



Public Schools of North Carolina

# Procurement and Contracted Services

Charter Leadership Institute

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Division of School Business  
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# Objectives

- ▶ Provide standards and directives for sound management to promote consistent, prudent financial and administrative practices regarding procurement.
- ▶ Provide information about federal grant procurement regulations under EDGAR
- ▶ Highlight:
  - ▶ Red flags
  - ▶ Ways to minimize risk





# Procurement



- ▶ Procurement is the process of obtaining goods and/or services in accordance with applicable rules and regulations
- ▶ Procurement standards apply to the purchase of supplies, equipment, construction (if approved) and other services funded in whole or in part by federal grant funds. Charter schools' procurement policies must be in accordance with 34 CFR 80.36 when using federal funds.



# Procurement (continued)



All disbursements, regardless of the payment method, must be in compliance with:

- Applicable laws
- Regulations
- Statutes
- Rules
- Policies
- Procedures
- Program requirements



# Areas of Concern

Major Areas of Concern include, but are not limited to, the following:

- ▶ Lack of internal controls
- ▶ Conflict of interests
- ▶ Misuse of sole source criteria
- ▶ Credit cards
- ▶ Travel



# Procurement Policies and Procedures



Procurement policies and procedures should address the topics below:

- ▶ Open and full competition
- ▶ Written code of standards for employee conduct / conflict of interest
- ▶ Vendor Selection
- ▶ Supporting documentation and maintenance of records
- ▶ Contract administration system



# Conflict of Interest

Conflicts of interest, real or apparent, arise when an employee or board member:

- ▶ Has a financial interest or other interest in the contractor selected for the award
- ▶ Is an employee, officer, or agent of the contractor selected for the award
- ▶ Has a family member who is an employee of the contractor selected for the award
- ▶ Is about to be employed by the contractor selected for the award
- ▶ Has an immediate family member who is about to be employed by the contractor selected for the award



# Vendor Selection




- ▶ The school should select the most responsive and responsible vendor to provide required materials and services
- ▶ Items of consideration:
  - ▶ Vendor integrity
  - ▶ Past performance
  - ▶ Financial and technical resources
  - ▶ Not suspended or debarred
  - ▶ Competitive prices





# Supporting Documentation and Maintenance of Records



Records to be maintained include the following:

- ▶ Purchase requisitions
- ▶ Purchase orders
- ▶ Payment authorization forms
- ▶ Payroll authorization forms
- ▶ Travel reimbursement forms
- ▶ Employee reimbursement forms
- ▶ Original third-party itemized invoices/receipts
- ▶ Contracts, including amendments
- ▶ Bank statements, including cancelled checks

# Purchase Orders

Should include the following clearly defined deliverables:

- ▶ Description of services to be performed or goods to be delivered
- ▶ Description of dates when services will be performed or goods delivered
- ▶ Description of locations where services will be performed or goods will be delivered
- ▶ Description of number of students/teachers/etc., to be served (if applicable)

## Purchase Order Form

School:				
Entity:		Vendor Information		
PO Number:		Name:		
PO Date:		Website:		
Requester:		Phone for Ordering:		
Person Ordering:		Fax for Ordering:		
Order Date:		Payment Address:		
Method of Ordering:		City, State and Zip		
Person/Date Received:		Customer Service #:		
Receiving Issues:				
Item Number	Description of Goods	Account Description	Acct #	Amount
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
Sub-Total:				
Shipping, Handling & Other Charges:				
Total Requested:				
Approver Signature:		Approver Name:		
Delivery Address:		Billing Address:		





# Invoices

Payments for goods and/or services should be based on written invoices which include:

- ▶ Services performed or goods delivered
- ▶ Dates services were performed or goods delivered
- ▶ Location services were performed or goods delivered
- ▶ List students/teachers, etc., served (if applicable)



# School Credit Cards



Payments for goods and/or services with school credit cards should follow established procurement policies and procedures such as:

- ▶ *All orders must be pre-approved by the principal or finance officer on a requisition form.*
- ▶ The staff member generates the requisition form and gives it to the finance officer.
- ▶ The finance officer assigns the correct budget account number and requests the principal's approval/signature.
- ▶ If approved, a purchase order will be generated.
- ▶ When supplies arrive and are inventoried, the staff member should notify the finance officer immediately if there are any discrepancies in the order.
- ▶ Invoices cannot be paid until the staff member confirms receipt of the merchandise ordered by signing and returning the packing slips to the finance officer.





