



California Charter
Schools Association

HOW PURCHASING RIGHT AND SMART CAN IMPROVE YOUR SCHOOL



Requesting your feedback

- Each year, CCSA collects feedback on the breakout sessions offered at our annual conference and provides that feedback to our presenters. We ask that you help us in this effort so that we can continue to improve.
- To provide us with your survey of this session please find the session listing on the mobile app.
 - Select the “Schedule” menu from the slide out menu on the left.
 - Locate the session by strand, topic or by date and time.
 - This session is titled **HOW PURCHASING RIGHT AND SMART CAN IMPROVE YOUR SCHOOL**
 - Once the session is complete, tap on the “Survey” link in the bottom right hand side of the screen
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Intended outcome of today's session

Purchasing policies are critical to the success of high-functioning charter schools, yet many charters do not create or effectively implement them.

- 1) Comprehension of compliance requirements regarding purchasing**
- 2) Understanding of generally accepted best practices for purchasing**
- 3) Knowledge of group purchasing and vendor management**
- 4) Optimizing your purchasing policy to impress external groups**

Your Presenters Today



Ryan Callahan



Tait Anderson



Marco Rafanelli



Group purchasing for charter schools. That's smart.



**Angelica
Sammons**



Pair and share – 3 minutes

- Share with your neighbor one challenge your school faces with purchasing or one question you are hoping to answer today.

Agenda

- **Compliance requirements for purchasing (Ryan)**
- Purchasing policies and best practices that can save money (Marco)
- Why does this matter? (Angelica)
- Q&A session (Tait)

Purchasing Right: Compliance Requirements

How to keep regulators and auditors happy

- Who is interested in Charter Schools purchasing processes?
- Where do we look for guidance for expenses?
- What are the “red flags” that something is wrong?

Purchasing Right: Compliance Requirements

Who's interested in Charter Purchasing Processes?

- Auditor - Your External Auditor (The CPAs)
- California Attorney General
- California Department of Education
- County Office of Education and/or your Authorizer
- Federal Grant Awarding Agencies

Purchasing Right: Compliance Requirements

What is everyone using as a basis for our compliance?

- The individual charter schools policies manual
 - Government Auditing Standards requires that the school adhere to their policies and procedures manual
 - Reasonable and Necessary
 - Deficiencies in the design
- Uniform Grant Guidance (formerly known as the Federal Cost Principles A-21 and A-122)
 - The Uniform Guidance outlines the specific items of cost in the Code of Federal Regulations, Title 2, Part 200, Subpart E

Purchasing Right: Compliance Requirements

Your auditors are going to check

- Your in-house policies and procedures
 - This is a requirement of every audit
- To see whether you have federal funds (for federal cost principles)
- Whether your *non-federal* grants require compliance with the federal cost principles
- Whether any agreements (grant or otherwise) require that you follow a prescribed procurement policy

Purchasing Right: Compliance Requirements

Common Errors made by Charter Schools:

- Not following your in-house procedures
- Not updating your procedures for changes in staff and technology
- Not following the requirements of the grant agreements
- Not following the cost principles
- Not establishing a nepotism policy
- Not establishing a records retention policy
- Not ensuring that the organization is following the policies

Purchasing Right: Compliance Requirements

How to keep everyone happy:

- Make sure that you have a procedures trail
- Ensure that your entire team uses the procedures
- Check to make sure that the procedures are appropriate and modify them as needed.

Purchasing Right: Compliance Requirements

For further guidance with compliance requirements please refer to:

- The Government Accountability Office (GAO) publication on Governmental Auditing Standards:
<http://gao.gov/products/GAO-12-331G>
- The Code of Federal Regulations Uniform Guidance (Title 2 Grants and Agreements): <http://www.ecfr.gov/>
 - Path: [Title 2 → Subtitle A → Chapter II → Part 200 → Subpart E](#)
- Your Auditor
- Your Accounting Service Provider

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Purchasing Smart: 8 Steps to Improve Your School's Purchasing Effectiveness

1. Align your board, leadership and staff
2. Create (or modify) a purchasing policy
3. Develop purchasing systems
4. Leverage your purchasing power through group purchasing
5. The dreaded RFP...Use "C.O.W.S." to simplify the process
6. Focus on "Total Cost of Ownership"
7. Standardize, Standardize, Standardize
8. Manage vendor relationships wisely

Purchasing Smart Step 1: Align your board, leadership and staff

- How important is the efficient and effective use of your revenue?
- How do purchasing decisions effect your mission?
- It is critically important that the board and administration:
 1. Understand the potential value of procurement to the school's success
 2. Recruit and/or develop personnel that can effectively and expertly manage this functional area
 3. Provide the necessary funding for supply management
 4. Show internal personnel at all levels that they are fully committed to excellence in supply management

Purchasing Smart Step 2: Create (or modify) a purchasing policy

- **Purchasing policies and procedures SHOULD:**
 - Follow all applicable rules and regulations
 - Mitigate risk and errors
 - Establish effective controls to deter theft, fraud and waste
 - Align practice with budgets – make jobs easier to fulfill
 - Involve end-users – engage staff (teachers) and facilitate buy-in
 - Decrease Total Cost of Ownership without sacrificing quality
- **However they should NOT:**
 - Create overly burdensome steps that employees are likely to sidestep or ignore
 - Eliminate or diminish creative problem solving and decision making

Purchasing Smart Step 3:

Develop purchasing systems

- Purchasing practices and experiences should be INSTITUTIONAL KNOWLEDGE, not personal.
 - Store all purchasing-related documents on a central server or in the cloud
 - Use procurement software (i.e. Procurify, etc)
- Track vendor quality, service, and general performance using a standardized scorecard (Excel or Google Docs). Inform your vendors of your key performance indicators ahead of time and share the results with your vendors!
 - Include feedback from purchasers and end-users (teachers, janitors, etc.)

