

PRACTICES AND TRENDS IN PURCHASING
INSTRUCTIONAL SUPPLIES BY
MICHIGAN PUBLIC SCHOOL DISTRICTS

Thesis for the Degree of Ph. D.
MICHIGAN STATE UNIVERSITY
Charles William Rhodes
1964

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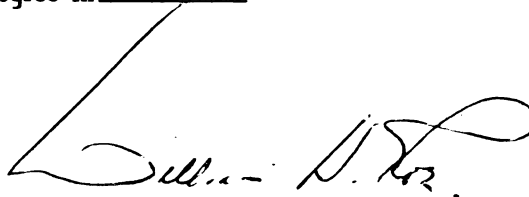
PRACTICES AND TRENDS IN PURCHASING
INSTRUCTIONAL SUPPLIES
BY MICHIGAN PUBLIC
SCHOOL DISTRICTS

presented by

Charles William Rhodes

has been accepted towards fulfillment
of the requirements for

Ph.D. degree in Education



Major professor

Date June 9, 1964

0-169



ABSTRACT

PRACTICES AND TRENDS IN PURCHASING INSTRUCTIONAL SUPPLIES BY MICHIGAN PUBLIC SCHOOL DISTRICTS

by Charles William Rhodes

The Problem

The purposes of this study were to determine current purchasing practices in Michigan public school districts, and to compare them with recognized criteria.

Method and Procedures

Four areas relating to purchasing were identified: general considerations in determining needs, establishing quality standards, selection of sources of supply, and bidding procedures. Cooperative purchasing was included as an additional category, but only to determine the extent of its practice. A review of literature and research was conducted, and the legal aspects of purchasing were examined for a validating background. Following this, a thirty-seven item questionnaire was prepared which covered related purchasing practices. Responses were solicited from the 604 Michigan public school districts having a superintendent. A brief questionnaire was also used with superintendents of the seventy-seven intermediate school districts, to determine their purchasing role, as well as their degree of participation in cooperative purchasing.

From recommendations of the Association of School Business Officials and other authorities, a set of criteria was prepared. The actual practices were then compared with these recommended. School districts were divided into seven size categories and the responses were recorded graphically by percentages for each group.

Major Findings

Based on an 80.3 per cent response, it was found that in a majority of the districts the following conditions prevail: There are no written purchasing policies; administration determines what supplies are to be used and prepares the specifications; fees are charged for workbooks and laboratory materials; petty cash is used for small purchases; catalogs and the suggestions of users are the primary sources of specifications; supplies are standardized; local vendors receive preference; a list of qualified vendors is maintained; a bidding record is kept of each vendor; competitive bidding is the major means of purchase; quotations are most commonly solicited by letters to vendors; purchase orders are issued for all purchases; written bid invitations go to at least three vendors and include a statement giving the board rejection rights; one-fourth of the districts participate in cooperative purchasing.

A majority of the school districts employ 46.7 per cent of the recommended practices.

Of the intermediate district superintendents, 64.1 per cent perceive themselves as consultants. Seventy per cent do no purchasing for their primary districts.

Conclusions and Recommendations

The major conclusions are:

1. Individual practices may be identified with district size or with local policy and administrative organization.
2. In the absence of legal clarification, local boards have assumed the initiative in delegating authority and in charging for pupil materials.
3. Substantial losses are resulting from failure to take prompt advantage of discounts offered.
4. Cooperative purchasing remains a controversial subject, with little being done to confirm or disprove its merits.

Based on the findings and conclusions, the following recommendations are made:

1. More background and guidance are needed for purchasing personnel. Suggested means of achieving this include liaison and help from the intermediate and state offices, and provisions for pre-service and in-service education.
2. More initiative should be taken at the intermediate level to provide purchasing leadership, including cooperative purchasing.
3. Contributions from the Michigan Department of Public Instruction are needed. This could include purchasing research, preparation of a purchasing handbook, and clarification of existing statutes.

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4. Since the major responsibility remains with the local district, the following are suggested as areas for improvement of purchasing practice:

a. Emphasis on providing written purchasing policies as a basis for sound practices.

b. Liberalizing administrative authority to purchase.

c. Extension of modern accounting methods.

d. Preparation of a purchasing manual for employees.

e. Exploration of the possibilities of cooperative purchasing.

