within the building.

Purchasing Policies and Procedures obtained from School District B indicate the following:

The Superintendent shall insure that all purchases are made in the interest of economy and efficiency. Where necessary, standards and procedures shall be established to accomplish the following policies of the Board of Education:

1. Purchases under \$2500. For the greatest efficiency in expediting purchases, the Administration shall be authorized to purchase any item specifically budgeted which has a sale price within the limits of the budget, and subject to A and B below. Consumable supplies are limited to the amount of budget.
 - a. Awards for purchases up to \$1500 shall be determined at the discretion of the Administration. If competitive bids are deemed advisable, they will be obtained. Awards or rejections may be made by the Administration.
 - b. Purchases of \$1500 to \$2500 shall be accompanied by competitive quotations. Awards or rejections may be made by the Administration.
2. For purchases of \$2500 and above, the Administration shall advertise for sealed bids which will be opened in conformity with the School Code. Results of bidding shall be presented to the Board of Education with the Superintendent's recommendation for action. Bids for services of individuals possessing a high degree of professional skill and certain other services as outlined in the School Code may be let without competitive bidding. Emergency expenditure of funds for amounts of \$2500 or above may be let only after approval of three-quarters of the members of the Board. At the next regular meeting of the Board, a detailed explanation of such expenditure must be presented.
3. Sealed bids are to be opened and recorded by the Secretary of the Board of Education in the presence of two other employees of the Board and in the office of the Board of Education. Such bids shall be opened on the date published in the legal notice to bidders, which shall be no less than ten days from the date of publication, unless otherwise deemed necessary. All bidders shall be notified of the opening of the bids and shall be invited to be present.

4. The Board retains the right to determine the responsibility of bidders, and shall award the contract to the lowest responsible bidder meeting specifications - be he a member of or apart from the local community.
5. Contractual services which by their nature are not adapted to award by competitive bidding, such as contracts for the services of individuals possessing a high degree of professional skill, where the ability or fitness of the individual plays an important part, are not subject to bid but are subject to approval by the Board of Education in conformity with established policy.

Purchasing Policies and Procedures obtained from School District C are as follows:

1. Each purchase or lease of an item of equipment for more than \$1000 or of an interrelated set of items of equipment for an amount totaling more than \$1350 or of lesser amounts when the administration judges it to be advisable, shall have Board approval before purchase. Any non-emergency non-routine item of supply or contractual service which is in excess of \$1350 shall require Board approval after bids or quotations have been taken and tabulated unless the administration deems it advisable to get Board approval prior to taking bids or quotations.
2. Contracts for supplies, materials or work involving an expenditure in excess of \$2500 shall be let to the lowest responsible bidder after due advertisement, except contracts which by their nature are not adapted to award by competitive bidding, such as contracts for the services of individuals possessing a high degree of professional skill where the ability or fitness of the individual plays an important part, contracts for the printing of finance committee reports and departmental reports, contracts for the printing or engraving of bonds, tax warrants and other evidences of indebtedness, contracts for utility services such as water, light, heat, telephone or telegraph, contracts for materials and work which have been awarded to the lowest responsible bidder after due advertisement, but due to unforeseen revisions, not the fault of the contractor for materials and work, must be revised causing expenditures not in excess of 10% of the contract price and contracts for the purchase of magazines, books, periodicals, pamphlets and reports, and except where funds are expended in an emergency and such emergency expenditure is approved by

3/4 of the members of the board. All competitive bids for contracts involving an expenditure in excess of \$2500 must be sealed by the bidder and must be opened by a member or employee of the school board at a public bid opening at which the contents of the bids must be announced. Each bidder must receive at least 3 days' notice of the time and place of such bid opening. For purposes of this Section due advertisement includes, but is not limited to, at least one public notice at least 10 days before the bid date in a newspaper published in the district, in a newspaper of general circulation in the area of the district.

3. No building construction or major building alterations shall be undertaken without prior Board approval. Competitive bids shall be obtained on all such projects whenever possible.
4. Standard procedures for controlling purchasing shall be developed and implemented by the Business Manager, as the Superintendent shall approve.
5. It shall be the duty of the Business Manager to notify the Superintendent, the Assistant Superintendents, and any other administrators directly concerned when any budget appropriation approaches depletion.
6. No members of the board or employee of the district will accept gifts from any person, group, or entity doing, having done, or desiring to do, business with the district; and all business-related gratuities are specifically prohibited except nominal value advertising items widely distributed.

The data obtained from the other district participating in this study were of a similar nature thus it was not presented.

To summarize, the data relating to policies and procedures relevant to the first specific purpose of this study were quite substantial and comprehensive. Material obtained from the written instrument and from the interview technique were presented giving an overall picture of purchasing policies and procedures as practiced in the school districts selected for this study. Regulations, both

bidding and legal, will be presented in the following section.

Regulations

The second specific purpose of this study was to examine the regulations connected with purchasing in the selected school districts used in this study. It was necessary, because of the form in which the data were obtained, to break this section into three parts (1) regulations, (2) bidding regulations, and (3) legal aspects of purchasing. This format is consistent with the development of Chapter II and is presented in this manner to maintain a sequential organization enabling an easier comparison between the authorities and the data obtained from the selected school districts. Question numbers 3, 4, 6, 7, 9, 11, 17, and 19 related to the general regulations connected with the purchasing function of the school districts selected.

3. What are the steps involved in the accounts payable department from the time the purchase order is sent to the vendor until the final payment of the invoice?

The respondents, in all cases, indicated similar procedures in the accounts payable department from the time the purchase order is sent until the final payment of the invoice. The purchase order is mailed to the vendor, a duplicate copy is sent to the warehouse, the bookkeeping copy is filed, the purchase order is encumbered, the merchandise is received, the receiving copy is signed and sent to the accounts payable department, the invoice is compared with the original purchase order, the proper check is prepared, the board of education approves payment of the bills, and the check is sent in the mail following the board meeting. This procedure was fairly standard in all

the school districts taking part in this study.

4. What is the procedure used by your district when a budget manager needs a confirmation purchase order?

One school district, in response to this question, indicated confirming purchase orders were only authorized if the cost was \$1000 or less and if accompanied by approval from the building administrator. Purchases over \$1000 required approval of the purchasing administrator.

Two respondents indicated that they are not allowed to issue confirming purchase order numbers, due to the district's provisions in the board policy.

One school district required confirming purchase orders for emergency repairs and maintenance only. However, the respondent for this district did indicate a "walk through" procedure for special cases.

Five of the respondents give confirming purchase order numbers for any dollar amount with approval of the purchasing administrator.

6. Do you have a prepared document pertaining to purchasing rules and regulations for your school district?

Nine districts responded to this question positively.

7. Do you participate in the state contract method of purchasing?

The responses to this question varied from "very seldom" to "no." All respondents reported that service and delivery time were the main considerations for not utilizing the state contract.

9. How do you determine the amount of money each building or budget manager receives?

One responding purchasing administrator allocates money to the district's buildings on a strict per pupil allocation. A combina-

tion per pupil allocation and building need was the procedure used in another district, with the balance of the respondents indicating building and budget manager allocations being determined through a cooperative effort between the budget manager and the business office, giving consideration to needs and available funds.

11. What procedures does your district use when a budget manager wishes to purchase an additional or replacement piece of equipment?

Two of the respondents indicated the existence of a separate district replacement budget not related from the building budget, with an assigned dollar amount set aside for the purchase of additional or replacement equipment. All of the other responding school districts utilize the normal purchasing procedures with regular budgeted money for purchases of this type.

17. What procedures does your district have for instant payment to a vendor?

The respondents all had either a method of pre-payment, a weekly payment provision, or an imprest fund, available for instant payment to a vendor. One respondent indicated a reluctance to pay any money to a vendor not approved by the board of education, but understood the need for a provision to make these kinds of payments and did have a procedure, even though it was used as infrequently as possible.

19. When you award a bid to a vendor for the first time what procedure do you go through to check his competencies?

In most cases as reported by the purchasing administrators the vendors are qualified before they are given a bid. If a vendor

asks for a bid after reading the legal notice in the newspaper and eventually is awarded the bid informally, it is important that references be checked before the formal award is made by the board of education. If a vendor performs poorly after the award of the bid, payment can always be withheld. The purchasing administrator must take extreme care when awarding a bid to a vendor for the first time.

The interview process enabled pertinent data to be obtained with more specificity regarding responses to the items dealing with regulations, presented in the results of the questionnaire. The four areas addressed are (1) guidelines for processing purchase orders, (2) vendor relations, (3) purchase order cycle, and (4) payment procedures. Materials obtained, relating to these four areas, from districts participating in this study are presented below. These materials were obtained during the interview process and reflect the regulations used in four of the selected school districts. These guidelines were selected because they were more comprehensive and complete than the guidelines of the other five participating districts.

Guidelines for Processing Purchase Orders

1. Each department chairperson should be constantly aware of his budget balance.
2. A faculty member or chairperson initiates the purchase order for supplies or equipment as needed, in the following manner:
 - a. Fill-in suggested vendor and address.
 - b. Fill-in Requisitioned By.
 - (1) Department chairperson must initial in approved blank.
 - (2) Building principal must also initial before sending to Purchasing Department.
 - c. Fill-in completely, Shipped To.

- d. Ordered From: Fill-in with your choice of vendors - unless this is a bid item.
 - (1) Any item over \$2500 must be bid.
 - (2) Any item over \$1500 must have quotations from three (3) vendors before the Purchasing Department can process the purchase order.
 - (3) On any purchase order, if the Purchasing Administrator is aware of better pricing, other than by the suggested vendor, she will contact the department chairperson.
 - e. All the purchase orders received incomplete will be returned to the school.
 - f. Be sure to list the unit price, and complete the computations on each item, then total the order.
 - g. All purchase orders must list the pricing. The Purchasing Department cannot process a purchase order without prices to encumber the order.
 - h. If a capital outlay item is ordered, and it is a replacement for either old, damaged (vandals-accident, etc.) or stolen, this should be noted on all copies except the white, with the model and the serial numbers of the item being replaced and the date of the incident.
3. The Purchasing Department is to keep the goldenrod copy as a record of having placed the order.
 4. Send the rest of the purchase order to the building principal for signature and forwarding to the Business Office.
 5. After processing the purchase order, the Purchasing Department will return the blue and green copy to the school.
 6. The school will send the blue copy of the Accounts Payable Department, in the Business Office when shipment is received. Send a "G" form when only a partial order is received and then follow with the blue copy when the order is complete.

Vendor Relations

The Director of Purchasing will make it possible for suppliers who call for prior appointments, to be seen quickly, courteously and promptly. He/She is responsible for conveying a positive image of the school to suppliers. He/She will recognize that purchasing is often selling. The Director of Purchasing will conduct him/herself in a dignified, gracious, ethical manner at all times with suppliers.

At the convenience of the Director of Purchasing or by appointment, all suppliers' representatives shall have a hearing relative to

their products the first time they call. Subsequent visits shall be promptly acknowledged and interviews granted or not, depending upon the circumstances. Purchasing personnel are not required to put their time absolutely and indiscriminately at the disposal of all salesmen, however frequent or at whatever time, or on what mission they may be calling.

The District shall not extend favoritism to any vendors. Each order shall be placed on the basis of quality, price, and delivery, with past service being a factor if all other considerations are equal.

All letters, wires, and other types of communications shall be answered or acknowledged promptly.

The schools shall not solicit funds or material from vendors, however worthy the purpose.

No purchase of books, apparatus or furniture will be made from an employee of the school district, nor from a member of the immediate household of an employee.

No purchase will be made from a member of the board, nor from a member of his immediate household, nor from any enterprise in which he holds a substantial interest except for public utilities.

No employee shall endorse without approval of the Superintendent any product or service of any type or kind in such manner as will identify him/her in any way as an employee of the school district.

Purchase Order Cycle

Purchase Order Cycle:

Step 1: Determine the need for specific items.

Step 2: Prepare purchase order form in detail (be sure to designate account number in appropriate section) to which items are to be charged--this will facilitate the bookkeeping process.

Step 3: Forward for review and/or approval by:

- a. Department chairman or sponsor of organization
- b. Building principal or his assistant
- c. District Business Office.

Each person concerned in a, b, and c above will sign and date the purchase order form in the proper place, if approved, and then send it to the next department as listed.

The District Business Office will complete, record, and issue the purchase order if:

- (1) Budget allocations are inadequate. (The teacher initiating the purchase order can review, with the Administrative Assistant in his building, the budget allocation remaining in a particular account by reviewing the Budget Status report forwarded to the Administrative Assistant monthly.)
- (2) The items were included in the budget (this pertains to equipment), or
- (3) An emergency created the necessity for the purchase.

The request may be deferred by either a, b, or c above. In the event of a denial, the channel of communication would be the reverse of that listed above. For example, if the principal (or his assistant) does not approve a request, he should notify the department chairmen, who in turn, would inform the person making the original request.

Ordinarily, the vendor copies of purchase orders are mailed to the vendor on the same day they are received by the District Business Office.

At the time the vendor copies are forwarded as noted above, copies are also sent to the office of the financial secretary, department chairmen, and to the receiving room. A copy is also retained in the Business Office for the file. Merchandise received by the receiving department is to be properly noted on the receiving room copy of the purchase order and the items delivered immediately to the department chairman and/or instructor who initiated the original report. The department chairman and/or instructor should, at the very first opportunity, check the merchandise to make sure that all items are received, and all items are in good useable condition.

When it has been ascertained that all merchandise has been received and is in good condition, the department chairman and/or instructor should go to the office of the financial secretary and sign the copy of the purchase order on file in that office which signifies that everything on the order has been received and that payment may be made. The financial secretary will forward the signed purchase order to the District Business Office. The purchase order will be reconciled with the invoice and then payment will be made.

Occasionally, a vendor inadvertently forwards to a department head or instructor an invoice for merchandise ordered on a purchase order form rather than to the District Business Office as requested on the purchase order. It is necessary that any invoices received be forwarded to the District Business Office immediately so that reconciliation and payment of the order can be made.

Petty Cash:

Follow-ups/Partial Payment:

Since it is an operational policy to pay for all purchase orders as soon as possible, a follow-up system has been established which is advantageous for both staff members and the vendors.

Periodically, the District Business Office will receive an invoice which will apply to an open purchase order in file and payment cannot be made inasmuch as the department head and/or instructor has not signed the copy of the order on file in the office of the financial secretary. When this occurs, a reminder is forwarded to the department head/instructor; this reminder should prompt the department head/instructor to either sign the order authorizing payment or complete and indicate the reason payment cannot be made. This form should be returned to the District Business Office.

Occasionally, when a rather large order has only a few items on back order, it seems improper to withhold payment of a relatively large sum because one or two items may be on back order. In these instances, partial payment may be made which requires the staff member's approval of individual items for which final payment is being made.

Confirmation Purchasing:

Whenever an item is needed before a regular purchase order can be processed and the item received from the company, it is possible to place an order on a "confirmation basis". In this case, the purchase order form should still be completed, approved by the Department Chairman and by the Principal. The Department Chairman and/or instructor may then call the District Business Office to secure a purchase order number for the particular item ordered. This purchase order number should be entered immediately on the purchase order form by the Department Chairman and/or instructor.

When the purchase order number has been secured from the District Business Office, then, and only then, the Department Chairman and/or instructor may call the company and verbally order the merchandise. The word "Confirmation" should be written on the face

of the purchase order so that the company will not make a duplicate shipment at the time they actually receive the order form.

Confirmation ordering is a procedure to be used only in exceptional cases and, therefore, should be kept at an absolute minimum. Budget control procedures would dictate that purchasing on a confirmation basis would have to be practically eliminated when the budgetary balance gets rather low.

Return of Merchandise:

Any merchandise that has been received but needs to be returned to the company is to be handled by the District Business Office. The Department Chairman and/or instructor involved should notify the District Business Office in writing so that the proper items may be returned. This memo should include the following:

- a. Order number on which the item was originally listed.
- b. Name and address of the company to whom it is to be returned.
- c. Location of merchandise to be returned.
- d. Reason for returning.
- e. Statement as to whether or not insurance is requested.
- f. Statement as to how merchandise should be sent.

No items are to be removed from the building without proper authorization by the District Business Office.

Bidding Process:

School Code directs that the contracts for supplies, materials or work involving an expenditure in excess of \$2500 be awarded on the basis of sealed bids. Bid forms and specifications are prepared in the District Business Office for all items to be purchased in excess of that amount and forwarded to qualified bidders. All competitive bids involving an expenditure in excess of \$2500 must be sealed by the bidder and must be opened by an employee of the school board at a public bid opening at which the contents of the bids must be announced. At least one public notice, 10 days before the bid date, must be published in a newspaper published within the district.

On the basis of the bids received, a compilation of quotations will be prepared and forwarded to the Department Chairman for his perusal and recommendation. Awards shall be made to the lowest responsible bidder whose bid is in accordance with the bid documents and specifications. Occasionally, it may be deemed advisable to award the bid to other than the low bidder. In those rare instances, a letter of justification must be written by the Department Chairman requesting the Superintendent's approval to request the board to authorize the purchase of the higher price item.

In some instances, it may be advantageous to bid items under \$2500 when many similar items are to be purchased from a common vendor. In these instances, bid forms and specifications will be prepared as indicated above. All purchases contemplated over \$2500 must be approved by the Board of Education.

Capital Equipment:

A capital equipment item is a material unit which meets the following conditions:

- a. It retains its original shape and appearance with use.
- b. It is nonexpendable, that is if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it rather than replace it with an entirely new unit (which is not true of supplies).
- c. It represents an investment of money which makes it feasible and advisable to capitalize the item.
- d. It does not lose its identity through incorporation into a different or more complex unit or substance.
- e. It represents an investment of over \$25.00.

Examples of Capital Equipment are:

Band saws, tables, typewriters, machines, push carts, appliances, file cabinets, benches, band instruments, cameras, etc.

The Budget Request Form is used to submit "capital equipment" as well as supply requests on an annual basis. Individual purchases of select capital equipment items may be made during the year by using the 6-part purchase order if the items cannot or need not be bid.

- a. Prepared in detail by Department Chairman (as per instructions on form)
 - 1.) Number pages consecutively.
 - 2.) List only one supplier per page.
 - 3.) Prepare in triplicate, Department Chairman retains one copy, forwards two copies to Principal who retains one copy and sends original to District Business Office.

- 4.) All deletions from the original copy must be initialed by the individual making the deletion.

Deadline Dates:

During the past many years, there has been an ever-increasing period of time required for the delivery of items after the issuance of a purchase order. It has been found that most of the procedures and tasks of preparing bid lists, specifications as required, advertising for bids, securing Board approval on the bulk of ordering, and receiving the merchandise can be appropriately accomplished if the details are made available per the following time schedule:

- a. Capital Outlay Items - Capital outlay requests are to be itemized on the "Budget Request" form. All sections of this form should be completed in full--particular attention should be given to supplying appropriate catalog numbers which have been obtained from recent catalogs. Capital outlay request lists are usually due in the Principal's Office sometime during the month of December and in the District Business Office during the month of January. (The actual deadline date is established annually at the SAC meetings and will be transmitted to department heads through the Principal's Office.)
- b. Textbooks Purchased by the Board of Education - Textbooks (classroom sets of books) and reference book requests due in the Principal's Office the latter part of the month of January. Staff members are requested to prepare regular 6-part purchase order forms for these book requests.

Requests for textbooks to be included in the succeeding year's budget are to be submitted to the District Business Office usually during the first part of the month of April. These requests should be submitted on purchase order forms through regular channels for approval.

- c. Supplies - Supply lists are due in the Principal's Office the latter part of the month of March and in the District Business Office early in the month of April.