# Expense Reimbursements



To ensure the Charter School pays only for authorized business expenses supporting documentation should be maintained for the following:

- Employee travel reimbursement
- Employee expense reimbursement



# Contracts



School should have a documented contract administration system with controls to ensure that contracts are in writing and include clearly defined deliverables such as:

- ▶ Description of services to be performed or goods to be delivered
- ▶ Rate of compensation
- ▶ Description of dates when services will be performed or goods delivered
- ▶ Description of locations where services will be performed or goods will be delivered
- ▶ Description of number of students/ teachers/etc., to be served (if applicable)





# Contracts (continued)



- ▶ Awards must be made to responsible contractors who possess the potential ability to perform successfully:
- ▶ Contracts cannot be made with vendor who has been suspended or debarred (federal and state lists)
- ▶ Contracts should contain the following required provisions:
  - ▶ Remedies for breach, sanctions and penalties
  - ▶ Termination for cause and convenience
  - ▶ State language
  - ▶ Signature and date of all parties prior to execution



# Red Flags



- ▶ Lack of adequate system of internal accounting control over purchasing
- ▶ Lack of adequate segregation of duties
- ▶ Missing purchase orders or purchase orders lacking detail
- ▶ Insufficient detail on invoices
- ▶ Lacking or inadequate receiving documentation
- ▶ Vendors unknown, ***related to someone in the organization***, or are otherwise not vetted properly.
- ▶ Vendor pricing is out of line with the marketplace.
- ▶ Unsubstantiated travel expenses
- ▶ Undocumented credit card purchase
- ▶ Non-competitive contracts





# Minimizing Risk



- ▶ Documented procurement policies and procedures communicated to all staff
- ▶ Adequate segregation of duties or implementation of compensating controls
- ▶ Conflict of Interest policy including consequences for violation
- ▶ Strong internal control system
- ▶ Supporting documentation for all procurement disbursements canceled (e.g. marked *PAID*) to prevent resubmission for payment

# 2 CFR Part 200 (Uniform Guidance)

- ▶ Subpart A – Acronyms and Definitions
- ▶ Subpart B – General Provisions
- ▶ Subpart C – Pre-Federal Award Requirements
- ▶ Subpart D – Post Federal Award Requirements
- ▶ Subpart E – Cost Principles
- ▶ Subpart F – Audit Requirements



# 200.403 Factors Affecting Allowability of Costs

- ▶ In order to be allowable, costs must be:
- ▶ Necessary, reasonable, and allocable
- ▶ Conform with federal law and grant terms
- ▶ Consistent with state and local policies
- ▶ Consistently treated
- ▶ In accordance with GAAP
- ▶ Not included as match or cost share
- ▶ Adequately documented

# 200.407 Prior Written Approval

- ▶ In order to avoid subsequent disallowance, subrecipients may seek prior written approval from DPI, or from the federal awarding agency (USDE) in advance of the incurrence of special or unusual costs.



# Procurement Under EDGAR

- ▶ 2 CFR 200.318 – General Procurement Standards
- ▶ 2 CFR 200.319 – Competition
- ▶ 2 CFR 200.320 – Methods of Procurement to be Followed
- ▶ 2 CFR 200.213 – Suspension and Debarment

# Micro-purchase

- ▶ Aggregate cost not to exceed \$10,000
- ▶ Price must be reasonable
- ▶ Distributed among qualified vendors, as applicable
- ▶ Intent is to reduce administrative burden for purchase of small items



# Small Purchase

- ▶ Simple and informal method for purchases above \$10,000 but less than \$250,000
- ▶ Price or rate quotations from adequate number of sources (minimum of two or LEA policy)
- ▶ Use a selection matrix to document decision on vendor
- ▶ Choose the vendor that is most advantageous to the LEA (best fit)



- ▶ *Even though EDGAR sets the threshold at \$250,000, state rules require any purchases of \$90,000 or more must use a competitive method of procurement*



# Sealed Bids or Competitive Proposals

- ▶ Under EDGAR, purchases at \$250,000 and above require competition
- ▶ A federal cost or price analysis is required
- ▶ Proposals must be solicited from an adequate number of qualified sources
- ▶ Read the requirements in 200.320 to determine which is more appropriate

# Noncompetitive Proposals

May be used only when one or more of these circumstances apply:

- ▶ The item is available only from a single source (sole source)
- ▶ The public exigency or emergency for the requirement will not permit a delay
- ▶ DPI expressly authorizes noncompetitive method in response to a written request from the subgrantee
- ▶ After solicitation of a number of sources, competition is determined inadequate



# Suspension and Debarment

Verification must be done by either:

- ▶ Checking [www.SAM.gov](http://www.SAM.gov)

OR

- ▶ Collecting a certification from the vendor

# EDGAR Micro-Purchases and Increased Thresholds

OMB Memo:

- ▶ <https://www.whitehouse.gov/wp-content/uploads/2018/06/M-18-18.pdf>



# Questions?