Purchasing Smart Step 4:

Leverage your purchasing power through group purchasing

- Use pre-negotiated contracts for all but the very largest purchases
 - Group Purchasing
 - California Charter Schools Association/BuyQ
 - State Contracts
- Benefits:
 - Low prices, favorable terms and conditions, admin. cost avoidance, legal certainty.
- BEWARE:
 - Do the vendors know charters?
 - Will the GPO be your advocate?
 - How do they award contracts? On price?

Purchasing Smart Step 5: RFPs simplified... Use C.O.W.S. to select your vendors

- When and why to RFP?
 - Very large single purchases (i.e. above \$10,000)
 - Capital equipment, technology
 - Complicated Services (i.e. IT services, copier services)
 - When you need more information and input on a product/service (no in-house expert)

The C.O.W.S. method is a decision matrix process that stands for Criteria, Options, Weighs, and Scores. These are the elements to develop a decision matrix to help in purchasing decisions.

- **C - Criteria**
Develop a list of criteria in order of importance.
- **O - Options**
Identify a list of purchase options or alternatives.
- **W - Weights**
Weigh each criterion by assigning a number based on importance.
- **S - Scores**
Assign a score or rating based on a scale of the criteria. **INCLUDE END USERS IN EVALUATION!**

Purchasing Smart Step 5:

Use C.O.W.S. to select your vendors

Example:

Criteria	RFP Section	Points (out of 100)
General Company Information	13	5
Experience	14	20
Ordering and Distribution	15	5
Sales and Marketing	16	25
Partnership Strength	17	10
Pricing	18	25
Presentation and overall quality of proposal (fit)	N/A	10

Purchasing Smart Step 6:

Focus on TOTAL COST OF OWNERSHIP

acquisition costs account for only 25 to 40 percent of the total cost for most products and services!!!!

- How much does that product or service really cost?
- Direct and indirect costs:
 - administrative time, maintenance, repair, delivery, disposal, associated services or parts
 - Be realistic about your school's ability to maintain/service/manage assets
- Opportunity costs

Purchasing Smart Step 7: Standardize, Standardize, Standardize

- Develop and enforce a preferred vendor list
- Board and administration must support purchasing manager
- Avoid “shopping” and “cherry picking” - pick a vendor and stick with them for a period of time
 - This removes all your leverage

Purchasing Smart Step 8:

Manage vendor relationships wisely

- Suppliers offer value that is not present in your school!
- Maintain professional relationships – not too friendly or adversarial
- Meet with vendor representatives frequently (2-4x/yr.)
 - Is your door open?
- Look for opportunities to maximize total cost of ownership
 - Consolidation, e-procurement, minimum purchase orders
- Track the quality, service and price performance of your vendors.

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Why it Matters

- School Authorizer
 - Public dollars
- Budget / Cash Flow

LAUSD Site Visit Example

Questions:	What they looking for
<ul style="list-style-type: none">• Describe your A/P process?• Describe your A/R process?• Describe how a teacher uses a school credit card to purchase supplies?• Visit had less interaction with back office support staff	<ul style="list-style-type: none">• Does your school assign one person to open up the mail and a second person to process payments to vendors?• Are the cash and check payments collected securely at your school site?• How to do this happen at single or multiple sites?• The assigned credit card holder must make the purchase.• LAUSD financial auditor allowed only one charter staff to give responses

Recommendations on how to prepare

- Make sure ALL staff can speak to the process
- Review Fiscal Policy, annually with Internal and External Stakeholders
- Designate in-advance who will answer fiscal questions/policies

Public Dollars

Federal and State funding

- NCLB (No Child Left Behind)
- School Nutrition Program
- After School Program (some schools)
- Special Education Programs

Effective Use of Public Funds

Why It Matters?	Actions To Take / Resources
<ul style="list-style-type: none">• Charter Schools are funded by public funds• Public funds require additional protection to ensure effective use and protect against misuse• Public funds require greater transparency	<ul style="list-style-type: none">• Paper trail for all purchases• Set up internal systems for tracking and collecting historical purchasing data

Sound Fiscal Management

Why It Matters?

- Effective purchasing reflects sound fiscal management
- School's spend money to achieve organization's strategic priorities
 - Pre-approval receives help ensure organization does not buy goods/services not necessary
 - Purchases are made with an understanding of budget and the needs of the organization

Actions To Take / Resources

- How to do this at multiple sites?
 - Site level budgets and site level tracking.
- Evaluate the right systems. Cloud-based systems
 - Procure-to-Pay
 - Real-time access to YTD actuals
- Need to train staff on the process, why it is important, what it means in their day-to-day
- Make sure organization leadership understand the importance of effective purchasing process
- Develop process to evaluate large purchases – (time-savings vs. human capital, internal needs vs. parent needs, etc.)

Do a Post-Mortem!



Why it Matters - Links/Resources

<https://goo.gl/RgMISD>

LAUSD Site Visit Fiscal Requirements

California School Accounting Manual

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