The same form should be used for ordering supplies as is used for requesting capital outlay items.

- d. Final Date for Ordering From Board Funds - All purchases from the current year's budget are normally terminated during the first week of April with the exception of repair and maintenance items and materials needed on an emergency basis. Again, the specific date is set annually at the SAC meetings.

Payment Procedures

It is the policy of the Board that not only the letter, but the spirit of all laws and regulations relating to purchases by the school system and the control of its finances and property, be abided by strictly and without exception.

Within the framework of applicable laws and regulations, purchases and use of materials and manpower shall be accomplished in accordance with good business practices with the primary purpose of serving the program of instruction.

The Board holds the Superintendent directly responsible for carrying out this policy, and toward that end, the Superintendent shall detail the procedures for executing this policy in written administrative directives.

Payment by Check:

The signature of the School Treasurer alone is required for all regular Board checks drawn for the following district funds: Educational, Building, Bond and Interest, Transportation, Illinois Municipal Retirement, Site and Construction, Rent and Working Cash. One authorized signature, on file at the proper bank, shall be required for all Imprest and Student Activity checks drawn on school accounts.

Accounts Payable:

Payment of Orders -

The Board shall pay all orders, in accordance with the Illinois School Code, except as herein provided.

Board Vouchers

It shall be lawful for the Board to submit to the Treasurer, a certified copy of those portions of the board minutes properly signed by the Secretary and President, or a majority of the Board, showing all bills approved for payment by the Board and clearly showing to whom, and for what purpose each payment is to be made by the Treasurer; and to what budgetary items each payment shall be debited, and such certified copy shall serve as full authority to the Treasurer to make payments as thus approved; this shall not preclude the use of a voucher system or any other system of sound accounting and business procedure, provided that such system reflects the facts, and that the same is in accordance with the regulations prescribed by or approved by the Superintendent of Public Instruction.

Board Approval

Once each month, the Business Manager will provide the Superintendent and the Board with a list of bills for their approval. While the majority of such bills will be self-explanatory, the Business Manager will be prepared to answer any questions from Board members regarding the bills.

Bidding Regulations

The second aspect of this section is that portion of the questionnaire dealing with the bidding regulations. Question numbers 8, 14, 20, 21, 23, and 24 related to bidding specifically and the obtained data are contained in the material that follows.

8. How does your department handle a bid when it is received after the designated bid opening time?

One respondent indicated that if the bid opening is in process when another bidder arrives with a bid, the late arrival may be accepted if the others at the bid opening approve.

In the other eight cases the respondents indicated they would return the bid unopened with a letter of explanation as to the reason for not accepting the bid.

14. What are your procedures regarding freight charges on bid items?

In all cases freight charges are F.O.B. destination. The bid price reflects freight charges.

20. Have you ever used the negotiated contract method for obtaining a contractual service?

A negotiated contract is obtained in a series of direct dealings with the vendor and the school district until a price is agreed to by both parties. The formal bidding process is not used

in the negotiated procedure of obtaining a contract with a vendor. This procedure is used many times with photographic companies, bus companies, and in some instances school district insurance carriers.

One of the respondents indicated using the negotiated contract procedure for towel service, uniform service for custodians, and laundering of athletic uniforms.

Two others reported that they used the negotiated method for all items that were not covered under the bidding laws such as glazing, carpeting, boiler work, busing, and other such specialized services. The other six respondents indicated no involvement in the negotiated contract method of obtaining a contractual service.

21. What is your district's procedure when two or more vendors are low bid?

Three responding purchasing administrators indicated that this situation has never happened to them while they were purchasing administrators.

Various procedures were indicated by the other six respondents. Two purchasing administrators indicated making the award to a local vendor if he is one of the low bidders. One administrator said the vendor with the best references will be awarded the bid. Another administrator indicated splitting the award while another felt the vendor's past performance in the district should be the determining factor. One purchasing administrator felt the vendor whom the purchasing administrator knows best should get the award.

23. What are your district's procedures for requiring a bid bond?

A certified check for 10 per cent of the bid price for con-

struction projects costing \$50,000 or more was the procedure indicated by one respondent. Six respondents required bid bonds on large dollar amount bids such as the purchase of buses and almost all construction projects. The general consensus was that bid bonds are somewhat difficult to collect if forfeited. The other three districts participating in this study did not answer the question.

24. Under what conditions do you bid materials under \$2500?

One responding district bids everything over \$1000. One purchasing administrator indicated formally bidding all items over \$500, while another indicated bidding formally all items over \$1500. The other six respondents reported that the formal bidding process would only be adhered to for items of \$2500 or more.

Legal Regulations

10. How extensive does your district involve legal assistance in matters relating to purchasing?

Six respondents indicated very little use of their district's legal firm in matters pertaining to purchasing. One district indicated using legal assistance often while the rest indicated that their central office staff is experienced enough that legal assistance is not necessary. The other two districts did not respond to the question.

12. If within a given fiscal year, you know you will be purchasing items that when their total cost is added together would exceed \$2500, do you bid these items?

Two of the respondents indicated they do not bid them unless they are identical items. One reported that their warehouse operation would satisfy this particular need. Two indicated "yes", if the items came from one vendor, while the remaining five school districts

indicated they would not bid the materials. During the interview process this question was discussed in depth. The five purchasing administrators that do not bid these items felt that since each purchase order was under \$2500, even though at the end of the year the total purchase from the vendor was considerably more than \$2500, they need not be bid.

The interview process of obtaining data made it possible to focus with more specificity on pertinent items concerned with bidding regulations. Two responding school districts' procedures on bonds and special bid considerations are presented in the following sections. These two school districts had excellent regulations, therefore, they are presented. The other seven districts' regulations were not as comprehensive and complete. These regulations are taken directly from the material obtained from the purchasing administrators.

Special bid conditions are:

1. Return the sealed bid in the envelope provided as it is properly identified. If for some reason you do not use this envelope, it shall be the responsibility of the Contractor to insure that the same information is included on the replacement envelope.
2. Should a mistake be made on the reading of bids at the public opening, it shall be reserved by the Board of Education to determine whether this mistake was by the district or the Contractor. It is further provided that this school district, after this determination, shall make the decision as to acceptability or rejection. This decision shall be final and not subject to recourse.
3. The receipt of bids will cease at the date and time of public opening as stated on the Face Sheet--no other bids will be considered after this date and time unless it is evidenced and determined that the bid was actually in the Owner's possession prior to the scheduled bid opening date and time and was inadvertently misplaced while in the Owner's possession. In many instances it is impossible to determine who the bid is

from unless it is opened, and should this be the case, the bid will be opened, address secured, and returned immediately.

4. It shall be the responsibility of the Contractor to insure that the bidding document is in the Owner's possession by or before the scheduled time and date of public bid opening. All bids delivered in person to the Owner's place of business shall be deposited with the Purchasing Department. Contractors are to insure that the bidding documents are stamped as received and time recorded. Contractors are requested to send under separate cover the bidding document. The Owner will not be responsible for any bid enclosed with sample boxes.
5. It shall be the responsibility of the Contractor to insure that the bidding document is in the Owner's possession by or before the scheduled time and date of public bid opening. All bids delivered in person to the Owner's place of business shall be deposited with the Purchasing Department. Contractors are to insure that the bidding documents are stamped as received and time recorded.
6. Although price is a major consideration in the award of bids, this school district does not award on prices alone. Also to be considered would be quality of products as judged by the Owner, past experiences with same products, services offered, warranties, long-range costs, delivery, and similar such items.
7. Although price is a major consideration in the award of bids, this school district does not award on prices alone. Also to be considered would be quality of proposed service as judged by the Owner, past experience with the same Contractor, warranties, long-range costs, completion requirements, and similar such items.
8. Said Board of Education reserves the unrestricted right to waive informalities in any bid, or make in its own best interest.
9. The deadline as stated for the receiving of bids is also the time for public openings. All contractors are welcome to attend these openings.
10. The price as stated on the Tab Sheets is the total price that will be paid by this school district. Said price shall include any and all transportation charges, surcharges, etc.
11. The price as stated on the Bid Offer Form is the total price that will be paid by this school district. Said price shall include any and all transportation charges, surcharges, etc.

12. This school district will make all checks payable to the same firm name that appears on the purchase order. Upon receipt of purchase order Contractor should check and if not correct, notify the school district immediately.
12. This school district will make all checks payable to the same firm name that appears on the Contract. Upon receipt of Contract, the Contractor should check and if not correct, notify the school district immediately.
14. All information relative to this bid is to be completed on the TAB SHEET including the general information at the top. The Tab Sheet is that to the right of the perforated line. If there is not enough room on the Tab Sheet for all information, please use a separate sheet of paper, insuring that a separate sheet of paper is used for each separate bid item. Reference to this additional information is to be noted on the Tab Sheet.
15. All required information on the Bid Offer Form is to be completed by the Contractor. Should this not be accomplished, the bid is subject to disqualification.
16. It is required that the Contractor complete all columns and questions on the Tab Sheet. Should this not be done, your bid is subjected to being disqualified.

Column 1 - You are to state the manufacturer's name, model number, catalog number, etc., as applicable. By inserting this information you are guaranteeing that your product on each item equals or exceeds in all aspects the itemized specifications and listed standards. The Owner will not accept "As Specified" unless a listed standard is listed in the specifications and the Contractor is bidding the exact product. We will not accept such statements as "Same as Last Year". If you bid on this item does not "Exceed" or "Equal" in all aspects you may still bid, but in addition to the above, you must identify on the Tab Sheets that your bid is a "Substitute". It is possible that some proposals will have several items marked as "Substitutes" and other items otherwise. It shall be the sole decision of this school district as to whether a "Substitute" is acceptable.

Column 2 - is the unit price.

Column 3 - is the extended cost (Quantity times unit price). In case of miscalculation, the unit price shall prevail.

17. Should the Contractor bid a "substitute" it shall be his responsibility to properly identify same. The Contractor shall further provide detailed literature and information by or before scheduled date and time of public bid opening. This literature must be identified with the name of the Contractor and the item number of the bidding document.
18. The Owner does not desire to have the entire set of specifications returned, ONLY THE FACE SHEET AND TAB SHEETS. Each bidder is to tear off the Tab Sheet(s) and return with other required forms.
19. The Owner does not desire to have the entire set of specifications returned, ONLY THE FACT SHEET AND BID OFFER FORM.
20. Delivery is a very important factor in the award of bids. Contractors are expected to make all deliveries as required or promised. Contractors who continually violate this requirement may be removed from the bid list. All deliveries are to be made in accordance with instructions on the purchase order. We would call to your special attention that portion of the purchase order defining instructions as to the actual destination of the products and the mailing of the invoice.
21. Each carton is to have all purchase order numbers stamped on the outside in a visible position. If carton has materials relating to more than one purchase order all must be placed as above.
22. All bids are FOB including all transportation costs. If ordering product(s) to be shipped directly from manufacturer to the Owner, DEFINITE instructions should be given to the firm that OUR purchase order number is to appear on carton. Manufacturer is further to be informed NOT to ship collect.
23. All bids are FOB including all transportation costs.
24. Unless deemed necessary for bidding purposes, sizes, color, etc., will not be on the specifications. This detailed information will be on the Purchase Orders.
25. Contractors should quote as per size as stated in specifications. If unable to do this the Contractor is responsible for noting this change on Tab Sheet(s).
26. It shall be the responsibility of the Contractor to bid as per the quantities and container size stated on the Bid Sheet. If unable to do so, the Contractor is responsible for noting all changes on the Tab Sheet(s).

27. Under no circumstances will Contractors be permitted to "substitute" on Purchase Orders without prior authorization from this office.
28. On those items where a "standard" is listed, we are not implying that this is the only one acceptable. On those items where the school district will not accept another product, it will be identified as "NO SUBSTITUTES".
29. In case samples are required or requested, the Contractor is responsible for having these samples available when needed. It is further required that these samples be identified with the name of the Contractor and the item number on the bid. Samples not properly identified will not be considered. We do not ask or require large quantities of samples. Should you wish unused or undamaged samples returned, please advise with our bid. This district will assume no responsibility of samples left thirty days or more after the bid opening.
30. A separate invoice is required for each purchase order.
31. Please refer to the specifications which outline in detail the items to be returned as your bidding proposal.
32. Should you have any questions concerning this bidding document, please call the purchasing Department.

This data collected from the other school districts participating in this study were similar in content consequently it was not presented in detailed form.

Bond Regulations

Data relating to bond regulations are as follows:

1. Performance and Labor and Material Payment Bonds

Within ten days of the date of the Notice of Award, the successful Contractor shall enter into a formal Contract with the Owner and shall provide a Performance Bond and a Labor and Material Payment Bond, each in the full amount of the Contract. The Bonds shall be in accordance with A.I.A. Documents A311. The Contractor shall pay the cost of premiums for said bonds.

The Bonds shall be signed and sealed by an authorized representative of the Bonding Company and an authorized officer or representative of the Contractor, and a

certificate of the authority of those signing the Bonds if not officers, shall be attached thereto.

The Performance Bond and the Labor and Material Payment Bond shall guarantee the performance of the duties placed on the Contractor by the prevailing Wage Act, as well as all other duties undertaken by him, and shall indemnify the Owner from any liability or loss resulting to the Owner from any failure of the Contractor fully to perform each or all of said duties. The Performance Bond and the Labor and Material Payment Bond shall be deemed to cover all such duties.

The Performance Bond and the Labor and Material Payment Bond herein provided shall be placed with a Surety Company or companies having a policyholders' rating not lower than "A" and a financial rating not lower than "AAA" in Best's Insurance Guide (current edition).

2. Deposit

A Bid Bond or Certified Check made payable to School District A in the amount of five per cent (5%) of the proposal shall accompany each bid as a guarantee that the bidder, if awarded the Contract, will furnish satisfactory performance, payment and maintenance bond, execute the Contract and proceed with the work. Upon failure to do so, he shall forfeit the deposit or amount of bid bond as liquidated damages, and no mistakes or errors on the part of the bidder shall excuse the bidder or entitles him to a return of the deposit or bid bond. No bidder may withdraw his bid for a period of 30 days after the date of opening thereof.

The bid bonds or checks will, with the exception of those of the three lowest bidders may be returned seven days after the opening of bids and the remaining checks or bid bonds will be returned when the Contract is executed and bond provided.

3. Examination of Documents and Site

Before submitting a proposal for work on the project, each bidder shall carefully examine the project site and the contract documents, fully inform himself of existing conditions and limitations of the project sites, rely entirely upon his own judgment in making his proposal, and include in his proposal all sums sufficient for him to provide all work required by the contract documents.

After opening of bids, no additional allowance will be made for changes in project scope and/or price due to work which

would have been apparent by examination of the documents and sites. By submitting his proposal, each bidder shall be held to represent that he has made the examination in complete detail and has determined beyond doubt that the documents and existing conditions are sufficient, adequate and satisfactory for his completion of the work. A bidder may visit the project sites during the hours of 8:00 A.M. to 5:00 P.M. on weekdays, Monday through Friday. The site location is at SYZ Road, Town, Illinois.

To summarize, the data relating to bidding and legal regulations as indicated in the specific purpose of this chapter, have been presented. Materials obtained from the written instrument as well as the interview procedure were outlined, giving an overall picture of bidding and legal regulations as practiced in the selected school districts participating in this study. Planning, organizing, and budgeting will now be addressed, as they relate to purchasing and their implications on the administrative functioning of the school districts.

Planning, Organizing, and Budgeting as Related to Purchasing

The final portion of this chapter deals with question numbers 5, 15, 18, and 26 relevant to organizing, and question number 27 dealing with budgeting.

Planning

28. Does your district have a long range financial plan showing estimated revenues and expenditures for a three or more year period in the Education Fund, Operations, Building, and Maintenance Fund, and Transportation Fund?

Two respondents indicated working in school districts with a long range financial plan. All other respondents indicated that their districts had no long range plan.

25. In your opinion what are the implications of your purchasing procedures on the overall planning of the general administrative functions of the district?

One respondent reported that their purchasing procedures

(1) make all employees aware of accountability, (2) hold expenditures to those which were budgeted for and approved by the board, and (3) require more planning and lead time from administrators when big dollar items are purchased.

Another respondent felt that the purpose of their purchasing department was to serve others--not to set procedures or guidelines that would impede that process.

The final respondent indicated the implications of the purchasing department on the overall general administration of their district were (1) to develop confidence in prudent selections at competitive prices, (2) to provide a definite businesslike procedure involving all appropriate personnel, and (3) to discourage hasty decisions for the acquisition of materials wanted rather than those that are needed. The other six purchasing administrators did not respond to the question.

The interview process of obtaining data made it possible to focus with more specificity on pertinent items concerned with the responding school district's financial plans.

The most comprehensive long range financial plan obtained in the interview process is presented. Of the other eight responding school districts, five had a very incomplete three year plan and three of the responding districts had no long range plan at all.

An example of a long range financial plan obtained from an on-site discussion with a responding purchasing administrator for the

Educational Fund, and the Operations, Building, and Maintenance Fund follows. (Figure 1 and Figure 2)

BUDGET PROJECTION
EDUCATIONAL FUND
OPERATIONS, BUILDING, AND MAINTENANCE FUND

ASSUMPTIONS

1. Potential revenue from sale of properties is omitted -- leaving open the option of applying such revenue to required life/safety work.
2. Property tax revenue is projected at a constant 1.3% state multiplier which was used in calculating the 1978-79 budget, annual growth factor of \$4 million in assessed valuation, with personal property tax remaining intact as it is now structured, collection rate of 98%.
3. General State Aid was calculated based on current enrollment projections reflecting our historical attendance record, current State Aid formula as modified by the legislature in 1978, 100% funding level. General State Aid will continue to be distributed only to the Educational Fund.
4. Other revenue was projected based on current levels adjusted for future enrollment decline expectations.
5. Interest on Working Cash Fund will remain in the Working Cash Fund, with consideration to discontinuing this levy in the future to balance growth in the Bond and Interest Fund to cover additional life/safety construction.
6. The expenditure projections are predicated on all utilities costs remaining in the Educational Fund. With continued energy conservation measures, an estimated high annual increase in energy costs, and projected school closings resulting from student decline, it was assumed that utilities expense would increase at a 5% annual rate.
7. It was assumed that two elementary schools would be permanently closed as of July 1, 1979, and one junior high school closed as of July 1982.
8. With an estimated 7% annual inflation factor, it was assumed that student decline would facilitate a 5% annual reduction in staff requirements, which resulted in a new 2% annual increase factor for salary expense.

9. Staff reductions and school closings will allow lower insurance costs, especially health insurance. Therefore, since it is anticipated that insurance premiums will exceed the consumer cost of living index, it has been assumed that insurance costs will have a net increase of 3% annually.
10. Educational Fund expenditures have been projected from a base of \$14,700,000 for the 1978-79 fiscal year, whereas \$14,966,221 has been budgeted for 1978-79.
11. It should be recognized that tax receipts in excess of 100% of a tax levy were received in 1977-78, which yielded an artificially inflated fund balance. A more realistic Educational Fund Balance July 1, 1978, would be \$189,593.

Organizing

5. Does your district have a full time administrator assigned to purchasing and related responsibilities?

All school districts responded positively to this question.

15. What role does your superintendent perform in the purchasing operation?

Eight respondents felt the superintendent, even though he had the ultimate responsibility for the purchasing function, played more of an advisory role. One district indicated a direct role was played by the superintendent. The Superintendent was not involved in the day to day purchasing operation of eight of the participating school districts.

18. Does your district maintain a central warehouse? If yes, do you have a warehouse catalog for the use of the budget manager?