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BY MICHIGAN PUBLIC
SCHOOL DISTRICTS

By

Charles William Rhodes

A THESIS

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

COLLEGE OF EDUCATION

1964

ACKNOWLEDGEMENTS

Deep appreciation is due Dr. William H. Roe, chairman of the doctoral committee, for his wise counsel and assistance, and to committee members Dr. Julius E. Barbour, Dr. Cole S. Brembeck, and Dr. Edward W. Smykay, for their help during the course of the study.

The author is especially grateful to Alexander J. Kloster, Deputy Superintendent, Administration, Michigan Department of Public Instruction. His numerous contributions and insights qualify him as the co-author.

Thanks are extended to the following officials for their constructive criticisms: H. Spilman Burns, Director, Business Services, Baltimore, Maryland, Public Schools; Dr. William J. Emerson, Superintendent, Oakland Intermediate School District; Dr. Charles W. Foster, Executive Secretary, Association of School Business Officials; and Robert K. Smiley, Assistant Superintendent, East Detroit Public Schools.

Finally, appreciation is expressed for the encouragement of my wife, Irene, our friend, Mable Cliff, and my father, Charles F. Rhodes.

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CHAPTER I

INTRODUCTION

BACKGROUND OF THE STUDY

An upward trend in supply expenditures has been noted by

McLure:

Materials of instruction recently have taken a sharp upturn in dollar volume From 1935 to 1945 these materials increased 26 per cent in total dollar volume, while the increase was 185 per cent from 1945 to 1955. It is known . . . that instructional materials are assuming an increasing importance in the schools.¹

The above statement, in pointing out the larger role played by instructional supplies, focuses attention on purchasing practices in this area. Buying the best school supplies at the lowest possible cost remains one of the challenging responsibilities of the administrator.

Post-war population growth has emphasized the quantitative aspect of purchasing. As school systems have increased in size, the volume and variety of instructional materials have grown apace. With larger size have also come additional commitments. Simple procedures become more specialized when developments such as school food programs, a broader curriculum, and special services are added.

¹William P. McLure, Educational Cost Analysis (Urbana, Ill.: Bureau of Educational Research, University of Illinois, 1957), p. 21.

Likewise, the administrative features of purchasing are subject to examination. Local board policies, to the degree that they facilitate purchasing, hinder or enhance the district's educational program. There is considerable variation among district practices, for example, in matters such as financial controls and delegation of purchasing authority.

Any study of purchasing practices also involves the character and classification of school districts. The Superintendent of Public Instruction reported in 1900 that there were 7,163 school districts in Michigan, mostly primary. Today there are 1,500 districts, of which 604 provide both elementary and secondary education large enough to employ a superintendent. The balance are primary districts which have no superintendent, and provide limited education. Legally unable to operate any grades above the eighth, primary districts, because of their small size, are characterized by lack of specialization in purchasing. If purchasing economies are to be developed here, they are generally dependent on the leadership of the intermediate office (formerly known as the county office).

If a primary district has a school census of more than seventy-five and less than 2,400 children between the ages of five and twenty, it may organize as a fourth class school district.² In this classification it may establish a high school and employ a superintendent.

²Michigan General School Laws, (Revision of 1959-1960), sec. 340.52.

The hiring of a superintendent is mandatory if twelve or more teachers are employed.³ Thus the responsibility for the district shifts, as the district increases in size, from the intermediate district superintendent to the superintendent of the individual school district.

As districts continue to become larger, the administration staff performs a more specialized purchasing function: voters of a fourth class district can achieve third class status if the school census is between 2,400 and 30,000 children; districts of the second class are those cities having a population of more than 125,000 and less than 500,000, while districts of the first class are those attaining a school census of 120,000.⁴ From the simple purchasing routines of the primary district to the highly refined purchasing procedures of the second and first class districts, there is a substantial range in purchasing organization.

In light of the foregoing bases for variations in district purchasing practices, there is a need to survey and compare them. The merit of the comparisons lies with the individual districts. Any resultant action must be in terms of each district's circumstances. Calling attention to similarities and differences does not imply a single solution to common problems.

³Ibid., sec. 340.66.

⁴Ibid., secs. 340.102, 340.142, 340.182.

STATEMENT OF THE PROBLEM

The study is concerned with the practices employed in the purchase of instructional supplies in Michigan public school districts. Its purposes are to:

1. Identify criteria for current purchasing practices;
2. Develop the legal framework within which the purchasing function operates;
3. Survey current practices;
4. Compare the practices with those recognized as desirable, in accordance with the criteria established.