Seven of the responding purchasing administrators indicated they operated a warehouse facility. However, only three respondents indicated they maintained a warehouse catalog for their budget managers.

EDUCATIONAL FUND
BUDGET PROJECTION
(In Thousands)

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Enrollment Projection (FTE)	8,256	7,975	7,505	7,011	6,580
WADA	9,194	8,622	8,322	7,832	7,309
<hr/>					
<u>Receipts:</u>					
Taxes - Advance	\$2,243	\$2,275	\$2,307	\$2,339	\$2,371
Taxes - Current	<u>4,949</u>	<u>8,972</u>	<u>9,099</u>	<u>9,227</u>	<u>9,355</u>
Total Taxes (Exhibit E)	7,192 (1)	11,247	11,476	11,566	11,726
General State Aid	<u>3,880</u>	<u>1,943</u>	<u>1,319 (2)</u>	<u>1,155 (2)</u>	<u>954 (2)</u>
Total Taxes & General State Aid	11,072	13,190	12,725	12,721	12,680
State/Federal Categorical Aid (Exhibit C)	1,067	1,027	967	901	846
Other Local Receipts (Exhibit D)	<u>1,300</u>	<u>1,252</u>	<u>1,178</u>	<u>1,099</u>	<u>1,031</u>
TOTAL RECEIPTS	<u>\$13,439</u>	<u>\$15,469</u>	<u>\$14,870</u>	<u>\$14,721</u>	<u>\$14,557</u>
<u>Disbursements:</u>					
Salaries (Net - 2% Annual Increase)	\$11,575	\$11,807	\$12,043	\$12,283	\$12,529
Other (Exhibit E) (3)	<u>3,125</u>	<u>3,246</u>	<u>3,447</u>	<u>3,660</u>	<u>3,867</u>
TOTAL DISBURSEMENTS	<u>\$14,700 (4)</u>	<u>\$15,053</u>	<u>\$15,490</u>	<u>\$15,943</u>	<u>\$16,416</u>
Net Current Year Surplus (Deficit)	\$ (1,261)	\$ 416	\$ (620)	\$ (1,222)	\$ (1,859)
Fund Balances 7/1/78 - \$2,304,879 (5)					
Accumulative Surplus (Deficit)	\$ 1,044	\$ 1,460	\$ 840	\$ (382)	\$ (2,241)

Note: Excludes any receipts from sale of property

(1) \$7,192 + \$2,115 = \$9,307

(2) Basis: Strayer-Haig Formula

(3) Assumes all utilities expense remain in Educational Fund

(4) 1978-79 Budget = \$14,966,221

(5) Overstated by \$2,115,286 due to receipt of 43.2% of Advance Taxes prior to 7/1/78;
Fund balance should be reduced to \$189,593 for consistency with other projected amounts.

FIGURE 2

OPERATIONS, BUILDING AND MAINTENANCE FUND

BUDGET PROJECTION

(SPECIAL EDUCATION CONSTRUCTION OMITTED)

	Budget <u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
<u>RECEIPTS</u>					
Taxes - Advance (Exhibit B)	357,725	362,821	367,917	373,013	378,109
Taxes - Current (Exhibit B)	901,440	1,430,898	1,451,282	1,471,666	1,492,050
Other Local Receipts	<u>72,787</u>	<u>72,787</u>	<u>72,787</u>	<u>72,787</u>	<u>72,787</u>
TOTAL RECEIPTS	<u>1,331,952</u>	<u>1,866,506</u>	<u>1,891,986</u>	<u>1,917,466</u>	<u>1,942,946</u>
<u>DISBURSEMENTS</u>					
Salaries (Exhibit G)	1,120,764	1,154,620	1,235,443	1,321,924	1,323,111
Other (Exhibit G)	<u>581,815</u>	<u>620,249</u>	<u>663,666</u>	<u>710,123</u>	<u>741,420</u>
TOTAL DISBURSEMENTS	<u>1,702,579</u>	<u>1,774,869</u> (1)	<u>1,899,109</u>	<u>2,032,947</u>	<u>2,064,531</u> (2)
Net, Current Year (Surplus)	(370,627)	91,637	(7,123)	(114,581)	(121,585)
Accumulative Surplus (Deficit)	389,143	480,780	473,657	359,076	237,491
Fund Balance 7/1/78 = 759,770					

Note: Potential Sale of Property Omitted

All Utilities Expense Included in Educational Fund Projections

- (1) Reflects closing of two elementary schools 7/1/79
- (2) Reflects closing of a junior high 7/1/82

26. In your opinion what are the implications of your purchasing procedures on the overall organizing of the general administrative functions of the district?

One school district, in response to the question felt (1) their district actively involves all employees in the business affairs of the district, (2) they clearly define and separate this function from the curricular functions, and (3) they make possible all other functions (curricular and extra-curricular) in the school district.

The implications of purchasing procedures on the overall administrative organization of the district indicated by another respondent dealt with the fact that in their opinion purchasing (1) provides a means of acquiring merchandise at competitive prices, (2) assures appropriate legal procedures, and (3) provides a process of review of each request for merchandise.

The other respondents reported that the purchasing department is included in all the district's planning and organizing and that very little happens in the school district without some interaction occurring with the purchasing department.

The interview process of obtaining data made it possible to focus with more specificity on pertinent items relevant to the organization of the purchasing department. Presented below are data obtained from the responding school districts in the areas of (1) a job description of a purchasing administrator, (2) a typical page of a warehouse catalog, and (3) a general instruction sheet for ordering from a school district warehouse. These materials represent the most complete and comprehensive materials relevant to these

topics. The materials were selected from three of the responding school districts.

Job Description

1. Initiates contacts with vendors relative to supply and equipment availability, invoices, purchase orders, and contracts.
2. Obtains and studies comparative prices and quotations.
3. Purchases by competitive bidding, informal quotations, and negotiation, items of supply and equipment necessary for the operation of the school district.
4. Studies price trends and market conditions and keeps informed of sources of supply and new product developments.
5. Investigates quantity and quality of commodities purchased.
6. Prepares all bidding documents, including notice to bidders, instructions to bidders, specifications, and form of proposal.
7. Monitors all purchase requisitions to determine correctness of information, price extensions, coding information, etc.
8. Develops and maintains appropriate records, such as vendor's register, commodity register, bidders' list, etc.
9. Assumes responsibility for correspondence relating to school district purchasing activities.
10. Assumes responsibility for the operation of perpetual inventory systems and central warehousing operations.
11. Books and distributes all 16mm films for the school district.
12. Plans media facilities for additions and new buildings.
13. Plans annual inservice workshop for evaluation of new A-V equipment. Maintains current inventory of all A-V equipment and central warehouse supplies. Provides and maintains centrally, repair service for all A-V equipment.
14. Organizes and prepares reports for federal project - Title IV.
15. Assists in securing bids and vendors for purchase of all A-V equipment.

16. Prepares bids for instructional supplies housed and distributed from the central warehouse. Maintains current inventories of all warehouse items, to include receipts and withdrawals.
17. Verifies central warehouse order forms for data processing charge to building accounts.

Qualifications:

1. Educational: Have a background in appropriate systematic study in school business or comparable experience, general administration, school plant operation, planning and construction, school curriculum, management techniques and personnel work as well as a broad general education. Masters degree in Education preferred.
2. Experience: A minimum of four years experience in either education or business, of these at least one year should involve administrative or supervisory experience and responsibilities. Preference should be given to those whose experience has special value as preparation for their particular responsibility.
3. Personal: Good health, appearance, personality. The person should possess plenty of directed drive; like people and show it, get along with others; be a good listener; a person of integrity; fair in dealing with annoyance, a sense of values, and a high articulation and writing skills; be able to accept criticism, render decisions, be a team worker.

General Instructions for Warehouse Ordering

1. All orders must be submitted through the principal of the school for his signature.
2. Determine your needs and order supplies sufficiently far enough in advance to allow for the order to be processed.
3. If an item you have ordered is out of stock, the warehouse staff will notify you that the balance of the order will follow and you are asked not to reorder. A copy of the order is retained in the Warehouse and it will be processed immediately when the stock is replenished.
4. To order items from the catalog, use the Warehouse Requisition Book which contains individual sets of a green, pink, and blue copy of the requisition. Forward the green and pink copies of the requisition to the Warehouse and retain the blue copy for your files. Please note the instructions

that follow, regarding the proper procedure for filling out requisition forms. It is necessary that these requisitions be accurate and complete, since a copy of the requisition is forwarded to the Data Processing Center so that the requisitioned materials and their cost can be recorded on the monthly school printout. Because of the large volume which we experience, the warehouse staff does not have the time to call you for information on the incomplete requisitions. Therefore, these requisitions will be returned to the school or department for any information which is incomplete or incorrect before the order can be processed.

5. If it is necessary to ask the Warehouse to transport or transfer items, this should also be submitted on a Warehouse Requisition at least one week in advance. When possible, clearly mark the items to be transferred, etc. and have them located in the designated area in your building for the warehouse to pick-up. As the warehouse drivers are on a tight schedule, when requesting a transfer of items from one school to another, please call the school involved in the transfer, so that the items to be transferred can be on the loading dock ready for pick-up on the assigned day.
6. When writing an order for supplies or signing one, please see that the following information is provided.
 - A. School: Name of school or central office department.
 - B. School Number: Each school and central office department has an assigned number.
 - C. Date: Date Requisition is sent to the Warehouse.
 - D. Department: Name of department and/or grade level in the school or name of department in administration offices.
 - E. Account Number: These numbers are provided at the beginning of each different section in the catalog. When more than one account number is listed in the catalog, select the number that best identifies the intended use.
Example: General supplies for central administration offices are listed under 501.31; general supplies for school offices are coded as 502.901; general supplies for instructional use are 502.3906. Each requisition should include only one account number. This will expedite the handling of your orders and will assure that the items are charged to the appropriate account number.

- F. Teacher: Staff member originating the request.
 - G. Quantity: Indicate the number of units desired. Be sure to check the catalog as to whether a unit is pound, each, 25 lb. bag, sheet, ream, package, carton, etc. Please do not requisition less than the unit listed. Parts of units cannot be supplied.
 - H. Item Number: This is our stock control number. It is found in the first column of the catalog and it is very important that you provide this number.
 - I. Description: Must include a complete description as listed in the catalog, including the size, color, etc.
 - J. Unit Cost: The cost of each unit of the item can be found in the last column in the catalog.
 - K. Total Cost: Multiply the number of units times the unit cost and enter in the last column on the requisition form. Be sure to provide a grand total at the bottom of the requisition.
7. Order items from each section of the catalog on a separate requisition. For instance, general supplies should be on one order, maintenance supplies on another, etc.
8. Return of material to Warehouse:
- A. Label package Return to Warehouse
 - B. Place a note inside indicating the reason for return.
 - C. Be sure the purchase order or warehouse order number is on the package.
9. Requisitions that require prepayment must include a check issued to School District A. Please do not send cash.

Budgeting

- 27 In your opinion what are the implications of your purchasing procedures on the overall budgeting of the general administrative function of the district?

Six respondents felt that the purchasing department can reduce expenditures by well organized and prudent purchasing. Reduced expenditures on general supply items, due to effective purchasing, will make

ART SUPPLIES (continued)

Page 7

<u>ITEM NUMBER</u>	<u>ITEM</u>	<u>UNIT</u>	<u>UNIT COST</u>
01-04370	Tempera Block, refills <u>Black</u>	each	\$.30
01-04380	Tempera Block, refills <u>Blue</u>	each	.30
01-04390	Tempera Block, refills <u>Brown</u>	each	.30
01-04400	Tempera Block, refills <u>Green</u>	each	.30
01-04410	Tempera Block, refills <u>Orange</u>	each	.30
01-04420	Tempera Block, refills <u>Red</u>	each	.30
01-04430	Tempera Block, refills <u>Violet</u>	each	.30
01-04440	Tempera Block, refills <u>White</u>	each	.30
01-04450	Tempera Block, refills <u>Yellow</u>	each	.30
01-04460	Thread, Polyester Sewing <u>Avocado</u> (spanish moss)	spool	.20
01-04470	Thread, Polyester Sewing <u>Black</u>	spool	.20
01-04480	Thread, Polyester Sewing <u>Brown</u>	spool	.20
01-04490	Thread, Polyester Sewing <u>Cream</u>	spool	.20
01-04500	Thread, Polyester Sewing <u>Lt. Blue</u>	spool	.20
01-04510	Thread, Polyester Sewing <u>Lt. Green</u> (icy green)	spool	.20
01-04520	Thread, Polyester Sewing <u>Lavendar</u> (lt violet)	spool	.20
01-04530	Thread, Polyester Sewing <u>Navy</u>	spool	.20
01-04540	Thread, Polyester Sewing <u>Orange</u>	spool	.20
01-04550	Thread, Polyester Sewing <u>Pink</u>	spool	.20
01-04560	Thread, Polyester Sewing <u>Red</u>	spool	.20
01-04570	Thread, Polyester Sewing <u>Tan</u> (beige)	spool	.20
01-04580	Thread, Polyester Sewing <u>White</u>	spool	.20
01-04590	Thread, Polyester Sewing <u>Yellow</u>	spool	.20
01-04600	Tjaunting Needles, small	each	2.10
01-04610	Tjaunting Needles, med	each	2.10
01-04620	Tjaunting Needles, Large	each	2.10
01-04630	Turpentine	quart	1.20
01-04640	Varnish	quart	2.05
01-04650	Wicks for Alcohol Lamps (1/4" dia)	doz.	2.40
01-04660	Wire, Aluminum 9 ga. B&S 50'	coil	2.00
01-04670	Wire, Copper 14 ga. 1# spool	spool	5.20
01-04680	Wire, Copper 20 ga. 1# spool	spool	4.50
01-04690	Wire, Galvanized 20 ga. 1# spool	spool	3.00
01-04700	Wire, Galvanized 26 ga. 1# spool	spool	8.00
01-04710	Wire, Iron Stove Pipe, 18 ga. 5# spool	spool	2.50
01-04720	Wire, Sculpture, Flexalume 36 ft.	coil	11.00
01-04730	Wire Cutters, 9"	each	6.50
01-04740	Wood Bulsa 2 x 4 x 6"	block	.65
01-04750	Wood Beads, Round Large 9/16" #R1603	cup	1.30
01-04760	Wood Beads, Round Medium 7/16" #R1403	cup	2.15
01-04770	Wood Beads, Round Small 5/16" #R504	cup	5.20
01-04780	Wood Beads, Oval Medium 1/2" #OV1303	cup	3.75
01-04790	Wood Beads, Oval Small 3/8" #OV803	cup	6.50
01-04800	Wood Beads, Spool Medium 7/16" #5703	cup	2.80
01-04810	Wood Beads, Spool Small 3/8" #5603	cup	4.60
01-04820	Yarn, Macrame Jute, Natural 10#	ball	6.50
01-04830	Yarn, School Jute, <u>Black</u>	spool	1.00
01-04840	Yarn, School Jute, <u>Dark Brown</u>	spool	1.00
01-04850	Yarn, School Jute, <u>Dark Green</u>	spool	1.00
01-04860	Yarn, School Jute, <u>Lt. Green</u>	spool	1.00
01-04870	Yarn, School Jute, <u>Natural</u>	spool	1.00
01-04880	Yarn, School Jute, <u>Orange</u>	spool	1.00
01-04890	Yarn, School Jute, <u>Purple</u>	spool	1.00
01-04900	Yarn, School Jute, <u>Red</u>	spool	1.00
01-04910	Yarn, School Jute, <u>Yellow</u>	spool	1.00
01-04920	Yarn, Roving Rug Filler, <u>Black</u>	skein	1.10
01-04930	Yarn, Roving Rug Filler, <u>Brown</u>	skein	1.10
01-04940	Yarn, Roving Rug Filler, <u>Dark Brown</u>	skein	1.10
01-04950	Yarn, Roving Rug Filler, <u>Emerald</u>	skein	1.10
01-04960	Yarn, Roving Rug Filler, <u>Gray</u>	skein	1.10
01-04970	Yarn, Roving Rug Filler, <u>Orange</u>	skein	1.10
01-04980	Yarn, Roving Rug Filler, <u>Pink</u>	skein	1.10
01-04990	Yarn, Roving Rug Filler, <u>Purple</u>	skein	1.10
01-05000	Yarn, Roving Rug Filler, <u>Red</u>	skein	1.10
01-05010	Yarn, Roving Rug Filler, <u>Rose</u>	skein	1.10
01-05020	Yarn, Roving Rug Filler, <u>Turquoise</u>	skein	1.10
01-05030	Yarn, Roving Rug Filler, <u>White</u>	skein	1.10
01-05040	Yarn, Roving Rug Filler, <u>Yellow</u>	skein	1.10
01-05050	Yarn, Lily Rug Weave, <u>Black</u>	skein	.40
01-05060	Yarn, Lily Rug Weave, <u>Chartreuse</u>	skein	.40
01-05070	Yarn, Lily Rug Weave, <u>Dark-Blue</u>	skein	.40
01-05080	Yarn, Lily Rug Weave, <u>Deep-Taupe</u>	skein	.40

more money available for other areas of the educative process.

One responding school district felt the purchasing department must provide the buildings with projected prices of the producers to enhance both the budget process as well as the purchasing process.

Two of the purchasing administrators did not answer this question, but felt that during the interview process a more expanded discussion could occur.

Implications or purchasing procedures on the overall budgeting of the general administrative functioning of the district, as one respondent indicated, (1) helps to maintain a minimum budget allocation and yet secure adequate merchandise, (2) causes all staff members to plan two to three years in advance for items that may be needed, and (3) promotes the team concept and a better understanding of funds available, needs for priorities, and other related necessities.

The budget process for all large districts involves year around involvement. This fact is evidenced by a budget calendar obtained from one of the school districts taking part in this study. To actively involve all budget managers, the board of education, and the community, time must be expended in the development of a working budget.

November 1 -

November 30 Development of Budget Calendar

November 1 - 30 Develop Standard Supply and Equipment Lists

November 15 - 30 Revised Budget Chart of Accounts

December 12 - 16 Budget Orientation for Junior High Principals

December 12 - 16 Budget Orientation for Elementary Principals

December 12 - 16 Budget Orientation for High School Administration

December 12 - 16	Budget Orientation for High School Budget Managers
December 12 - 16	Budget Orientation for Central Office Budget Managers
January 19	Expenditure Budget Worksheet Due in Business Office - Elementary
January 26	Expenditure Budget Worksheet Due in Business Office - Junior High
January 26	Expenditure Budget Worksheet Due in Business Office - Central Office Budget Managers
February 1 - March 15	Building Meetings with each Budget Manager and Principal
February 1 - 15	Develop Estimated Revenue
February 9	Expenditure Budget Worksheet Due in Business Office - High School
February 9	Standard Supply and Equipment Lists Due in Business Office - Elementary
February 16	Standard Supply and Equipment Lists Due in Business Office - Junior High
March 2	Standard Supply and Equipment Lists Due in Business Office - High School
April 3 - June 30	Order Essential Supplies and Equipment
June 28	Review of Budget - Finance Committee Meeting
July 12	Review of Budget - Finance Committee Meeting
July 19	Review of Budget - Finance Committee Meeting
August 7	Place Budget on File
September 17	Public Hearing and Budget Adoption

Summary

The collection of data presented in this chapter was obtained from a questionnaire administered by mail and a follow-up interview

with the selected school district's purchasing administrator. All respondents were asked to react to the implications of the purchasing function in their respective district to the administrative planning, organizing, and budgeting of that district. The data obtained from the interview was presented along with the responses from the questionnaire. The interview technique also was used to validate each respondent's answer to particular questions on the survey instrument. The data were presented in three broad areas, (1) purchasing policies and procedures, (2) bidding and legal regulations relevant to the purchasing function, and (3) the purchasing department's relation to the planning, organizing, and budgeting of the district. The data were presented in this order to correspond with the organizational structure of the related literature chapter of this study.

The following chapter is an analysis of the various data collected during the study, including authoritative sources in related literature and research as well as data obtained from the questionnaire and interview procedures.

CHAPTER IV

ANALYSIS OF DATA

The purpose of this study was to analyze purchasing policies, regulations, and procedures in selected school districts. The study was guided by the following major questions:

1. What do the authorities identify as appropriate purchasing policies, regulations, and procedures for public schools?
2. What purchasing policies, regulations, and procedures are currently being used in the public schools?

These two major questions have been explored in the previous two chapters presented in this study. The focus of the survey of literature was to identify what the authorities considered to be appropriate purchasing procedures. Procedures recommended by the authorities were presented in Chapter II. The purchasing policies, regulations, and procedures being used at the time of the study by selected school districts were presented in Chapter III. Data were gathered from nine districts selected from the northern one-third of the state of Illinois with the major emphasis being in the Chicago suburban area. Collection of the data was accomplished by (1) the results obtained from a questionnaire administered by mail, and (2) a follow-up interview with the respondents of the questionnaire. The data collected by the questionnaire and the results of the

interview process were compiled and separated into the categories of (1) Policies and Procedures, (2) Regulations, and (3) The Implications of Purchasing Policies, Regulations, and Procedures on Planning, Organizing, and Budgeting.

The findings resulting from the questionnaire/interview method were tabulated. The findings of the authorities were categorized and an analysis was made relative to the following three areas.

1. Analyses were conducted comparing and contrasting the recommendations of authorities and the findings generated by the questionnaire/interview procedures as to actual practices in the selected school districts.
2. Another analysis was to compare the findings among the individual school districts and to analyze the possible reasons for the similarities and differences.
3. A final type of analysis was made in terms of the implications of the previous findings upon the administrative functioning of school districts in the areas of (1) planning, (2) organizing, and (3) budgeting.

The analysis was organized into the major areas of (1) policies and procedures, and (2) regulations. These two major areas were then examined in depth following the format of analysis explained in the preceding section.

Policies and Procedures

An analysis will not be conducted comparing and contrasting the recommendations of the authorities and the findings generated by

the questionnaire/interview procedure. These comparisons and contrasts dealt only with related findings and authoritative sources in the area of purchasing policies and procedures.

Analysis of Findings and Related Literature

Effective school purchasing requires a systematic purchasing organization that is operated by established procedure. The first step in establishing such an organization, as indicated by the authorities, is for the board of education to adopt written policies concerning purchasing. Such policies are extremely valuable, not only to the board, school, staff, and pupils, but also to the community. These policies help bring clarity and understanding about the operations of the school. Carefully considered and well written policies are the basis for all board functions. Policies legalize actions and relieve employees of the responsibility of making policy decisions under the pressure of time or expediency. Board policies help to interpret institutional purposes and facilitate speed and accuracy in translating policy into action. Purchasing policies clarify the relationships of school board, superintendent, and staff to aid in providing materials for the educational program.

The literature indicated that to supplement the policies and procedures that the school board has adopted, the superintendent of schools or the assistant superintendent in charge of purchasing should establish procedures concerning the procurement of materials that will serve as detailed guidelines for staff

members. If the purchasing policies of a school district are to achieve the desired level of effectiveness, they must be generally known and understood by all persons who are affected by them. Awareness of the purchasing policies and procedures necessitates that the most effective communication devices possible be used to make information available to staff personnel, vendors, and interested patrons of the community.

The authorities recommended that school board policy and procedures should stipulate the administrator who is responsible for the efficient and ethical conduct of all purchasing activities. Of the selected school districts used in this study only one board policy statement specified the administrator responsible for the purchasing function and that policy statement named the superintendent as the administrator responsible. For the most part the districts participating in this study had very little in their board policies relating to purchasing and the little that was mentioned was usually outdated. The lack of board policy statements could create orientation difficulties for new board members. A lack of policy statements also disrupts the continuity in the conducting of school affairs. The improvement of the general efficiency and guidance of the school system and improved community relations are also important implications of having written board policy statements. No one can claim that he had no way of knowing policies and rules when they are set forth in plain english in the administrative code of the respective school district. Two responding districts had current board policy statements. One of the board policy statements observed

still had the legal minimum cost to bid an item at \$1500 when in fact it has been \$2500 for several years.

A participative approach to purchasing was advocated in the literature so that the eventual user of the product has the "right choice" whenever possible. This theory of decentralization was very prevalent in the school districts participating in this study. In all cases the purchase order was started at the building level by the person using the item.

All participants in this study advocated that their goal was to have the right product purchased at the right price and available at the right place at the right time. From the material obtained from the selected school districts, both from the questionnaire and the interview process, the purchasing administrators indicated a true concern for the purchase of the right product.

An effective communications network as previously cited in the related literature, must be developed so that the purchasing office has adequate knowledge of product performance. A system of evaluating a vendor's performance is an important aspect of the purchasing function and only one respondent in this study indicated a comprehensive evaluation procedure. An incomplete vendor evaluation procedure could cost the school district considerable sums of money resulting from legal situations that may have been avoided by checking a vendor's performance before entering into a business relationship with him. A vendor's performance must be evaluated immediately following his delivery of the goods. A failure on the vendor's part to deliver on the specified date and time could severely hamper the educa-

tional process of the entire district. Failure of the milk vendor, for example, to deliver each morning provides a hardship to the youngsters and also jeopardizes the district's position with the federal government which could result in the loss of federal funding. In one district participating in this study a written evaluation sheet was distributed to all users within the district thirty days after delivery of all bid items. This form was filled out and returned to the purchasing administrator. If the ratings on a particular product or vendor were below a certain standard, either the product, the vendor, or in some cases both were removed from the district's purchasing list. It is also important for the purchasing administrator to make himself available to see vendors and discuss the latest trends in the field, as was earlier substantiated by the authorities and also dictated by common sense. At one school district, while waiting for the interview procedure to take place, it was observed that several vendors were treated rather rudely both in person and on the telephone. The purchasing administrator indicated later that, he "wished those people would quit bothering me."

Purchasing authorities strongly recommended placing frequently used items on a standard list to expedite the purchasing process and to effect greater economy. There was ample adherence to this recommendation among the school districts in this study. However, only large districts were studied with full time purchasing administrators and bid everything he possible can in order to obtain the most efficient use of the taxpayer's money. Not bidding these types of

purchases is clearly a contradiction of the intent of the bidding statute and this type of circumvention could cost the school district large sums of money in legal fees. Also purchasing administrators could lose jobs over these types of procedures. Separate purchase orders with dollar amounts under \$2500, but ordered at different times to circumvent the bidding laws, were utilized in some districts.

One of the districts participating in this study, with a very large amount of bonded indebtedness, had a very loose adherence to the legal requirements of bidding, along with a low regard for the need of using legal assistance in their purchasing function. This district might benefit financially from a more prudent approach to purchasing and a better attitude relative to using the advice of their legal counsel, instead of having the opinion that their business administrators have had enough experience in the area of public school finance that the use of their attorneys is unnecessary. By not taking advantage of advice provided by legal counsel, the purchasing administrator is putting the school district in a vulnerable position legally. Spending a few dollars on legal advice could save the school district large sums of money on litigation at a later date as well as providing job protection for the purchasing administrator. The school district that allowed district employees to purchase in the name of the district with little or no policy regarding the reimbursement of these individuals is the same district whose purchasing administrator feels he knows more than the school district's legal firm. These examples of inefficiencies should not be tolerated by the members of

the community making up the school district. It is impossible to obtain maximum usage out of the revenue generated by the taxpayers when such blatant lack of control is in evidence.

The largest school district participating in this study had the most comprehensive and well executed system of policies and procedures relative to purchasing. Two years prior to this study this particular district was almost bankrupt and today is in fine financial shape. The district's present financial condition was obtained by starting with a complete overhauling of the purchasing department. The purchasing administrator indicated during the interview that the superintendent and board hired him to tighten the policies and procedures in purchasing and in only two short years this same district is in a much improved financial condition. The purchasing administrator put in a comprehensive program of bidding procedures. Phone quotes and informal bid procedures for the purchase of single items over fifty dollars was instituted. When the budget managers must obtain three price quotes for an item, dollars will be saved. The purchasing administrator formally bid all items over one thousand dollars instead of the customary twenty-five hundred dollars as required by law. This also saved large sums of money. The board of education said there would be no confirmation purchasing. The purchasing administrator refused to reimburse employees for out-of-pocket expense on school related purchases. A savings was realized here on sales tax alone. Savings of the kind described when added together amounted to large sums of money and

could not have been realized without strong and prudent fiscal leadership, provided by the purchasing administrator and the purchasing department. Leadership of this kind carries over into all phases of the financial management of a school district. A comprehensive procedure for justifying new or replacement equipment, very stringent methods of obtaining informal quotations on materials, reducing the existing inventory in the school buildings, a closer working relationship with key vendors, on the spot inspection of materials and supplies contained in the buildings, a reduction of per pupil allocation, are a few of the procedures purchasing administrators can implement to reduce district expenditures without altering the quality of the education. Tough controls on purchasing are the basic starting points to bringing a school back to financial respectability. It is apparent that purchasing is felt by some to be the backbone, of not only the business office, but the financial future of the school district as well.

An outline of steps for approval and disapproval of purchases designating different situations according to amount and type of purchase, was a recommendation found many places in the literature examined for this study. All of the responding school districts had some form of procedure relative to either approval or disapproval of purchases with varying dollar amounts. The districts with the least comprehensive guidelines were in some cases the districts having very large outstanding debt loads. It appeared that even though no attempt was made in this study to examine a relationship between bonded

indebtedness and purchasing procedures, there was an apparent correlation. Allowing district employees to purchase for the district using their personal funds, and then receiving total reimbursement, including tax, is an example of a rather inefficient and financially irresponsible operation. Also, an outline for bidding only items costing more than \$2500 with no specificity regarding procedural handling of purchases under \$2500 lends itself to a purchasing operation with very poor control. Poor control in the purchasing department of a school district will eventually lead to severe financial difficulties for the school district.

The last suggested procedure found in many recommendations by the authorities deals with an accepted code of ethical conduct for school board members, staff members, and vendors regarding all purchasing contracts. All school districts involved in this study had obvious voids in their policies and procedures with regard to a code of conduct. More statements concerning ethics and vendor relations should be developed and either put into the school district's board policy or made a part of the purchasing department's guideline booklet concerning their own purchasing policies and procedures. Local school officials, school employees, and community patrons expect the school purchasing administrator to conduct school business at the highest level of ethics. The standards of conduct and reputation for dealing with vendors must be above reproach. When the school district's purchasing and related fiscal matters are handled in an efficient manner not only is public confidence in the

school district strengthened, but the superintendent's image is enhanced as well.

Internal Analysis of Findings

The second phase of analysis dealing with policies and procedures related to a comparison of the similarities and differences of the selected school districts in the area of purchasing policies and procedures. A comparison and contrasting of the differences and similarities of the districts participating in this study is presented with primary emphasis on the district's purchasing policies and procedures, but much more must be examined as to how and why certain procedures evolved and also the methods of implementation. Policies and procedures are the results of the efforts by many school district employees. Implementation of these procedures depends upon philosophies, organization, and the personality of the purchasing administrator. The types of policies and procedures implemented are, in many cases, a mirror reflection of the purchasing administrator or possibly even the superintendent. The community has input into purchasing as to how really important the members of the community feel it is. The community beliefs caused by the socio economic differences making up the school district will also be reflected. The type and amount of tax base present in a particular district, the financial condition of the educational, operations, building and maintenance funds also will help determine the purchasing philosophy. A financially solvent district may tend to take a more permissive view of

district expenditures than a school district which is in deep financial difficulty. A strong industrial tax base will generate a continuous flow of revenue and a long range financial projection will be easier to develop. The ethnic background of the board and community many times plays a role as to the attitude reflected in the financial operations of the school district. The actual policies and procedures themselves are constructed to reflect attitudes, values, philosophies, and are not just words on paper. These factors were not specifically a part of this study but were evidenced in small ways as the study progressed.

Of the districts participating in this study, the most comprehensive purchasing policies and procedures came from those districts with low socio economic backgrounds and a large industrial tax base. There appeared to be a much more stringent control of the school district resources in the multi-ethnic and multi-racial communities participating in this study, than in the districts located in the white collar belt surrounding Chicago. The school district with the most out-of-date board policies, purchasing procedures developed with the least amount of depth and exactness, and purchasing administrators with attitudes reflecting a laissez faire approach to their job, for the most part came from the white collar districts participating in this study. One school district had no formal purchasing policies and procedures other than what is presented in The Illinois School Code, and was considered to be one of the wealthier communities in the Chicago suburban area.

In this study, the districts with the most comprehensive policies and procedures were unit districts. The two high school districts taking part were both in excellent financial condition, but their purchasing procedures were so decentralized that the purchasing administrator lacked appropriate control over not only the district's purchasing, but the control of the dollars as well. When the budget managers are able to purchase as they see fit, with very little control by the purchasing department, there is a tendency to spend dollars that may have been saved with more stringent purchasing rules and regulations.

The school district with the most complete and comprehensive purchasing policies and procedures most efficiently run and friendly atmosphere generated by the purchasing staff was the largest district participating in this study, consisting of 36,000 students. The district is multi-racial, a unit district, and two years previous to this study had much publicized financial difficulty. The community is in a lower middle class area with a large industrial tax base. Without question, a factor of obvious magnitude in this particular district was the personality of the purchasing administrator. All of the above ingredients have been put together in a way so as to create an excellent purchasing department, and as was stated earlier in this study, an important reason for the resurgence of the financial stability of the school district was the direction provided by the purchasing administrator.

All of the districts studied had policies and procedures of

some kind, but after close observation, similarities and differences became evident. It cannot be emphasized enough that the school district's purchasing policies and procedures reflect the philosophy of the community, the superintendent, and the board of education, and the implementation of these policies and procedures become the responsibility of the purchasing administrator.

Implications of Purchasing Policies and Procedures on Planning, Organizing, and Budgeting

Planning is, in reality, a definition of goals and objectives. It is the output of objectives rather than a generalized process or set of techniques. The implication is that every institution, as previously cited in the related literature, should know where it is going and administrators should engage in planning to give direction to the activities of that institution or school district. It is important to realize that planning is not a one time activity, but that it must be considered a continuous effort. Conditions change, demands and tastes change, inputs vary, and as a result plans must be able to be changed. Long range plans determine direction and should be in constant review and refinement to reflect the most recent input data.

The implications of the purchasing policies and procedures of the districts participating in this study on the overall planning of the general administrative functioning of the district were many faceted. A good system of purchasing policies and procedures makes all district employees aware of accountability. Accountability also makes the rest of the school district's budget managers aware of the

fact that if the purchasing department exhibits well thought out and concise procedures they, as budget managers, also better plan carefully as to how they want to expend their dollars, using the procedures set up by the purchasing department to get maximum efficiency from those dollars. Good purchasing procedures give an air of quiet confidence, for not only the rest of the district to build upon, but the community as well. A district with well developed purchasing policies and procedures discourages hasty financial decisions for the acquisition of materials wanted.

It was observed when dealing with the schools participating in this study that those school districts with well defined and comprehensive purchasing policies and procedures will also for the most part be the same districts with well structured long range financial plans, well developed warehousing and inventory procedures, well thought out and developed long range plans for school closings due to declining enrollment, and usually are in a good financial position, or at least in a position to bring to the community a plan of getting expenditures and revenues in line with one another.

Four districts participating in this study had no long range financial plans and three of these districts had an incomplete system of purchasing procedures along with a history of financial problems during the past several years. These financial problems could have been reduced significantly if planned for in advance instead of waiting until the problem presented itself.

There were definite implications of good purchasing policies

and procedures on the general administrative planning of the school district, but as has been previously indicated much of the results of the general administrative functioning of the district can be brought to bear directly on the leadership exhibited by the purchasing administrator and the superintendent of the district. Good decision makers and leaders, generally have planned well for the future not only in the business area but all other related educational areas as well.

As previously related by the authoritative sources the success of the educational enterprise is heavily dependent upon sound and adequate planning. Careful planning is an essential element of decision making and its significance in carrying out successfully decisions when made is equally critical. Simply defined intelligent planning is preparation for effective action. The utilization of relevant facts is necessary before good planning can be achieved. An appraisal of resources available for carrying out the plans is another aspect of this process. If planning is to achieve the role projected here, it must be continuous and it must concern itself with long range demensions as well as the day-to-day operational aspects of administering the purchasing department or the entire school system. The lack of planning demonstrated by some of the participants in this study will create unorganized and somewhat chaotic conditions particularly financially in a very short period of time. Poor morale on the part of the staff, a lack of community confidence, and general disaray of the school district result from poor planning.

Organizing

Organizing as a primary function of the administrator is listed by almost as many authorities as planning. The authorities indicated that it is through organizing that the tasks of an institution are subdivided and then related and arranged to create an operating unity. Purposes give direction and, therefore, precede and justify the organization ultimately adopted. Knowing where the district wants to go keys the question of how to get there. Organizing a school district provides the structure to facilitate the task of achieving objectives. The district's administrative staff is concerned with how work shall be divided, the nature and number of positions in the district, the relations between various positions and the establishment of communications between these positions. Organizing is a vital responsibility of an administrator, not only the purchasing administrator but the superintendent as well.

The implication of the purchasing policies and procedures on the general organizing of the district's administrative function begins by actively involving all employees in the business affairs of the district. A decentralized approach to purchasing, as all the districts in this study had, gives staff members in the district active involvement in the procurement of supplies and materials. Employees with an opportunity to provide input into all phases of not only education, but the business affairs as well, tend to feel more a part of the total school district operation.

The purchasing administrator of a school district taking part

in this study was also the chief negotiator for the board of education. In his experience as chief negotiator it was his opinion that there is no such thing as a non-economic item. All school district planning and organizing functions eventually affect the purchasing function in some form.

Another important implication of purchasing policies and procedures on the general organizing of the district is that through a system of organized purchasing procedures the appropriate steps in the utilization of the district's legal firm will more than likely be built into the structure of the purchasing policies and procedures. Purchasing policies and procedures provide for the adequate use of legal assistance in related matters. The purchasing department must be cognizant of its limitations with respect to the legal ramifications of the purchasing function, and utilize legal assistance whenever necessary. A carry over occurs into the departments of curriculum, personnel, buildings and grounds and thus the organization of the general administrative function of the district.

A well organized set of purchasing procedures provides a process of review for each request of merchandise. This organization creates a model for the rest of the district to duplicate. Only one of the participating districts in this study with well organized purchasing policies and procedures, was not a part of a well organized total school district. In this case the purchasing administrator had been a long time employee of the district and had developed autonomous powers whereas the superintendent was the third one in

four years. This rate of turn-over does not usually lend itself to a solid well organized school district. For the most part, the purchasing departments with concise, well organized purchasing policies and procedures were a part of a generally well organized total school district.

The informal organization made up of systems of interpersonal relationships are independent of the formal organizational structure. The interpersonal relationships with the organization affects decisions much more than the formal organization. Although this study did not examine the interpersonal relationships of the purchasing department as they relate to the general financial condition of the district, it was observed that the attitude of the employees to each other and to the visitors in the purchasing office correlated to the general efficiency of the business office.