DEFINITION OF TERMS

Terms used were adapted from Reason and White:

Supplies: any articles or materials which meet any one or more of the following conditions: it is consumed in use; it loses its original shape or appearance with use; it is expendable; it is inexpensive; it loses its identity through incorporation into a different or more complex unit or substance (textbooks are considered a special classification, not included with supplies).

Instructional Supplies: those supply items used directly in classroom instruction.

Purchasing: the contractual aspects of procurement, those which involve vendors.

Cooperative Purchasing: the involvement of more than one school district in any aspects of purchasing.

Buyer: the public school district official responsible for purchasing.

Vendor: a potential seller of supplies to a school district.

Responsible Bidder: a vendor who can physically and financially furnish supplies in accordance with specifications.

Specifications: a written description of a supply item which informs the vendor what is wanted.

Quotation: price obtained by informal request.

Bid: price obtained by formal request.

Bid Proposal: formal notice to the buyer by the vendor, stating the conditions and price by which he will furnish the specified supplies.

Contract: formal action establishing purchasing agreement terms.

Purchase Order: formal authorization from the buyer to the vendor to furnish supplies.

Invoice: formal statement to the buyer from the successful vendor, listing the price and terms of payment for delivered supplies.⁵

⁵Paul Reason and Alpheus White, Financial Accounting for Local and State School Systems (Washington: United States Government Printing Office, 1957), pp. 214-235.

METHODOLOGY USED

Establishing Criteria

Derivation of recognized standards by which current practices may be compared is a requisite for this study. Stated in the form of desirable rather than absolute criteria, they provide a reliable yardstick. They were developed and validated by the following means:

1. The Purchasing and Supply Management Handbook,⁶ published by the Association of School Business Officials of the United States and Canada, was selected as the field authority.

2. A review of the literature supplemented and validated the Handbook.

3. The chairman of the Handbook Committee reviewed the proposed standards.

4. Reactions to the standards and to the questionnaire were obtained in interviews with eight superintendents and the two major suppliers.

5. To further validate the list of standards, the legal background of practices was prepared as a chapter for inclusion in the study.

On the basis of the above steps, it was concluded that the standards could be used as a valid basis for judging current practices.

⁶Association of School Business Officials, Purchasing and Supply Management Manual for School Business Officials, Bulletin No. 22, (Evanston, Illinois: The Association, 1962).

Collecting Data

The study is normative survey research. In order to determine present purchasing practices, a thirty-seven item questionnaire (see Appendix B) was distributed to all Michigan public school districts having a superintendent, 604 in all. Questions covered four aspects of purchasing, following the Association of School Business Officials' delineation: (1) general considerations in determining needs, (2) establishing quality standards, (3) selection of sources of supply, and (4) bidding procedures. Included in the last was a section on cooperative purchasing, to determine the extent of its practice. Questions were selected on the basis of what would provide a clear profile on local policies and procedures. A letter of transmittal accompanied the questionnaire (see Appendix A).

A seven-item questionnaire was simultaneously sent to the seventy-seven superintendents of the intermediate school districts (see Appendix C). The purpose was to get information on how much purchasing is done by the intermediate office. Emphasis was placed on (1) the role of the intermediate district superintendent in coordinating purchasing for the systems in his district, and (2) the status of cooperative purchasing.

Interviews with a cross-section of superintendents and representatives of the two most popular school supply houses provided a source of validating data. The questionnaires were used as a basis for discussion. Expressions were obtained on the actual practices as well as what the interviewees recommended.

Presentation of Data

This study is presented in five chapters which are organized in terms of areas generally related to the problems of purchasing. Each of these areas becomes a chapter in the presentation. Chapter I includes a statement of the problem and introduction to the study. Chapter II reviews the relevant literature, supplementing and validating the criteria used. Chapter III contains the legal aspects of public school purchasing in Michigan, providing a framework for current practices, plus further validation of standards. Chapter IV presents the findings and summary. Chapter V has the conclusions and recommendations.

LIMITATIONS OF THE STUDY

The following limitations have been made in order to properly define the scope of this study:

Only those Michigan school districts having a superintendent, plus the intermediate districts, were included.

Practices were evaluated on the basis of standards recommended by the Association of School Business Officials and other authorities.

The purchasing aspects were limited to general considerations in determining needs, establishing quality standards, selection of sources of supply, and bidding procedures.

Districts were asked to report current practices in purchasing instructional supplies only. The assumption was that this area is a common one in all districts, both in the items and sources used.