Budgeting

The budget is the heart of fiscal management as indicated by authoritative sources. Through the budget the board can approve and determine the expenditures of the school system. The budget is the fiscal interpretation of the educational program. The fiscal interpretation implies that reducing or increasing the proposed expenditures or refusing to approve the procurement of receipts stipulated in the budget has more than merely monetary significance. Such acts affect the quality and quantity of educational services available in the district. In one sense the budget can be regarded as an expression of the educational hopes and aspirations of the people. The budget is by nature future oriented.

The budget document is the general financial and educational plan for a stated period of time. The budget document evolves from continuous fiscal and educational planning. The budget document contains a balanced statement of estimated revenues and expenditures. The budget reflects the organizational pattern by breaking down the elements of a total plan into their sectional and department components, allowing costs to be more easily estimated. The budget then forces a coordination of these elements by reassembling costs in a whole so that a comparison may be made with total revenues. Budgeting forces the administrator and staff to plan together relating to what needs to be done, how it will be done, and by whom. A good budget ties together the educational plan with the financial plan. It is not, as many seem to think, merely a tabulation of anticipated revenue and disbursements, although many so-called school district budgets are made up wholly or nearly so of tables with little supporting data or explanatory text. One school district participating in this study exceeded their adopted budget by over three hundred thousand dollars. The budget had to be amended putting the school district into worse financial difficulty than they already were. The budget must be monitored monthly with each line item continuously kept in a positive balance position. One school district uses the purchasing administrator to monitor the more than twenty thousand line items each month. The past two years the school district has finished its fiscal year four hundred thousand dollars under budget. Purchasing policies and procedural guidelines and budget monitoring add strength to fiscal efficiency in a school district.

One of the implications good purchasing policies and procedures have on budgeting is that they help to establish a plan of action for the future. Budget managers should have a concise well thought out system of purchasing guidelines, which gives them confidence in knowing that the purchasing department will obtain maximum efficiency out of their budget dollars. Established purchasing policies necessitate the establishment of well developed work plans on the part of budget managers. One school district indicated that the purchase of any single item over fifty dollars up to five hundred dollars must be phone quoted by three vendors before the purchase order is submitted. When budget managers establish well developed guidelines with the help of the purchasing department, the overall expenditures in the district can be reduced making more money available for program enrichments or other areas as the board sees fit. When purchasing new or replacement equipment justification forms should be presented for approval by the superintendent. Continuous monitoring and the use of state and federal funds will free-up additional dollars which may be used for programs such as using title money for the purchase of audio visual equipment instead of district funds.

Another implication for budgeting is that a good system of purchasing policies and procedures causes all staff members to plan two or three years ahead as to projected expenditures, thus promoting the team concept of school administration which the authorities advocate as the most functional in today's educational setting. A

well developed purchasing policies and procedural system also helps to establish a system of management controls. The public outcry for accountability necessitates a well organized control system and where is a better place to exhibit an excellent accountability structure than in the area of public school purchasing. The decentralized budget concept so prevalent today, by its very nature forces wider participation in budget development and management. It necessitates principals and teachers working together to create a cooperatively developed program. Perhaps the biggest advantage to the decentralized system is its ability to react quickly to unusual situations and needs. The budget manager, in a decentralized system, can immediately implement the necessary steps for procurement and thru this system obtain the items necessary for a smoother educative process and also much faster than in a decentralized approach to purchasing. Budget flexibility in terms of supplies, equipment, and personnel allocation allows for a more viable system of education. It is important for the person using the supplies to have input into deciding the brand and quality of the item being selected. Staff morale is greatly affected when the purchasing administrator works with the staff trying to blend financial efficiency with quality of product.

A school district's purchasing policies and procedures, touches all phases of the educative process. A well organized set of policies and procedures has implications not only financially but in all other areas of the educational program.

Regulations

In this section all regulations relative to the purchasing function are analyzed. Legal aspects, bidding regulations, and the steps used in initiating a purchase order are examined and analyzed relative to the basic three step format discussed previously in this chapter.

Analyses of Findings and Related Literature

Regulations express the methods by which policies and procedures are to be carried out. Regulations answer the questions, "How?" They constitute the administrative plan and are developed by the purchasing administrator and staff. As the school district's business administrator plans for and carries out responsibilities, he must act on the knowledge that not only are there certain legal constraints, but also that he can exercise or call on given authority and power. Frequently in the past, business administrators were noted for their ability to know and be able to cite scores of laws, opinions, and findings, and use these to convince any superintendent, principal, or teacher that a request could not be met or was clearly illegal. With the compounding of social problems and the complexities caused by scores of supreme court decisions in the area of education the business administrator cannot possibly be expected to have the comprehensive knowledge of school law that is necessary in education today. Therefore, a comparison of the regulations, both legal and bidding, advocated by the authorities and gleaned from the literature, are examined relative to the actual practice as determined from the school districts selected for this study.

The School Code of Illinois described the legal requirements relevant to purchasing in Illinois public schools. All districts participating in this study used this section of the school code as their basic guideline for all purchases in their district. The interpretation of parts of what the school code mandates, left something to be desired in three of the participating school district. The practice of splitting purchases to avoid statutory bidding limits is generally considered illegal by the courts. Purchases from one vendor, exceeding \$2500 for the entire year, even though total dollar amount is determined by several purchase orders must be bid according to authoritative sources. Several districts participating in this study were of the opinion these need not be bid since each purchase order is less than \$2500. Even though the total payment to the vendor may, for example, be \$10,000 for the year, the purchasing administrators indicated this was not an example of circumventing the intent of the bidding statute. This is clearly an example of circumventing the intent of the bidding laws. Not only will the school district be placed in a vulnerable legal position by the purchasing administrator but maximum efficiency of taxpayers' dollars cannot be obtained in this manner. A good example of this type of circumvention is the purchase of maintenance supplies. Each month the Director of Buildings and Grounds orders supplies from a particular vendor. At the end of the school year the district has paid ten thousand dollars to the vendor. These items must be bid once a year. The problem facing the purchasing administrator is that quality must not be sacrificed for

financial savings. The mere fact that the items are being bid puts enough pressure on the vendor to come in at a lower price than if the items were not bid. In this case the same quality can be obtained at a savings to the district. Bidding these types of items is a lot of work for the purchasing administrator, but procedures of this type saves the school district money and exhibits financial accountability to the community.

An important point, determined both from the questionnaire and the interview process, was the reluctance by some selected school districts' purchasing administrators to utilize the assistance of their legal firm with regard to purchasing matters. One school purchasing administrator participating in this study indicated that the administrators in the business office had enough years of experience in the field of school business management, that they did not feel the necessity of involving the district's legal firm. In this day and age an attitude of this kind is absolutely appalling. School law has become so complex in recent years that it is impossible for any purchasing administrator to have the knowledge necessary for many of the tough problems that can arise almost daily in the area of purchasing. An example of the necessity of needing legal assistance occurred when during a holiday basketball tournament the scoreboard in the gymnasium completely burned out and was beyond repair. The question arose as to whether the purchase of a new scoreboard fell in the area of an emergency or whether it required going through the formal bid procedures since the cost was well over \$2500. The advice

given to the purchasing administrator in this situation was that the formal bid procedure must be executed. A purchasing administrator could possibly open the school district up to major legal difficulties by making a purchase of a new scoreboard without at least discussing it with the school district's legal firm. It is an absolute necessity to maintain a close working relationship with the legal firm representing the school district.

The purchasing administrator who revealed this pompous attitude toward his knowledge of school law works in a district wrought with financial problems and during the past several years the district has been involved in various legal entanglements related to cases involving poor judgment which in most instances may have been eliminated by advice from the district's legal firm. It is possible, however, to obtain poor legal advice, but that problem can be remedied by changing the school district's legal affiliations.

In the industrial setting the purchasing agent, as indicated by title, is an agent authorized to make valid contracts for the company. Many vendors are aware of the role of the industrial purchasing agent and assume the same relationship exists within the educational setting. The public school purchasing administrator does not have the authority to make valid contracts. The board of education is the only body in public education to have the authority to make a valid contract.

A primary rule for purchasing administrators to follow is to consult the school's legal counsel on any doubtful or controversial

points, in the analysis of unusual or obscure legal terms in the vendor's forms, and in the phraseology of the clauses and conditions that are to be incorporated into the purchase agreements. It is not enough that a purchase be economically sound; it must be legally sound as well both in the agreement itself and the way it is carried out, because purchase orders issued or contracts signed by the board are legal documents. Many governmental regulations directed at labor conditions, employment practices, ensuring fair competition, and those governing the price and distribution of goods have legal implications.

Most of the schools participating in this study gave evidence of using legal assistance in their purchasing procedures, but all public schools must heed the recommendations of the authorities on this important point. With these considerations relating to the legal aspects of purchasing explored, attention must be given to the recommendations of the authorities regarding bidding regulations and contrasting these regulations to the practices used by the selected school districts used in this study.

The purpose of the formal bid procedure is to assure the local educational agency that it is receiving the quality of product desired at the lowest possible price. Public bidding should also indicate, to the local educational agency's constituents that the school purchasing officials are buying on an open and competitive market. Contracts for supplies, materials, or work involving an expenditure of in excess of \$2500 must be awarded to the lowest

responsible bidder, except those contracts which by their nature are not adapted to competitive bidding.

The authorities recommended that all bids be sealed by the bidder and opened at an advertised public bid opening by either a school board member or an employee of the purchasing office. The contents of the bids received must be read aloud at the opening, and no bids may be accepted after the designated bid opening time. One of the responding school districts participating in this study indicated that if a vendor arrives during the bid opening, the vendors present at the opening can approve or disapprove the late bid being accepted. The vendors not present may both object to this practice and could possibly be proven legally correct. Another district indicated a procedure in which they do not accept a late bid unless it is post marked at least five days prior to the published time and place of the opening. All other responding districts returned the bids unopened to the vendor indicating why it is not being accepted. This procedure is advocated by most legal firms as it causes the least probable area for recourse by the vendors. Strict bidding rules and regulations must be followed to the letter. If bidding rules and regulations are not followed, legal entanglements will arise that could have been alleviated by adherence to the district's rules and regulations related to bidding.

As a general rule, once the time has passed for opening the bid, those bids submitted cannot be modified to an substantial degree. However, if the bidder has made an inadvertent mistake in the prepara-

tion of the bid, such as a typographical error, he may be entitled to withdraw the bid if he notifies the board of the mistake and attempts to withdraw or cancel prior to any action by the board which would cause public prejudice or actual damages. All responding school districts in this study give consideration to a vendor who has made an honest mistake.

The awarding or determination of the lowest responsible bidder is not simply a mathematical tabulation of the bids nor does it mean financial responsibility of the bidder only. The successful bidder should be one who is capable of doing the work in a satisfactory manner. The determination of the award of bid to the low bidder if there are two or more vendors being low bid has interesting responses from the selected school districts. Most of the respondents would award to a local vendor in the case of a tie, but one purchasing administrator indicated awarding contracts to the vendor with the best references. Vendors will only give names of references that will be positive toward that vendor so this procedure is suspect. Another purchasing administrator indicated awarding contracts to the vendor with the best past performance in the district. This plan definitely has some merit. Splitting the award is an equitable procedure provided the bid can be split. One purchasing administrator indicated awarding the bid to the vendor whom the purchasing administrator knows the best. This procedure is extremely questionable, in fact it could lead the school district into major legal difficulties if practiced to a very large degree. A purchasing administrator should never accept

gifts from vendors. All awards must be beyond reproach or the credibility of the school district will deteriorate in the eyes of the community. The purchasing administrator does not have an easy job, but he can make it more difficult by bending the intent of the law to fit his own desires. Many business administrators unfortunately have the opinion that the educative process revolves around the business office instead of the other way around.

All purchasing administrators adhered to the recommendations of authorities concerning freight charges. All freight charges should be F.O.B. (free on board) destination and these requirements should be written in the bid specifications. The authorities and the participating district were both in complete agreement in the area.

The statutes require bidding materials in excess of \$2500, but several of the responding districts had exceptional procedures of bidding items of under \$2500. Phone quotations, written quotations and dollar limitations for formal bidding are important not only as a guideline for purchasing, but procedures of this type when instituted make the community develop confidence in the business operations of the school district. With the criticism school systems often face and the cry for accountability, it is imperative that purchasing departments have a specific procedure for handling school purchases under \$2500. Even though purchases of this type do not legally require a bid, a guideline should be established as district policy for determining the necessary procedure for bidding items costing less than \$2500. With a decentralized system of purchasing,

as used by all of the school districts in this study, it is very easy to purchase items without a procedure for obtaining competitive prices. It is imperative that purchases under \$2500 be monitored very closely with a well established set of guidelines imposed. A procedure of this type will insure maximum efficiency of the taxpayers' dollars.

The most frequently used types of bids are (1) telephone, (2) letter quotation, (3) sealed bids, (4) formal contract, and (5) negotiation. Even though the authorities indicate telephone or verbal bids are least desirable and should only be used when necessary the purchasing administrators participating in this study all used telephone quotations in some form. The problem with this type of bid is that it is more subject to error, misinterpretation and dispute when it comes time for payment because it is all verbal. It is good practice to have the successful phone quote bidder emit a letter of confirmation before the issuance on a purchase order. Two of the school districts studied have this procedure relative to the use of telephone bids.

Letter quotations were most frequently used to obtain bids on fair trade materials, on small quantity purchases, and on highly specialized items with limited fields of competition. During the interview process several selected districts used the telephone method instead of the letter quotation because it was a faster method of obtaining quotations. Telephone and letter quotations cannot legally be enforced as a fulfillment of a purchasing contract. Only by formal bidding and approval by the board of education can legal

contracts be entered. Calling various vendors for prices is standard procedure and most often a vendor will not change his phone quoted price after delivery.

Informal sealed bids are prepared in a manner similar to formal contracts but many of the legal stipulations of the formal contract are omitted. This procedure is readily adaptable to the procurement of relatively small quantities of supplies, printing, and the handling of service requirements, such as laundry, tool repairs, and athletic material renovation. Three participating school districts used this procedure and primarily in the area of food service supplies and athletics.

The other purchasing administrators participating in this study used the informal sealed bid procedure to a very limited extent. The reason for the limited use is the time involved in preparing a formal bid. Phone quotes are faster and usually just as accurate. It is imperative for the purchasing administrator to have some regulation relative to procuring items that need not be formally bid. The budget managers must not be able to buy from whomever they please without first examining, at least, three vendors' prices.

Although negotiated contracts were not used in the procurement of supplies and materials for school systems they were occasionally used for obtaining contractual services dependent upon existing statutory limitations. Several of the participating school districts used negotiated contract procedures to obtain busing service, insurance service, student photographs, and printing for school year

books. The negotiated method of contracting should be used as the method to extend a contract another year without an increase in price. Many vendors will extend at the same price giving them the security of the business and not having to go through the bid procedure. The district purchasing administrator when using this procedure can save the district in some cases large sums of money.

For the most part the recommendation of the authorities concerning bidding regulations were fairly congruent with what the study indicated as being practiced in the selected districts. Bidding regulations are governed fairly closely by statute so the necessary controls are present even though situations were presented describing variations from the requirements established by law. Outside of some isolated instances both legal and bidding regulations described by the authorities and the actual practices of the selected school districts participating in this study were fairly satisfactory.

Internal Analysis of Findings

The second phase of the analysis dealing with regulations, both bidding and legal, involved comparing and contrasting the practices utilized in the selected school districts.

The selected school districts participating in this study all had very similar regulations involving the steps taken from the point of inception of a purchase order until the board of education approves payment and the eventual mailing of the vendor's check. The accounting and bookkeeping procedures in the accounts payable departments were consistent with basic similarities in the school district's

regulations in the accounting and bookkeeping areas. The state accounting manual gives explicit directions related to the accounting procedures school districts should follow and the districts participating in this study followed the state recommendations.

Regulations used by the school districts when checking the competencies of a prospective vendor varied considerably. Three of the responding purchasing administrators automatically place a vendor on their bid list upon the request of the vendor. The purchasing administrators felt that if a new vendor received an award, a closer check of his qualifications would be undertaken at that time and not at the time of requesting privileges of bidding on materials in the respective districts. The problem with this procedure is that a vendor may receive an award because of inefficient checking on the part of a staff member at the award stage of the bidding procedure. The checking of a vendor must occur upon application to be placed on the bid list. Only qualified bidders should be allowed to bid. All of the other participating districts ask for references at the time the vendor requests to be placed on the bid list. One school district had each new vendor fill out an application to be placed on the bid list with questions dealing with bankruptcy, banks used by the vendor, corporate information, references, and other related information. Before that vendor is allowed to bid, everything on the application is checked. Many problems can be eliminated by checking out very carefully the qualifications of a vendor before he is awarded a bid or for that matter before he is allowed to bid.

If a vendor's qualifications are not examined closely prior to bidding, major difficulties arise when the product is not correct, causing break downs in the educative process along with the possibilities of legal problems.

The regulations dealing with instant payment to vendors varied among the school districts in this study. Several used an imprest fund, one made payments of this type each Wednesday, one district prepaid when purchasing certain items and another district had no regulation to handle this situation. When observing purchasing clerical staff who manually type checks it became evident that it was a very expensive process due to clerical time needed to implement the procedure. The most efficient procedure is to process all checks every thirty days and write no imprest checks. The district with the most efficient procedure for this problem had an emergency procedure that required the purchasing administrator's approval prior to payment. In this particular district, if the purchasing administrator did not approve the request, the checks were processed every thirty days. A purchasing administrator must handle this situation strongly or very quickly the district will find itself preparing far more manual checks than is cost efficient.

The purchase of capital outlay items has always been a difficult area to plan for since many emergency purchases throughout the year fall into this area. The districts with sound, fair, and efficient methods of allocating monies to their buildings expect the building budget manager to handle capital outlay items from the

money allocated to run the building. One purchasing administrator indicated having a district fund for all budget managers to use upon approval of the business administrator. This procedure may enable some budget managers to obtain more items depending upon their relationship with the person approving the capital outlay purchases. Of the districts participating in this study, the ones with the most comprehensive and impartial procedure were those districts exhibiting positive financial positions in the three basic funds. Making each budget manager use allocation money for capital outlay items makes for the most efficient use of taxpayers' dollars. In only very rare occurrences should this procedure be varied.

In two of the districts, building allocations were determined on a per pupil basis. The balance of the districts use a combination per pupil allocation, funds available, previous year's expenditure, and other various forms of cooperative efforts between the central office administrator and the building budget manager. These procedures are based exclusively on the philosophy of the administration of the district and success or failure in past practice. The districts using the strict per pupil allocation seem to have a stronger financial position although the school district in the most negative financial position participating in this study also used this method of allocating funds. The dollar amount this district provided its building principals, however, was twice as much as any of the other districts using the per pupil allocation method of distributing funds. The most equitable method is the per pupil allocation procedure,

provided the per pupil amount is adequate. Personalities should not be allowed to influence the amount of money a budget manager has to spend. Although this study did not concern itself with the specificity relevant to per pupil allocation procedures, it appeared the districts with a strict per pupil allocation method were in good financial condition.

When examining the districts' practices relative to their involvement in the state contract method of purchasing, it became evident that those districts that purchased through the state contract were the same districts with extremely competent, well organized purchasing departments. The unit districts participating in this study tended to use the state contract method of purchasing less than the dual districts. There was no apparent reason for not using the state contract purchasing method although one of the school districts did not have a warehouse which is necessitated by the minimum purchases that must be made. To ensure maximum use of the taxpayer's money the utilization of the state contract is very important. Those districts without warehouse facilities did not utilize the state contract purchasing opportunity. The dollars saved by taking advantage of this method of purchasing was a strong reason why all the districts participating in this study should have warehousing capabilities.