School personnel responsible for purchasing supplied the data for the study. No attempt was made to equate personal variations in the number of years of purchasing experience.

CHAPTER II

REVIEW OF RELATED LITERATURE

INTRODUCTION

The evolution of modern purchasing practices was accelerated after World War II. Introduction of new materials and products, greater use of automated systems of production and control, and improved marketing methods were among the major forces that contributed to this modernization. The transition has been characterized by a more flexible approach to purchasing organization and problems. There has been evolving less "how-to-do-it" thinking; broad principles are replacing blanket rules; there is less emphasis on all-inclusive "right" answers and more on adaptation to changing conditions; there is more involvement of users as compared with the strictly administrative and impersonal models formerly advocated; more control and latitude are being extended to administrative units. Most important is the recognition that policies should be adjusted to the structure of each system, that application and improvement are contingent on the syntality of each district.

This does not mean that earlier contributions have lost their value. On the contrary, many of their features are just as pertinent today. For example, Linn¹ suggested valuable guidelines which are still relevant. The bulk of the writings, however, were fragmentary, and reflected a static concept of the purchasing function.

In light of newer perspectives, the review of background research readings for this study have been restricted to the period from the late 1940's to the present. The cumulative nature of current articles and studies makes inclusion of earlier sources redundant.

To gain a complete insight into the earlier concepts of purchasing the following readings are recommended:

Taylor, Robert B. Principles of School Supply Management. Contributions to Education, No. 228. New York: Bureau of Publications, Teachers College, Columbia University, 1926.

Gushee, Edward, and Boffey, L. F. Scientific Purchasing. New York: McGraw-Hill Book Company, Inc., 1928.

Reeder, Ward. Fundamentals of Public School Administration. New York: The Macmillan Company, 1930.

Moehlman, Arthur. Public School Finance. New York: Rand McNally and Company, 1927.

Morrison, Henry C. Management of the School Money. Chicago: University of Chicago Press, 1932.

"Thirty-six Principles for the Selection, Purchase, and Management of School Supplies and Equipment," The American School Board Journal, 95:39, July, 1937.

¹Henry H. Linn, Practical School Economies (New York: Columbia University, 1934), pp. 60-89.

In the remainder of this chapter modern literature has been reviewed in the four procurement areas which are directly related to the purchasing function: (1) general considerations in determining needs, (2) establishing quality standards, (3) selection of sources of supply, and (4) bidding procedures. An additional section has been included on cooperative purchasing.

GENERAL CONSIDERATIONS IN DETERMINING NEEDS

The size of the school system, the type of community, the scope of the curriculum, and the legal bounds, all affect the purchasing function. In addition, the budget, both by its size and allocation, has a direct influence on fulfillment of supply needs, as does the degree of participation and cooperation among personnel and departments.

Numerous studies have shown how inherent are the above factors. A statewide study of Kentucky by Little² found poor practices in purchasing, in such aspects as board participation, preference for local bidders, a wide range of local budgets spent on supplies, and variations in time required for payment of invoices.

²Thomas C. Little, The Administration of School Supply Purchases in Kentucky (Nashville: George Peabody College for Teachers, Contributions to Education No. 408, 1949).

In a study of 138 districts in Washington, Leaden³ found failure by school boards to formulate and adopt written statements or purchasing policy regarding purchasing, and inadequate use of specifications and competitive bidding among most small districts.

As a means of withstanding local pressures, including interests of board members, Reavis⁴ stresses the need for establishing and adhering to purchasing policies. Roe⁵ says that policy statements should present the best judgment and thinking of the board.

Bluhm⁶ recommended that policies involve both administrator and teacher in their formulation. In his study of twenty-two Pennsylvania districts, he recognized the need for training teachers in the ordering and use of supplies, instruction of administrators in business practices, and greater utilization of staff.

Mort, Reusser, and Polley suggest the following selection procedure for supplies:

³John Warren Leaden, "A Study of School District Purchasing Practices in the State of Washington with Special Reference to Cooperative Purchasing Through the King County School Directors' Association" (unpublished Doctoral dissertation, University of Washington, Seattle, 1952).

⁴W. C. Reavis, "Hazards of Local Politics in School Business Administration," Education Digest, XLIX (March, 1954), pp. 12-13.

⁵William H. Roe, School Business Management (New York: McGraw-Hill Book Co., 1961), p. 130.