The unit districts needed much more in the way of rulers, crayons, and various other elementary supply items and that may have been the reason why those districts took advantage of the state

contract more than the high school districts. All districts should use the state contract method of purchasing. The method will save the school district money.

Five districts had regulation booklets pertaining to their district's purchasing procedures. Again, those that did not have these types of prepared documents are the same districts which have given evidence in most areas of needing a stronger approach to their purchasing operation. It is important, when a new vendor wishes to be placed on the school district's bid list, he be provided with the district's purchasing rules and regulations. After examining a document of this type the vendor may decide he does not wish to do business with the district. Also, if a vendor is fully aware of the district's purchasing regulations from the beginning it may prove to eliminate any misunderstandings that may arise at a later date. One purchasing administrator had a procedure in which the vendor is given a copy of the district's purchasing rules and regulations and fills out an application to be placed on the bid list. Upon signing the application he is indicating full understanding and compliance with the district's purchasing rules and regulations. It is very important for a school district to have a well organized purchasing rules and regulations document. Guideline booklets of this type give everyone direction and when the purchasing department exhibits efficiency of this type confidence in the entire school system emanates.

The largest district participating in this study was the only district that did not have a procedure dealing with confirmation

purchasing and that limitation was created by the school district's board policy stating there would be no purchases made using the confirming technique. All other participating districts have some form of regulation enabling a budget manager to obtain a purchase order number for a telephone confirmation. The controls used by those districts, allowing confirmation purchasing, appear to be adequate. It is virtually impossible to eliminate confirmation orders entirely. However, there was one district, and a very well run district, that did eliminate confirmation purchasing with virtually no difficulty. Too many purchase order numbers given out over the phone results in a lack of control of the purchasing function. This lack of control can eventually be costly to the district. There is really no good method of doing confirmation purchasing. The evidence of this study indicates that the only district with no confirmation purchasing has the strongest purchasing department of the districts participating in the study.

The bidding regulations used by the school districts participating in this study were for the most part, similar in nature. All of the districts indicated the place and time for opening of the bids. The forms on which the bids are to be submitted are provided by each school district indicating provisions and qualifications relative to individual lump sum, and combination bids. Restrictions as to submission of more than one price for any item or group of items and basic provisions for recommendations of award on lump sum or combination bids are included. The requirements of advertising, establishment of specifications, obtaining sealed bids, or offers to

supply materials at a certain price, with directions as to how the board of education will determine the award of the successful bidder are standard in the bid conditions of the responding districts. Bids are let to the the bidder under a general policy of "lowest-best bid." This is not always the lowest bid in terms of unit cost and the participating school districts in this study provide information relative to the procedures followed in the respective bid materials. Final tabulation instructions and their availability are presented in most cases. Instructions as to what the district's policy is when two or more vendors are low bid are provided for all vendors in an adequate fashion by the districts selected for this study. Generally the selected districts have adequate and fairly comprehensive bidding regulations, on paper, and neatly presented so the vendors are informed as to how each district conducts its bidding processes.

A school district may have very concise purchasing regulations on paper, but the implementation may be another story entirely. The philosophy of the purchasing administrator as well as the philosophy of the superintendent and board of education play a major role in determining whether the procedures they have on paper are truly implemented. Only two of the participating districts in this study gave any evidence of a lack of congruence between what they say is happening and what truly is happening. The purchasing administrators of these two districts were the type to talk a good game, but when the validation time came, things were not happening as they said. The interview procedure illuminated this lack of consistencies particularly

in the area of employee and vendor relations. A well organized purchasing department and the competent handling of vendor relations would indicate a fine follow through on what the districts bidding regulations say and the guess as to what really does occur. The similarities and differences of the selected school districts relevant to their bidding regulations hinged almost exclusively on the ability and competencies of the purchasing administrator. Examination of the school district's tax base, ethnic make up of the community, philosophy of the board of education, racial make up, and socio economic considerations of the school district have all been discussed relative to the implications each has on the purchasing functions. It has been made evident in this chapter that the first area of examination of a school district's fiscal competencies must be the purchasing department.

Summary

An analysis has been made comparing and contrasting the findings recommended by the authorities and the findings generated by the results of the questionnaire and interview procedures as to current purchasing practices in the selected school districts. An analysis was also conducted regarding the findings among the individual school districts and the possible reasons for similarities and differences. Lastly, an analysis was made as to the implications of the purchasing policies and procedures upon the administrative functioning of the school districts in the areas of (1) planning, (2) organizing, and (3) budgeting. A number of factors were noted

that may influence purchasing policies, regulations and procedures such as socio economic make up of the respective districts, the student population, the ethnic make up of the school districts, and the factors which may effect the tax base and financial structure of the selected participants in this study. With the results of this analysis formulated, the final chapter of this study summarizes the study and develops recommendations for future work in the area of purchasing policies, regulations, and procedures.

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

The purpose of this study was to analyze purchasing policies, regulations, and procedures in selected school districts. The study was guided by the following major questions:

1. What do the authorities in school finance identify as appropriate purchasing policies, regulations, and procedures for public schools?
2. What are the purchasing policies, regulations, and procedures that are currently being used in the public schools?

These two major questions were examined in detail in the preceding chapters of this study. The focus of the review of the literature was to identify what the authorities in school finance considered to be appropriate purchasing procedures. The recommended procedures deemed by the authorities were presented in Chapter II of this study. The purchasing policies, regulations, and procedures currently being used in the selected school districts were presented in Chapter III of this study. The districts selected for indepth analysis were in the northern one-third of the State of Illinois with the emphasis being in the Chicago suburban area. The collection of the data was accomplished by (1) results obtained from a questionnaire

administered by mail, and (2) a follow-up interview with the respondents of the questionnaire. The data collected by the questionnaire and the results of the interview process were compiled and separated into the categories of (1) policies and procedures, (2) regulations, and (3) the implications of purchasing policies, regulations, and procedures on the planning, organizing, and budgeting of the school district.

The findings resulting from the questionnaire/interview process were tabulated. The findings of the authorities were categorized and an analysis was made relative to the following three areas:

1. An analysis was made comparing and contrasting the recommendations of the authorities and the findings generated by the questionnaire/interview procedure as to current practices in the selected school districts.
2. An analysis was conducted regarding the possible reasons for similarities and differences in findings among the individual school districts.
3. An analysis was made relative to implications of the purchasing policies, regulations, and procedures in the selected school districts and their relationship to the (1) planning, (2) organizing, and (3) budgeting of the general administrative functioning of the district.

Conclusions

This study led to conclusions relating to the specific purposes as stated in the first chapter. The specific purpose of this study was to analyze purchasing policies, regulations, and procedures in

selected school districts. Specific conclusions reached in this study relative to not only purchasing policies, regulations, and procedures, but also related to the implications of the school district's purchasing policies, regulations, and procedures on the planning, organizing, and budgeting of the general administration of the school district are presented.

1. The school districts participating in this study had very little in their board policy statements dealing with purchasing function.

Board policy statements are extremely valuable not only to the board, school, staff, and pupils, but also to the community. Policy statements bring clarity and understanding about the operation of a school district. Carefully considered and well written policies are the basis of all board functions. Policies legalize actions and relieve employees of the responsibility of making policy decisions under the pressure of time or expediency. Board policy statements help to interpret institutional purposes and facilitate speed and accuracy in translating policy into action. A school district should not only have a purchasing section in the school board policy manual, but efforts must be taken to maintain up-to-date sections of the board policy manual not only on the purchasing function but all phases of the school district.

2. This study revealed a decentralized approach to purchasing in all of the school districts participating in this investigation. This was congruent with the recommendations of the authoritative sources.

A participative approach to purchasing was advocated by the authorities so that the eventual user of the product has the right

choice whenever possible. This practice of decentralization was prevalent in the selected schools cooperating in this study. For example, in all districts the purchase order was started at the building level by the person intending to use the item.

3. Procedures were in evidence for placing frequently used items on a standard list for bidding to expedite the purchasing process and to effect greater economy.

Only large school districts with separate purchasing departments participated in this study and the size of the staff of the purchasing department made it easier to develop a standardized procedure relative to similar type bid items. The time involved in the implementation of a standardized bid list may be hampered somewhat if the school district has a small administrative staff. Authoritative sources recommended standardization regardless of the size of the district.

4. Contrary to the recommendation of authorities, the selected school districts typically did not utilize legal assistance with regard to complicated purchasing matters.

School law has become so complex in recent years it is impossible for any business administrator to continue to be the authority on school legal items as was the case in years past. A primary rule for purchasing personnel is to consult the school district's legal counsel on any doubtful or controversial points in the analysis of unusual or obscure legal terms in the vendor's forms and in the phraseology of the clauses and conditions that are to be incorporated in purchase agreements. It is not enough that a purchase be economically sound; it must be legally sound as well both

in the agreement itself and the way it is carried out. In planning the purchasing routine, the person responsible for purchasing should work very closely with the school board's attorney in preparing procedures, purchase forms, and contracts.

5. Adherence to the state statute of formally bidding all items costing \$2500 or more by the school districts responding to this study was in evidence, but very poor procedures were apparent for bidding items costing less than \$2500.

With the criticism school districts face today and the cry for accountability, it is imperative that purchasing departments have well defined and specific procedures for handling school purchases under \$2500. Even though purchases of this type do not legally require the formal bidding process, it makes extremely good sense to show the community that every possible step is being taken to competitively garner the best price for the purchase of school district materials. The most frequently used types of uniform methods of bidding include (1) telephone, (2) letter quotation, (3) sealed bids, (4) formal contract, and (5) negotiation. It is important that purchases under \$2500 be monitored closely with a well established set of guidelines imposed.

6. Regulations used by the school districts when checking the competencies of prospective bidders were not handled as the authoritative sources indicated they should be.

Many problems can be eliminated by checking very closely the qualifications of a vendor before he is awarded a bid. Care and caution should be exercised in selecting and reviewing the firms to be included in the list of vendors. A review should be

made of the vendor's past performance records in transactions with local school districts. If the firm has not been involved in previous transactions with the school district, contacts must be made with other purchasing administrators to determine their reactions to the vendor. The willingness of a vendor to submit highly competitive bids and the subsequent ability to deliver according to specifications and schedule are, among the principle criteria which should be considered in selecting a firm for the bid list. The lack of procedures exhibited by the participating schools in this study could possibly result in difficulties with a vendor at a later stage of their dealings if complete and comprehensive vendor selection procedures are not implemented.

7. The districts participating in this study had very little involvement in the use of the state contract method of purchasing.

To ensure maximum usage of the taxpayer's money the utilization of the state contract method of purchasing is important and should be expanded in its use by the selected districts participating in this study. Planning by the purchasing administrator must accompany his use of vendors on the state contract list because delivery time may be somewhat lengthy. It also is important to have warehouse facilities because there are minimum order limits when utilizing the state contract. Dollars may be saved, however, using this method of purchasing as authoritative sources have indicated.

8. A booklet provided by the purchasing department dealing with the school district's purchasing rules and regulations for vendor use as well as for the use of the budget managers were only provided by one-half of the districts participating in this study.

It is important when a new vendor wishes to be placed on the school district's bid list, that he be provided with the purchasing rules and regulations of the school district. After the vendor examines a document of this type, he may decide that he does not wish to do business with the school district. Also, if a vendor is fully aware of the district's purchasing regulations from the beginning, misunderstandings might be eliminated that could possibly develop at a later date. A printed purchasing rules and regulations document by a school district provides information and protection for both the vendor and the school district from the outset of their business relationship, relative to what the school district expects in the way of vendor cooperation. Misunderstandings and legal difficulties could be eliminated by providing a printed communication document of this type.

Recommendations

As a result of this study, several recommendations are presented to purchasing administrators regarding policies, regulations, and procedures to be used in the purchasing function:

1. A section to the board policy manual dealing with purchasing and containing the most recent state statutes relevant to the purchasing function should be developed.
2. Develop a purchasing rules and regulations handbook and distribute it to all vendors. When vendors are aware of the district's purchasing policies at the beginning of their relationship, the chances of major difficulties will be minimized as their business relationship develops.

3. Utilize the State Contract method of purchasing to the greatest degree the school district's facilities will allow.
4. Develop a very close working relationship with the district's legal counsel and never make a decision in a questionable area without discussing the decision with the school district's legal counsel.
5. Foster a spirit of professionalism by providing meaningful programs, appropriate authority, and necessary responsibility to the purchasing department staff members.
6. Reduce to a minimum the number of confirmation purchase orders and the number of reimbursements to district employees for district's purchases.
7. Develop a system of vendor analysis along with an analysis of bid award data to determine the nature and extent of competition which is actually obtained.
8. Although the formal sealed bid process should remain a standard in public purchasing, there is room for more work to be done in the area of competitive negotiation.
9. Develop a sound basis in law particularly as it pertains to the purchasing function. Adhere more stringently to the \$2500 statute with regard to bidding.
10. Develop complete and comprehensive purchasing procedures for the purchase of items costing less than \$2500.

Undoubtedly, some school districts may not have the resources necessary to accomplish the recommendations stated or their programs are too small to warrant full implementation. The problem of limited resources only highlights the need for good controls, effective and efficient programs and proper management orientation. Throughout this study purchasing policies, regulations, and procedures were highlighted, leading to practices which promote efficiency and effectiveness.

In reality, the relative size of the purchasing program has little to do with observing sound and generally accepted purchasing principles. However, implementation techniques can be expected to vary because of program size and other related factors. Cooperation, coordination, and mutual assistance among school districts may be necessary in some cases and may aid in fostering healthy trends which should extend to all purchasing programs. This study reinforces the assumption that the principles of good purchasing have implications and apply equally to other phases of the educative process. The essential elements of a good purchasing program are, therefore, presented to the administrators, board members, and fiscal, legal, and purchasing officials of local educational agencies for their use in working together to improve the school district's respective individual programs and the public purchasing profession as a whole.

Recommendations For Further Study

During the course of this study several factors surfaced that were not directly related to the study regarding purchasing

policies, regulations, and procedures, however, enough interest was generated as to their implications on the purchasing function that further study would be recommended. The recommendations for further study are listed below:

1. A study should be made to see if there is a relationship between the purchasing policies, regulations, and procedures of school districts and the financial condition of the districts.
2. An indepth study should be conducted to see at what point the size of the school district would dictate changing from a decentralized purchasing approach to a centralized technique in order to maximize the utilization of school district funds.
3. A study should be made to see if the ethnic make-up of a school district truly influences the purchasing policies, regulations, and procedures of the district. If it does influence it, to what extent and how can these procedures be generalized and implemented in other school districts.
4. A study should be made comparing the savings a school district realizes if it has a warehouse facility as compared to those districts not having a central warehouse.
5. An indepth study should be made of the entire state contract method of purchasing. An examination should be made comparing the savings or dollar differences

expended by school districts using the state contract as compared to school districts bidding their own materials.

6. A study should be made relative to the legal aspects of purchasing. The examination should include an investigation of school districts with extensive legal assistance with regard to the purchasing function as compared with those districts using very little legal assistance. The study should see if there is a relationship between the dollars saved and the amount of legal assistance used in the purchasing function of a school district compared with school districts that do not utilize legal assistance.

The purchasing administration of a school district has two basic responsibilities (1) to furnish supplies and equipment of the right quality and quantity to the various schools when needed, and (2) to purchase these supplies and equipment at the lowest possible cost. Because the money spent comes from taxes, the public is inclined to be sensitive about the purchasing function. This public sensitivity has caused the purchasing function to be governed by state law, court decisions, and local school board policy. These laws and policies no doubt increase the purchasing administrator's work, however, employees working in the public sector cannot be too scrupulous when using public funds. Protective safeguards are necessary and right. It is the job of the purchasing administrator to keep the purchasing

function on a professional plane. Instead of trying to circumvent legislation, the purchasing administrators should try to improve it, so that the statutes serve as a protective safeguard, yet will still allow for professional judgment and the flexibility necessary to operate the purchasing function with the integrity the public so deserves.

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APPENDIX A

LETTER TO BUSINESS ADMINISTRATORS

APPENDIX A

Dear

I presently am conducting a study on policies, regulations, and procedures of purchasing practices in several school districts in the suburban area. The study is being conducted with the support of and under the direction of Dr. Max Bailey of Loyola University.

The basis for the selection of your school district was determined by the number of central office administrators and the general overall size of the district.

I would appreciate very much if you would complete the enclosed document and return it in the self-addressed stamped envelope. I will also be calling in a short while to set up a time when we can discuss purchasing and some implications you see relevant to the administrative operation of your district. It should only take ten or fifteen minutes to answer the questionnaire and your cooperation would be most helpful.

All districts participating in this study will remain anonymous. Your choosing to participate in this study would be greatly appreciated. As a doctoral candidate at Loyola University I will appreciate every consideration in the matter.

Sincerely,

Lawrence A. Wyllie

APPENDIX B

QUESTIONNAIRE

APPENDIX B

INTERVIEW INSTRUMENT

QUESTIONNAIRE ON PURCHASING POLICIES, REGULATIONS, AND PROCEDURES

1. What are the purchasing policies, regulations, and procedures regarding quotations when formal bidding is not required?
2. What is the district's formal board policy regarding purchasing?
3. What are the steps involved in the accounts payable department from the time the purchase order is sent to the final payment of the invoice?
4. What is the procedure used by your district when a budget manager needs a confirmation purchase order?
5. Does your district have a full time administrator assigned to purchasing and related responsibilities?
6. Do you have a prepared document pertaining to purchasing rules and regulations for your school district?
7. Do you participate in the state contract method of purchasing?
8. How does your department handle a bid when it is received after the designated bid opening time?
9. How do you determine the amount of money each building or budget manager receives?
10. How extensive does your district involve legal assistance in matters relating to purchasing?
11. What procedures do you use when a budget manager wishes to purchase an additional or replacement piece of equipment?
12. If within a given fiscal year, you know you will be purchasing items that when their total cost is added together would exceed \$2500, do you bid these items?
13. What is your district's procedure when a new vendor wishes to be placed on your bid list?
14. What are your procedures regarding freight charges on bid items?

15. What role does your superintendent perform in the purchasing operation?
16. What is the district policy regarding purchases made by individuals in which they pay for the item out of their pocket? How are they repaid?
17. What procedures does your district have for instant payment to a vendor?
18. Does your district maintain a central warehouse? If yes, do you have a warehouse catalog for the use of the budget managers?
19. When you award a bid to a vendor for the first time, what procedure do you go through to check his competencies?
20. Have you ever used the negotiated contract method for obtaining a contractual service?
21. What is your district's procedure when two or more vendors are low bid?
22. Does your Board of Education award the bid at the normal monthly business board meeting or is the purchasing administrator able to award the bid after the opening and thus making the board process one of ratifying at the next normal business meeting?
23. What are your district's procedures for requiring a bid bond?
24. Under what conditions do you bid materials under \$2500?
25. In your opinion what are the implications of your purchasing procedures on the overall planning of the general administrative functions in the district?
26. In your opinion what are the implications of your purchasing procedures on the overall organizing of the general administrative functions of the district?
27. In your opinion what are the implications of your purchasing procedures on the overall budgeting of the general administrative functions of the district?
28. Does your district have a long range financial plan showing estimated revenues and expenditures for a three or more year period in the Education Fund, Operations, Building and Maintenance Fund, and Transportation Fund?

GLOSSARY

- Acknowledgement:** A form used by a vendor to advise a purchaser that his order has been received. It usually implies acceptance of the order.
- Act of God:** A danger that could not be avoided by human power; any natural cause of damage which is irresistible (e.g., hurricane, flood, lightning), and which is in no way connected with negligence.
- Advertising:** See, Formal advertising; Legal notice.
- Advise of shipment:** A notice sent to a purchaser advising that shipment has gone forward and usually containing details of packing, routing, etc.
- Agency:** (1) A relationship between two parties by which one, the agency, is authorized to perform or transact certain business for the other, the principal; also, the office of the agent. (2) An administrative division of a government.
- Agent:** A person authorized by another, called a principal, to act for him.
- All-or-none bid:** A bid for a number of different items, services, etc., in which the bidder states that he will not accept a partial award, but will only accept an award for all the items, services, etc., included in the bid. Such bids are acceptable only if provided for in the Invitation for Bids or if the Bidder quoted prices for all items, services, etc., and is actually the low bidder for every one.
- Alternate bid:** (1) a response to call for alternate bids. See, Alternate bid, call for. (2) A bid submitted in knowing variance from the specifications. Such a bid is only acceptable when the variance is deemed to be immaterial.
- Alternate bid, call for:** An Invitation for Bids for a single need that can be filled by commodities of varying materials, dimensions, or styles. Bidders may submit one or more bids for each material, style, etc., and only one award will be made based on an assessment of what is best for the government, taking price as only one factor involved.
- Antitrust legislation:** Laws that attempt to prevent or eliminate monopolies or oligopolies and to prevent noncompetitive practices.
- Authorized price list:** A price list of the products and/or services covered in a contract which contains minimum essential information needed by users for placing orders.

Appropriation: Legislative sanction to use public funds for a specific purpose. Money set apart for a specific use.

Approved brands list: See, Qualified products list.

Arbitrary and capricious action: A willful and unreasoning action, without consideration of, and in disregard of, the facts and circumstances, without rational basis; grounds for a court to overrule or remand a discretionary decision or action by an administrative authority of the government.

Arbitration: A process by which a dispute between two contending parties is presented to one or more disinterested parties for a decision.

Architect and Engineer (A&E): All professional services associated with the research, design, and construction of facilities.

Arrival notice: A notice sent by a carrier to a consignee advising of the arrival of a shipment.

As is: A term indicating that goods offered for sale are without warranty or guarantee, and that the purchaser takes the goods at his own risk without recourse against the seller for the quality or condition of the goods.

Award: The presentation of a purchase agreement or contract to a bidder; the acceptance of a bid or proposal.

Back-door buying: Making a purchase without going through the central purchasing authority.

Back order: That portion of an order which a vendor cannot deliver at the scheduled time and which he has reentered for shipment at a later date.

Best interests of the State (city, county): A term frequently used in granting a purchasing official the authority to use his discretion to take whatever action he feels is most advantageous to the government. The term is used when it is impossible to anticipate adequately the circumstances that may arise so that more specific directions could be delineated by the law or regulation.

Bid: An offer, as a price, whether for payment or acceptance. A quotation specifically given to a prospective purchaser upon his request, usually in competition with other offers. Also, an offer by a buyer to a seller, as at an auction.

Bid-award file: A file that is divided into commodity and item sections each of which contains listings of who was solicited for individual bids, what each response was, and other information.

The bid-award file is used to compare past bids for award patterns that might reveal collusive agreements or to make other comparisons of data.

Bid bond: An insurance agreement in which a third party agrees to be liable to pay a certain amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as bid. See, Bid deposit; Bid security.

Bid deposit: A sum of money or check, deposited with and at the request of the government, in order to guarantee that the bidder (depositor) will, if selected, sign the contract as bid. If the bidder does not sign the contract, he forfeits the amount of the deposit. See, Bid bond; Bid security. See also, Forfeiture of deposit or bond.

Bid opening: The process through which the contents of bids are revealed for the first time to the government, to the other bidders, and usually to the public. See, Public bid opening.

Bid sample: A sample required by the Invitation for Bids to be furnished by bidders as part of their bids to establish a quality level for the products being offered.

Bid security: A guarantee, in the form of a bond or deposit, that the bidder, if selected, will sign the contract as bid; otherwise, the bidder (in the case of a deposit) or the bidder or his guarantor (in the case of a bond) will be liable for the amount of the bond or deposit. See, Bid bond; Bid deposit.

Bidder: Any person who makes a bid.

Bidders list: A list maintained by the purchasing authority setting out the names and addresses of suppliers of various goods and services from whom bids, proposals, and quotations can be solicited. See, Prequalification of bidders; Qualified bidder.

Bill: A list of charges or costs presented by a vendor to a purchaser, usually enumerating the items furnished, their unit and total costs, and a statement of the terms of sale; an invoice.

Bill of materials: A list specifying the quantity and character of materials and parts required to produce or assemble a stated quantity of a particular product.

Blanket order: A purchase arrangement in which the purchaser contracts with a vendor to provide the purchaser's requirements for an item(s) or a service, on an as-required and often over-the-counter basis. Such arrangements set a limit on the period of time they are to be valid and the maximum amount of money which may be spent at one time or within a period of time. See, Open-end contract; Price agreement; Requirements contract.

Blanket purchase: See, Blanket order.

- Bona fide:** In good faith.
- Bond:** An obligation in writing, binding one or more parties as surety for another.
- Brand name:** a product name which serves to identify that product as having been made by a particular manufacturer. A trade name.
- Brand name specification:** A specification that cites a brand name, model number, or some other designation that identifies a specific product as an example of the quality level desired. See, Equal, Or equal.
- Breach of contract:** A failure without legal excuse to perform any promise which forms a whole or part of a contract. See, Forfeiture of deposit or bond.
- Breach of warranty:** Infraction of an express or implied agreement as to the title, quality, content, or condition of a thing sold.
- Bulk purchasing:** Purchasing in large quantities in order to reduce the price per unit; volume purchasing.
- Buyer:** See, Purchasing agent. See also, Uniform Commercial Code.
- Buyer's market:** Market conditions in which goods can easily be secured and economic forces of business tend to cause goods to be priced at the purchaser's estimate of value.
- Cash discount:** A discount from the purchase price allowed to the purchaser if he pays within a specified period. See, Discount.
- Cash on delivery (COD):** Payment due and payable upon delivery of goods.
- Catalog:** A listing of item identifications arranged systematically.
- Caveat emptor:** "Let the buyer beware." A maxim that stands for the rule that the buyer should be careful in making a purchase because the burden of defective goods rests with him. The vendor can be made to take the responsibility for some defects through specifications and warranties.
- Caveat venditor:** "Let the seller beware." A maxim relating to situations where the vendor bears the responsibility for defects in goods he sells.
- Central purchasing authority:** The administrative unit in a centralized purchasing system with the authority, responsibility, and control of purchasing activities.
- Centralized purchasing:** A system of purchasing in which the author-

ity, responsibility, and control of purchasing activities is concentrated in one administrative unit.

- Certificate of compliance:** A supplier's certification that the supplies or services in question meet certain specified requirements.
- Certificate of non-collusion:** A statement signed by a bidder and submitted with his bid to affirm that his bid is made freely without consultation with any other bidder.
- Claim:** The aggregate of the operative facts which serve as a basis for a demand for payment, reimbursement, or compensation for injury or damage under law or contract; the assertion of such a demand.
- Code of ethics:** A written set of guidelines within which judgements and considerations of professional ethics and behavior should be made. See, Purchasing ethics.
- Collusion:** A secret agreement or cooperation between two or more persons to accomplish a fraudulent, deceitful, or unlawful purpose.
- Collusive bidding:** The response to bid invitations by two or more vendors who have secretly agreed to circumvent laws and rules regarding independent and competitive bidding. See, Corrupt combination, collusion, or conspiracy in restraint of trade; Price fixing.
- Commercial law:** That branch of the law that designates the rules that determine the rights and duties of persons engaged in trade and commerce.
- Commodity:** An article of trade, a moveable article of value, something that is bought or sold; any moveable or tangible thing that is produced or used as the subject of barter or sale.
- Competition:** The process by which two or more vendors vie to secure the business of a purchaser by offering the most favorable terms as to price, quality, and service.
- Competitive Bidding:** The offer of prices by individuals or firms competing for a contract, privilege, or right to supply specified services or merchandise.
- Competitive negotiation:** A technique for purchasing goods and services, usually of a technical nature, whereby qualified suppliers are solicited, negotiations are carried on with each bidder, and the best offer (in terms of performance, quality of items, price, etc.), as judged against proposal evaluation criteria, is accepted; negotiated award.

Confirming order: A purchase order issued to a vendor, listing the goods or services and terms of an order placed verbally, or otherwise, in advance of the issuance of the usual purchase document.

Conflict of interest: A situation wherein an individual as part of his duties must make a decision or take action that will affect his personal interests.

Consideration: Acts, promises, or things of value exchanged by two parties and serving as the basis for a contract between them.

Consultants and experts: Those persons who are exceptionally qualified, by education or by experience, in a particular field to perform some specialized service.

Contingency: A possible future event or condition arising from presently known or unknown causes, the outcome of which is undeterminate at the present time.

Contract: A deliberate verbal or written agreement between two or more competent persons to perform or not to perform a specific act or acts. See, Uniform Commercial Code.

Contract administration: The management of all facets of contracts to assure that the contractor's total performance is in accordance with his contractual commitments and that the obligations of the purchaser are fulfilled. In government, this management is conducted within the framework of delegated responsibility and authority and includes the support of using agencies.

Contract modification: An alteration that introduces new details or cancels details but leaves the general purpose and effect of the contract intact.

Contract record: A record providing full particulars regarding the orders placed for delivery of goods in a contract so that the volume of purchases against the contract can be determined.

Contractor: One who contracts to perform work or furnish materials in accordance with a contract.

Contractual services: Services furnished under a contract in which charges, effective periods, and extent of work are defined.

Convenience termination clause: A contract clause which permits the government to terminate, at its own discretion, the performance of work in whole or in part, and to make settlement of the vendor's claims in accordance with appropriate regulations.

Cooperative purchasing: The combining of requirements of two or more political entities in order to obtain the benefits of volume purchases and/or reduction in administrative expenses.

Corrupt combination, collusion, or conspiracy in restraint of trade: A phrase referring to an agreement between two or more businesses to stifle, control, or otherwise inhibit free competition in violation of state and/or federal antitrust statutes. See, Collusive bidding; Price fixing.

Damages: Compensation, usually in money, for injury to goods, persons, or property.

Debarment: A shutting out or exclusion for cause (as a bidder from the list of qualified bidders).

Debt: Any obligation to pay money. Ordinarily the term debt means a sum of money due by reason of a contract expressed or implied. Broadly, the word may include obligations other than to pay money, such as the duty to render services or deliver goods.

Default: Failure by a party to contract to comply with contractual requirements; vendor failure.

Defect: A nonconformance of an item with specified requirements.

Delivery schedule: The required or agreed time or rate of delivery of goods or services purchased for a future period.

Delivery terms: Conditions in a contract relating to freight charges, place of delivery, time of delivery, and method of transportation.

Descriptive literature: Information, such as charts, illustrations, drawings, and brochures which show the characteristics or construction of a product or explain its operation, furnished by a bidder as a part of his bid to describe the products offered in his bid. The term includes only information required to determine acceptability of the product, and excludes other information, such as that furnished in connection with the qualifications of a bidder or for use in operating or maintaining equipment.

Design specification: A purchase specification delineating the essential characteristics that an item bid must possess to be considered for award and so detailed as to describe how the product is to be manufactured; generic specification.

Designation of special purpose: A technique used when purchasing items for a special use for which no items of that kind are produced (e.g., sewing machines for teaching blind people to sew), accomplished by sending out the specification that is used for the basic item with a description of the special purpose for which the item will be used, and a questionnaire asking what modifications bidders are willing to make in their standard products to meet the particular needs.

Discount: An allowance or deduction granted by the seller to the

buyer, usually when certain stipulated conditions are met by the buyer, which reduces the cost of the goods purchased. However, discounts may be granted by the seller without reference to stipulated conditions. An example of such use of discount is the application of discount to a nominal or "list" price to establish the "net" or actual price. See, Cash discount; Quantity discount; Standard package discount; Trade discount.

Discount schedule: The list of discounts applying to varying quantities of goods or applicable to differing classifications of purchasers.

Disposition: Acting to remove from the premises and control of a using agency goods that are surplus or scrap. Disposition can be accomplished by transferring, selling, or destroying the goods.

Emergency purchase: A purchase made without following the normal purchasing procedure in order to obtain goods or services quickly to meet an emergency.

Equal, Or equal: A phrase(s) used to indicate the substitutability of products of similar or superior function, purpose, design, and/or performance characteristics. See, Brand name specification.

Equal Employment Opportunity Program: A plan to include minority groups or other disadvantaged persons in the work force of business affected by the plan.

Equipment: Personal property of a durable nature which retains its identity throughout its useful life. See, Uniform Commercial Code.

Escalation clause: A clause in a purchase contract providing for upward adjustment of the contract price if specified contingencies occur; price escalation clause.

Ethics: See, Code of ethics; Purchasing ethics.

Evaluation of bid: The process of examining a bid after opening to determine the bidder's responsibility, responsiveness to requirements, and other characteristics of the bid relating to the selection of the winning bid.

Exhaustion of administrative remedies: A legal doctrine to the effect that where an administrative remedy is provided by statute, relief must be first sought from the administrative body, and all attempts to obtain such administrative relief must be used up before the complaining party may look to the courts for relief.

Expedite: To hasten or to assure delivery of goods purchased in accordance with a time schedule, usually by contact by the purchaser with the vendor.

Express Warranty: Any affirmation of fact or promise made by a seller to a buyer which relates to the goods and becomes part of the basis of the bargain.

Extend, option to: A part of a contract which contemplates a continuance of the original contract for a further time upon compliance with the conditions for the exercise of the option.

Fair market value: A price that would induce a willing purchaser to purchase or a willing seller to sell in an open market transaction; the price a property would bring at a fair sale between parties dealing on equal terms.

Fair-trade statute: A state law providing that a manufacturer may legally set a minimum resale price for his products and that retailers and distributors must observe that minimum.

Fidelity bond: A bond which secures an employer up to an amount stated in the bond for losses caused by dishonesty or infidelity on the part of an employee.

Field purchase order: A limited and specific purchase order used in situations where authority to make the type of purchase involved has been delegated to using agencies.

Firm bid: A bid that binds the bidder until a stipulated time of expiration.

Fiscal year: A period of 12 consecutive months selected as a basis for annual financial reporting, planning, or budgeting.

Fixed price contract: A contract which provides for a firm price under which the contractor bears the full responsibility for profit or loss.

Forfeiture of deposit or bond: A loss by omission, negligence, or misconduct for the performing of or the failure to perform a particular act, (e.g., not accepting a contract when an award is made); breach of contract. See, Bid bond; Bid deposit; Fidelity bond; Performance bond.

Formal advertising: The placement of a notice in a newspaper or other publication according to legal requirements to inform the public that the government is requesting bids on specific purchases that it intends to make. See, Legal notice.

Formal bid or offer: A bid which must be forwarded in a sealed envelope and in conformance with a prescribed format to be opened at a specified time.

Forward purchasing: The purchasing of quantities exceeding immediate needs, e.g., in anticipation of a price increase or a future shortage.

Forward supply contract: A contract for future supply of definite quantities of materials or services over a fixed period. May be drawn off by "draw-off orders," or delivered at a fixed and pre-determined rate set out in the contract.

Fraud: A positive act resulting from a willful intent to deceive another with the purpose of depriving him of his rights or property.

Full cost recovery funding: See, Industrial funding.

General provisions: The mandatory (by law or regulation) clauses for all contracts by type of purchase or contract. Clauses devised especially for a given purchase are called special provisions.

Generic name: Relating to or characteristic of a whole group or class; not protected by trademark registration.

Generic specification: See, Design specification.

Goods: Anything purchased other than services or real property. See, Uniform Commercial Code.

Gross negligence: The degree of lack of care that shows a reckless disregard for life or safety, or that indicates a conscious indifference to the rights of others.

Guarantee: To warrant, stand behind, or ensure performance or quality, as a supplier in relation to his product.

Identical bid: A bid that agrees in all respects with another bid.

Imprest funds: Funds set aside as a cash reserve for expenditures made in accordance with established policies and controls; petty cash.

Improper influence: Domination by the actions of one person over the actions of another so as to prevent the proper exercise of the latter's discretion.

Industrial funding: Full financing of program activities out of sale of goods or services furnished; full cost recovery funding.

Ineligible bidder: A supplier who, by reason of financial instability, unsatisfactory reputation, poor history of performance, or other similar reasons, cannot meet the qualifications for placement on the bidders list or for award.

Informal bid: An unsealed competitive offer conveyed by letter, telephone, telegram, or other means.

Inspection: Critical examination and/or testing of items to determine whether they have been received in the proper quantity and in the proper condition, and to verify that they conform to the applicable specifications.

Inspection report: A report to inform the purchasing authority of the quality or condition of the items delivered.

In-state preference: See, Preference.

Invitation for Bids: A request, verbal or written which is made to prospective suppliers requesting the submission of a bid on commodities or services.

Item: Any product, material, or service.

Labor surplus area: A geographical section of concentrated unemployment or underemployment, as designated by the U. S. Department of Labor.

Late bid or proposal: A bid or proposal which is received at the place designated in the Invitation for Bids after the hour established by the invitation as the time by which all bids or proposals must be received.

Latent defect: A defect which could not be discovered by ordinary and reasonable inspection.

Lead time: The period of time from date of ordering to date of delivery which the buyer must reasonably allow the vendor to prepare goods for shipment.

Lease: A contract conveying from one person (lessor) to another (lessee) real estate or personal property for a term in return for a specified rent or other compensation.

Lease-purchase agreement: A rental contract in which the renting party's periodic payments or parts thereof are applied both to fulfill the rental obligation and as installments for eventual ownership of the commodity upon completion of the agreement.

Legal notice: The notice that is required by law. Legal notice for some purchases may be the posting of an announcement of the purchase in a public place, the notification of the appropriate bidders from the bidders list, a formal advertisement in a newspaper or newspapers, or a combination of these methods. See, Formal advertising.

License: A non-transferable permission granted by a government or other authority to perform an act or to engage in an enterprise that is restricted or regulated by law.

Life-cycle costing: A procurement technique which considers operat-

ing, maintenance, acquisition price, and other costs of ownership in the award of contracts to ensure that the item acquired will result in the lowest total ownership cost during the time the item's function is required.

Line item: A procurement item specified in the Invitation for Bids for which the bidder is asked to give individual pricing information and which, under the terms of the invitation, is usually susceptible to a separate contract award.

Liquidated damages: A specific sum of money, set as part of a contract, to be paid by one party to the other if he should default on the contract.

List Price: The published price for an item that a vendor uses for informing customers and potential customers.

Local preference: See, Preference.

Local purchase: A purchase by an agency for its own use or for the use of another agency logistically supported by it.

Lowest and best bid: See, Lowest responsible bidder.

Lowest responsible bidder: That bidder who is awarded a contract because his bid in unit price, total cost of operation, or value per dollar is lower than any of the bidders whose reputation, past performance, and business and financial capabilities are such that they would be judged by the appropriate government authority to be capable of satisfying the government's needs for the specific contract. Virtually the same as "lowest and best bid," "lowest responsive and responsible bidder," and "most advantageous bid, price and other factors considered."

Lump sum: A price agreed upon between vendor and purchaser for a group of items without breakdown of individual values, a lot price.

Manual: See, Purchasing manual.

Manufacturer: One who (1) controls the design and production of an item, or (2) produces an item from crude or fabricated materials, or (3) assembles materials or components, with or without modification, into more complex items.

Market (noun): The aggregate of forces that determine the prices and amount of trade in the exchange of goods.

Market (verb): To carry out all activities intended to sell a product or service. Includes advertising, packaging, surveying the potential market, etc.

Material(s): Supplies required to perform a function or manufacture an item, particularly that which is incorporated into an end item or consumed in its manufacture.