⁶Bluhm, "Suggestions for Improvement of Practices of Purchasing, Storing, and Distribution of Teaching Supplies Based on a Study of Some Small and Medium Sized Schools in Pennsylvania" (unpublished Doctoral dissertation, Pennsylvania State University, State College, 1954).

1. Involve the users.
2. Establish cooperation among users to avoid duplication.
Standardize lists.
3. Base standardization on adaptability, quality, and use.⁷

Such involvement does not preclude specialized contributions. Melton⁸ points out that those especially trained for and experienced in teaching are best qualified to select instructional supplies (i.e. what to buy); likewise, those qualified should decide how to buy. Buying decisions, he adds, and authority to implement them, must be centralized in the purchasing department.

Greater involvement of the state department of education is a frequent recommendation. Whether aid from this source is regulatory or advisory, there is concern expressed regarding the inability of school districts, particularly smaller ones, to purchase effectively. Fullmer suggests that the state department of education should:

1. Designate the types of supply and equipment items which might be purchased with the aid of the state purchasing office.
2. Supply school districts with standardized bid invitation forms.
3. Evaluate each school as to the adequacy of supplies and equipment, and the efficiency with which these supplies and equipment are procured and maintained.
4. Periodically make available information concerning unit costs in local school districts for various items of supply and equipment.⁹

⁷Paul Mort, Walter Reusser, and John Polley, Public School Finance (New York: McGraw-Hill Book Co., 1960), pp. 450-1.

⁸Monroe Melton, "Practices in Awarding Tie Bids on Supplies and Equipment," School Business Affairs, June, 1963, p. 16.

⁹Ethan Yale Fullmer, "An Evaluation of Procedures for Purchasing School Supplies and Equipment in Oregon Public Schools, Including a Survey of Cooperative Purchasing in the United States" (unpublished Doctoral dissertation, University of Oregon, 1960).

Among similar recommendations is one by Graham who believes that state departments of education should enlist the aid of competent persons within the state to establish guides to be followed by practicing administrators. He further advocates an in-service purchasing training program for administrators, to be initiated by the county superintendent.¹⁰

Some writers have noted that larger school systems follow desirable purchasing practices more than do the smaller districts. Bunten¹¹ observed this in his study of industrial arts supplies, although there was more agreement than disagreement in procedures followed in their purchase.

It is recognized that larger district size does offer inherent advantages. There is greater purchasing power which in turn promotes competitive bidding. There is a larger number of local vendors, i.e. sources of supply. Specialized purchasing personnel are employed in the larger systems who can devote all their time to promoting more efficient buying.

Various suggestions have been made to enable small districts to utilize many of the larger district practices. Levin states

¹⁰William David Graham, "Comparison of Actual and Preferred Practices of Purchasing in Selected Local Districts in Certain Ohio Counties" (unpublished Doctoral dissertation, Pennsylvania State University, 1961).

¹¹Charles A. Bunten, "Selecting, Purchasing, Issuing, Financing, and Accounting for Industrial Arts Supplies in the Secondary Schools of Missouri" (unpublished Doctoral dissertation, University of Missouri, 1955).

that advantages can be derived by the small system (one to two thousand students) through bulk buying. He also endorses competitive bidding and eliminating preference for the local supplier.¹²

An example of how meeting needs could be improved was reported by Shinneman. In a K-12 system with 6,000 students and twelve schools, an analysis of purchases was made to determine why purchasing took so much time. On the basis of the findings, policy was made less restrictive, as shown by the following:

<u>Method or Procedure</u>	<u>Old Policy</u>	<u>New Policy</u>
Restriction on purchases	Up to \$50.	No comparative limit
Administrative judgment as to procedure used	None recognized	Up to \$500.
Telephone quotations	Range \$50. to \$1000.	More than \$2000.
Board approval	More than \$1000.	More than \$2000.
Bid rejection	Only by board	By administration ¹³

ESTABLISHING QUALITY STANDARDS

There seems to be general agreement that determining quality is (1) a cooperative matter between purchasing personnel and users, and (2) subject to periodic evaluation because new and superior products are constantly coming into the market. A third aspect of quality, one which presents many problems, relates to having

¹²Sol Levin, "How Small School Systems May Adapt in Purchasing Some of the Better Practices of the Larger School Systems to Fit Their Needs" Association of School Business Officials of the United States and Canada, Proceedings of the Convention, (Evanston, Illinois: The Association, 1958), pp. 331-2.