Merit system: A system of selecting and promoting civil servants on the basis of competitive examination or other comparable objective evaluation of their abilities rather than by political appointment.

Misrepresentation: A manifestation by words or other conduct that, under the circumstances, amounts to an assertion not in accordance with the facts.

Mistake in bid: A miscalculation in composing a bid resulting in an incorrect price or other term which may affect the bidder's eligibility to be awarded the contract.

Mock-up: A model, usually full size and constructed of inexpensive material, made for the purpose of studying the construction and use of an article or mechanical device. See, Pilot model: Prototype.

Modification: Any formal revision of the terms of a contract.

Monopoly: (1) An exclusive right or power to carry on a particular activity. (2) The ownership or control of enough of the supply of or market for a product or service to stifle competition, control prices, or otherwise restrict trade.

Multiple award: The award of separate contracts to two or more bidders for the same commodities in situations where the award of a single contract would be impossible or impractical.

Mutual assent: The state where the parties to a contract agree to all the terms and conditions in the same sense and with the same meaning.

Negligence: The failure to do that which an ordinary, reasonable, prudent man would do, or the doing of some act which an ordinary, prudent man would not do. Reference must always be made to the situation, the circumstances, and the knowledge of the parties.

Negotiated award: See, Competitive negotiation.

Net price: Price after all discounts, rebates, etc., have been allowed.

Net terms: See, Discount.

No bid: A response to an Invitation for Bids stating that the respondent does not wish to submit a bid. It usually operates as a procedural device to prevent debarment from the bidders list for failure to submit bids.

Nonresponsive bid: A bid that does not conform to the essential requirements of the Invitation for Bids; nonconforming bid, unresponsive bid.

Obsolescent: Becoming obsolete, due usually to technological development.

Obsolete: Out of date; no longer in use.

Offer: The act of one person that gives another person the legal power to create a contract to which both of them are parties; to perform such an act.

Oligopoly: A market situation in which a few companies control or dominate the market for a product or service.

Open-account purchase: A purchase made by a buyer who has established credit with the seller. Payment terms are usually stated to require payment of invoice on or before a specific date or dates; also, to require payment of invoice in full, or less a certain percentage for prompt payment. Such terms are agreed upon between buyer and seller at the time of placing the order, or before.

Open-end contract: A contract in which quantity or duration is not specified, such as a requirements contract. See, Blanket order; Price agreement; Requirements contract; Term contracting.

Open-end purchase: A purchase, usually of a limited dollar amount, which is made by buying from any available source, as opposed to buying from a bidder who has responded to an Invitation for Bids.

Option: The right, acquired for consideration, to buy or sell something at a fixed price within a specified time.

Option to extend: See, Extend, option to.

Option to renew: A contract clause that allows a party to elect to reinstitute the contract for an additional term.

Or equal: See, Equal, Or equal.

Order: A request or command issued to a supplier for goods or services at a specified price. See, Uniform Commercial Code.

Order form: A form by which a supplier is informed of an order.

Order level: The level of stock of any item at which an order is initiated for more supplies of that item.

Order record: A central numerical register of orders issued.

- Packing list:** A document which itemizes in detail the contents of a particular package or shipment.
- Partnership:** An agreement under which two or more persons agree to carry on a business for profit, sharing in the profits and losses by an agreed to proportion, but each being liable for losses to the extent of all of his personal assets.
- Patent:** A grant made by a government to an inventor, which gives the inventor the exclusive right to make, use, and sell the invention for a period of years.
- Patent clearance:** A letter or other formal communication stating that the reporting requirements of the patent rights clause contained in a contract have been complied with by the contractor.
- Penalty clause:** A clause in a contract specifying the sum of money to be paid if the contractor defaults on the terms of his contract, particularly in respect to time.
- Performance bond:** A contract of guaranty executed subsequent to award by a successful bidder to protect the government from loss due to his inability to complete the contract as agreed. See, Forfeiture of deposit or bond.
- Performance record:** Record to indicate a supplier's ability to keep delivery promises and reliability, together with consistency of quality of the product.
- Performance specification:** A specification setting out performance requirements that have been determined to be necessary for the item involved to perform and last as required.
- Perishable goods:** Goods which are subject to spoilage within a relatively short time.
- Personal property:** Everything which is not real property, which is subject to ownership, and which has exchangeable value.
- Petty cash:** See, Imprest funds.
- Pilot model:** A model, usually handmade, used in production planning for production engineering studies. See, Mock-up; Prototype.
- Policy:** In this study policy will have a somewhat narrower meaning than normal. It will be a guiding principle or procedure.
- Political subdivision:** A subdivision of a State which has been delegated certain functions of local government, and which can include counties, cities, towns, villages, hamlets, boroughs, and parishes.

Preference: An advantage in consideration for award of a contract granted to a vendor by reason of the vendor's residence, business location, or business classification (e.g., small business).

Prepaid: A term denoting that transportation charges have been or are to be paid at the point of shipment.

Prequalification of bidders: The screening of potential vendors in which a government considers such factors as financial capability, reputation, management, etc., in order to develop a list of bidders qualified to bid on government contracts. See, Bidders list; Qualified bidder.

Price: The amount of money that will purchase a definite quantity, weight, or other measure of a commodity.

Price agreement: A contractual agreement in which a purchaser contracts with a vendor to provide the purchaser's requirements at a predetermined price. Usually it involves a minimum number of units, orders placed directly with the vendor by the purchaser, and a limited duration of the contract (usually one year). See, Blanket order; Open-end contract; Requirements contract; Term contracting.

Price at the time of delivery: A term used in sales contracts when market prices are so volatile that a vendor will not give a firm price or use an escalator clause but will only agree to charge the price that he is charging all customers for similar purchases on the day he ships or delivers the goods in question.

Price competition: The selection of a contractor, from two or more competing firms, based either solely on prices submitted, or on the final prices resulting from negotiation with all competing contractors within a range.

Price control: The fixing or restricting of prices especially by a governmental agency.

Price escalation clause: See, Escalation clause.

Price fixing: Agreements among competitors to sell at the same price, to adopt formulas for the computation of selling prices, to maintain specified discounts, to establish lower prices without prior notification to others, or to maintain predetermined price differentials between different quantities, types, or sizes of products. See, Collusive bidding; Corrupt combination, collusion, or conspiracy in restraint of trade.

Price maintenance: The establishment by a manufacturer or wholesaler of a price for an item below which he will not sell or permit his product to be sold by others.

Price protection: An agreement by a vendor with a purchaser to grant

the purchaser any reduction in price which the vendor may establish on his goods prior to shipment of the purchaser's order. Price protection is sometimes extended for an additional period beyond the date of shipment.

Price rebate: An allowance on price, usually given after the completion of the contract and most frequently based on some relationship with the business turnover.

Price schedule: The list of prices applying to varying quantities or kinds of goods.

Principal: One who employs an agent; a person who has authorized another to act on his account and subject to his control.

Priority: The degree of precedence given to a particular requisition, order, or contract to obtain completion, delivery, or performance on a particular date at the expense, if necessary, of competing demands to the same supplier or facility.

Procedure: A series of steps or course of action. A set of established forms for conducting public affairs.

Procurement: The process of obtaining goods or services, including all activities from the preparation and processing of a requisition, through receipt and approval of the final invoice for payment. The acts of preparing specifications, making the purchase, and administering the contract are involved. See, Purchasing cycle.

Professional behavior: See, Code of ethics; Purchasing ethics.

Program: A scheme of action to accomplish a definitive objective covering a major area of an organization's responsibility.

Proprietary article: An item made and marketed by a person or persons having the exclusive right to manufacture and sell it.

Proprietary information: Information or data describing technical processes, tools, or mechanisms that a business wishes to keep from general public view in order to maintain its competitive position in the market. See, Trade secret.

Proposal: An offer made by one party to another as a basis for negotiations for entering into a contract.

Proposal evaluation criteria: Weighted standards, relating to management capability, technical capability, approach in meeting performance requirements, price, and other important factors that are used for evaluating which bidder in a competitive negotiation has made the most advantageous offer.

Protest: A complaint about a governmental administrative action or decision brought by a bidder or vendor to the appropriate administrative section with the intention of achieving a remedial result.

Prototype: A model suitable for evaluation of design, performance, and production potential of a system, subsystem, or component. See, Mock-up; Pilot model.

Public: The people of an area.

Public bid opening: The process of opening and reading bids, conducted at the time and place specified in the Invitation for Bids and/or the advertisement, and in the view of anyone who wishes to attend. See, Bid opening.

Public policy: That which is deemed by courts to be general and well-settled public opinion relating to the duties of men and government.

Public record: All information about government activities that is available for public inspection.

Purchase order: A purchaser's document used to formalize a purchase transaction with a vendor. A purchase order, when given to a vendor, should contain statements as to the quantity, description, and price of the goods or services ordered; agreed terms as to payment, discounts, date of performance, transportation terms, and all other agreements pertinent to the purchase and its execution by the vendor. Acceptance of a purchase order constitutes a contract.

Purchase requisition: A form used to request the purchasing department to purchase goods or services from vendors.

Purchasing agent: An administrator whose job includes soliciting bids for purchases and making awards of purchase contracts; buyer.

Purchasing cycle: The cycle of activities carried out by a purchasing department in the acquisition of goods and services. See, Procurement.

Purchasing ethics: Moral principles that apply to the personnel of the purchasing department and all people who are involved in the purchasing process, particularly with respect to the use of government funds and relationships between buyers and sellers. See, Code of ethics.

Purchasing manual: A formal collection of instructions relative to procedures to be followed by all parties when making use of or dealing with the purchasing department in procurement actions.

Purchasing official: The administrative official who most directly oversees the activities of purchasing agents and those other aspects of property management that are joined as separate or subordinate sections under individual administrative control.

Purchasing, public: The process of obtaining goods and services for public purposes following procedures implemented to protect public funds from being expended extravagantly or capriciously.

Qualified bidder: A bidder determined by the government to meet minimum set standards of business competence, reputation, financial ability, and product quality for placement on the bidders list. See, Bidders list; Prequalification of bidders.

Qualified products list: A specification which is developed by evaluating various brands and models of an item and listing those that are determined to be acceptable as the only ones for which bids may be submitted; an approved brands list.

Quality assurance: A planned and systematic series of actions considered necessary to provide adequate confidence that a product that has been purchased will perform satisfactorily in service.

Quality control: The procedures and policies used to ensure adequate quality of goods produced or received.

Quantity discount: An allowance determined by the quantity or value of a purchase. See, Discount.

Quotation: A statement of price, terms of sale, and description of goods or services offered by a vendor to a prospective purchaser; the stating of the current price of a commodity; the price so stated.

Receiving report: A form used by a receiving function to inform others, such as the purchasing and accounting departments, of the receipt of goods purchased.

Renegotiation: Deliberation, discussion, or conference to change or amend the terms of an existing agreement.

Renew, option to: See, Option to renew.

Reordering level: The stock level at which a requisition for the replenishment of the stock should be initiated.

Repudiation of contract: A positive and unequivocal refusal to perform a contract.

Requirements contract: A contract in which the vendor agrees to supply all the purchaser's requirements that arise for an item

or items within a specified period. See, Blanket order; Open-end contract; Price Agreement; Term contracting.

Requisition: An internal document by which a using agency requests the purchasing department to initiate a procurement.

Research and development (R&D): The process by which new products or new product forms are created; precedes production.

Responsible bidder: A bidder whose reputation, past performance, and business and financial capabilities are such that he would be judged by the appropriate government authority to be capable of satisfying the government's needs for a specific contract.

Responsive bidder: A bidder whose bid does not vary from the specifications and terms set out by the government in the Invitation for Bids.

Restraint of trade: The effect of contracts or combinations which eliminate or stifle competition, effect a monopoly, artificially maintain prices, or otherwise hamper or obstruct the course of trade and commerce as it would be carried on if left to the control of natural and economic forces.

Restrictive specifications: Specifications that unnecessarily limit competition by eliminating items that would be capable of satisfactorily meeting actual needs.

Rules and regulations: Governing precepts and procedures made by an administrative body or agency under legislative authority that sometimes have the force and effect of law.

Salvage: Property that is no longer useful as a unit in its present condition but has some value in addition to its value as scrap, usually because parts from it may be recovered and reused.

Sample: See, Bid sample.

Scheduled purchase: A purchase for which a bid opening date is prescheduled so that using agencies' requirements for the period covered by the contract can be gathered and combined for the Invitation for Bids.

Scrap: Property that has no value except for its basic material content.

Sealed bid: A bid which has been submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids; usually required by the purchasing authority on major procurements to ensure fair competition among bidders.

Seasonal: Depending upon the seasons, either climatic or economic, and usually cyclic on an annual basis.

Seasonal rate: A rate instituted for specified articles or commodities and effective only for certain periods of the year.

Seller's market: A market condition where demand is greater than supply; sellers can set prices and terms of sale, and prices are high or rising.

Service: Work performed to meet a demand, especially work that is not connected with manufacturing a product.

Service contract: A contract that calls for a contractor's time and effort rather than for a concrete end product.

Shipping list: A memorandum listing all items shipped at one time on a given order.

Single-source procurement: An award for a commodity which can only be purchased from one supplier, usually because of its technological, specialized, or unique character.

Small business: A designation for certain statutory purposes referring to a firm, corporation, or establishment having a small number of employees, low volume of sales, small amount of assets, or limited impact on the market.

Small Business Administration: A federal agency created to foster and protect the interests of small business concerns.

Solicitation: The process of notifying prospective bidders that the government wishes to receive bids on a set of requirements to provide goods or services. The process might consist of public advertising, the mailing of Invitation for Bids, the posting of notices, or telephone calls to prospective bidders.

Sovereign immunity: The principle which absolves the sovereign (state, city, county) from responding in damages for past injuries to another party.

Specification: A description of what the purchaser requires and, consequently, what a bidder must offer to be considered for an award.

Specifications committee: A committee whose purpose is to advise and assist the central purchasing authority in establishing specifications. This committee may also offer advice and assistance in developing standards. See, Standards Committee.

Spot purchase: A one-time purchase made in the open market out of necessity or to take advantage of a bargain price.

- Standard:** A characteristic or set of characteristics for an item that, for reasons of quality level, compatability with other products, etc., is generally accepted by the manufacturers and users of that item as a required characteristic for all items of that sort.
- Standard commercial supplies:** Articles which, in the normal course of business, are customarily maintained in stock by a manufacturer or any dealer, distributor, or other commercial dealer for the marketing of such articles.
- Standard package discount:** An allowance applied to goods supplied in the vendor's regular package. See, Discount.
- Standard specification:** A specification established through a standardization process to be used for all or most purchases of the item involved.
- Standardization (of specifications):** The process of examining specifications and needs for items of similar end usage and drawing up one specification that will meet the needs for most or all the purchases of that item.
- Standards committee:** A committee whose purpose is to advise and assist the central purchasing authority in establishing standards and, in some cases, specifications. See, Specifications committee.
- Standing order:** See, Blanket order.
- Stock:** A supply of goods maintained on hand in a supply system to meet anticipated demands.
- Stock control:** Control of the level of stock by control over the movement of goods into and out of stores.
- Stock record:** A record kept of items of materials in stock, usually located at a central point and showing stock level position.
- Storage:** The holding of goods in a designated place for safekeeping; a space or a place for the safekeeping of goods.
- Supplemental agreement:** Any contract modification which is accomplished by the mutual action of the parties.
- Supplier:** A firm that regularly furnishes needed items to a business or government; a vendor.
- Supplies:** Items which are consumed or expended in the course of being used.
- Surplus property:** Inventory not required by one using agency or all using agencies at the present time or in the foreseeable future.

- Tabulation of bids:** The recording of bids and bidding data that was submitted in response to a specific invitation for the purposes of comparison, analysis, and record-keeping.
- Term contracting:** A technique in which a source or sources of supply are established for a specified period of time, usually characterized by an estimated or definite minimum quantity, with the possibility of additional requirements beyond the minimum, all at a predetermined unit price. See, Blanket order; Open-end contract; Price agreement; Requirements contract.
- Terms and conditions:** A phrase generally applied to the rules under which all bids must be submitted and the terms that are included in most purchase contracts which are often published by purchasing authorities for the information of all potential bidders.
- Terms of payment:** All purchase transactions require a payment for the goods or services received and, excepting an unusual exchange or barter agreement, payment is made in negotiable funds in accordance with the terms agreed between the buyer and seller. There are three basic payment terms: cash, open account, and secured account.
- Testing:** A phase of inspection involving the determination by technical means of the physical and chemical properties of items, or compounds thereof, requiring not so much the element of personal judgment as the application of recognized and established scientific principles and procedures.
- Title:** The means whereby a person's ownership of property is established.
- Token bid:** A perfunctory offer submitted by a bidder with no serious intent of being the lowest bid; usually submitted when the bidder wishes to maintain eligibility for the bidders list or as a collusive device.
- Total supply:** A concept of purchasing, the objective of which is to plan in advance and provide for the broadest scope of purchasing and purchasing-related activities as possible in order to minimize costs, increase managerial requirements planning, logistics, and general procurement management.
- Trade discount:** A deduction from an established price for items or services, often varying in percentage with volume of transactions, made by the seller to those engaged in certain businesses and allowed irrespective of the time when payment is made. See, Discount.
- Trade name:** See, Brand name.

Trade secret: Any aspect of a business or its operations which is known only to the manufacturer. See, Proprietary information.

Trademark: Generally, any sign, symbol, mark, word, or arrangement of words in the form of a label adopted and used by a manufacturer or distributor to designate his particular goods, and which no other person has the legal right to use.

Trade-off analysis: The process of determining the "best" course of action by weighing the advantages and disadvantages associated with available alternatives. The selected course will usually involve a compromise with some resources (e.g., time) traded-off for another (e.g., money).

Ultra vires action: An action which is beyond the power or purpose of a corporation, city, county, or other body, but not an action which is merely performed in an unauthorized manner or without authority.

Unit price: The price of a selected unit of a good or service (e.g., price per ton, labor hour, foot).

Unit price extension: The calculation of the total price of goods by multiplying the price per unit by the number of units purchased.

Unresponsive bid: See, Nonresponsive bid.

Unsuccessful bidder: An offeror whose bid is not accepted for reason of price, quality, failure to comply with specifications, etc.

Using agency: A unit of government that requisitions items through central purchasing.

Value--Intrinsic worth. The amount of money for which goods or services can be exchanged. See, Uniform Commercial Code.

Value analysis: An organized effort directed at analyzing the function of systems, products, specifications, and standards, and practices and procedures for the purpose of satisfying the required functions at the lowest total cost of ownership.

Vendor: A supplier.

Vendor failure: See, Default.

Vendor file: The accumulated record maintained by the central purchasing authority of information relevant to his business relationship with the government, including application for inclusion on the bidders list, record of performance under contracts, correspondence, and the results of special-purpose analyses.

Void: Without legal effect; unenforceable.

Volume purchasing: See, Bulk purchasing.

Waiver of bid(s): A process, usually statutory, whereby a government purchasing office may procure items without formal bidding procedures because of uniqueness of circumstances related to that procurement action.

Waiver of mistake or informality: The act of disregarding errors or technical nonconformities in the bid which do not go to the substance of the bid and will not adversely affect the competition between bidders.

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APPROVAL SHEET

The dissertation submitted by Lawrence A. Wyllie has been read and approved by the following committee:

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The final copies have been examined by the director of the dissertation and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the dissertation is now given final approval by the Committee with reference to content and form.

The dissertation is therefore accepted in partial fulfillment of the requirements for the degree of Doctor of Education.

March 19, 1979
Date

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