¹³Dean Shinneman, "How to Streamline Purchasing," The Nation's Schools, 68:57-58, July, 1961.

adequate but not excessive requirements. As Ritterskamp, Abbott, and Ahrens point out:

Quality is a variable and has a wide range. One of the primary functions of purchasing is to establish, on the quality range, the minimal product quality regarded as suitable for the intended use within the institution. Above this minimum quality point the buyer will generally find several products competing for acceptance, each varying to some extent in suitability factors. The constant problem is to determine which one has the highest degree of suitability.¹⁴

Differentiating qualities necessitates considerable judgment, but as Burns¹⁵ notes, unless the minimum standards are indicated, bidders will frequently offer several qualities, not knowing what quality will be accepted.

Sources and Preparation of Specifications

As supplies are used in the schools or tested in laboratories where possible, standards may be determined which are best adapted to the needs of the users.¹⁶ A primary source of information is the teacher, particularly in the small systems where neither testing laboratories nor funds are available. Elliott states that this is usually done informally, perhaps unscientifically and without engineering help, but numerous standards are nevertheless developed within the district.¹⁷

Outside sources used in preparing specifications include personnel from other schools and districts, users in industry, and

¹⁴James Ritterskamp, Forrest Abbott, and Bert Ahrens, Purchasing for Educational Institutions (New York: Teachers College, Columbia University, 1961), p. 146.

¹⁵J. Spilman Burns, "Quality is Measurable," Association of School Business Officials of the United States and Canada, Proceedings of the Thirty-ninth Convention, (Evanston, Illinois: The Association 1953), p. 246.

¹⁶Mort, Reusser, and Polley, op. cit., p. 453.

¹⁷Ralph Elliott, "How to Establish Usable Purchasing Standards," The Nation's Schools, 59:94, March, 1957.

suppliers, either by direct contact with salesmen or through catalogs.

From internal and external sources relevant data are obtained as a basis for specifications. The preparation of such specifications is thus conceived of, not as a function solely of the purchasing department, but a cooperative one, involving many sources.

Completeness of Specifications

Following determination of quality, the next step is to convey to prospective suppliers a description (specification) of this quality. O'Hearn states:

Specifications need not constitute bulky documents. Observe these steps: Decide the quality of materials you intend to buy, describe this quality in measurable terms, and define the minimum quality acceptable. You may not need the highest quality. The quality you want is the one most valuable for the specific purpose.¹⁸

Degree of description varies considerably. While the brand-name specification is most widely used because of its simplicity, Larke cautions:

Buying goods that have a well known brand name has been considered by some to be a sound purchasing practice. It is thought that after a good name is established, the buyer can purchase with blind confidence because the manufacturer who sells by name puts into his product all of his ingenuity and skill to keep it the very best of its kind. Perhaps on some brand names we can still rely, but other name brand companies must have been sold out to some of those who do a remarkably good job of making the goods worse in order to sell for less.¹⁹

¹⁸Aldan O'Hearn, "Purchasing," The Nation's Schools, 67:66, January, 1961.

¹⁹George R. Larke, "Test the Quality of Purchases and Save," American School Board Journal, 139:24-25, December, 1959.

There is substantial agreement among authorities that confining specifications to brand names is insufficient. One cannot always depend upon trade names or brands alone without knowing more specifically the details of construction, composition, and nature of goods.²⁰

Standardization

Minimizing the varieties of supplies used facilitates procurement. Some writers recommend standardizing regularly-used items because it utilizes a fixed specification and more consistent quality. As part of a standardization program, items which may be used for the same purpose may be reduced in number and a standardized supply list made available to all users.²¹ Administratively, the use of standard supply lists offers the advantages of consolidating quantities, processing fewer purchase orders, and buying more economically because of volume and scheduling.

In order to make supply lists effective they must be reviewed regularly. According to Reeder, provisions must be made to drop less important items and to add new ones that are more effective. Carrying standardization too far, however, may result in handicapping educational service.²²

²⁰Mort, Reusser and Polley, loc. cit.

²¹J. S. Peters and C. A. Briscoe, "Standard Supply Lists," The Nation's Schools, LV:104, March, 1955.

²²Ward Reeder, Fundamentals of Public School Administration (New York: Macmillan Co., 1958), p. 314.

Local Vendors

The problem of preference for local vendors is expressed in the following:

A five per cent premium for local purchases doesn't seem a high price to pay for keeping money in circulation in the locality and for rewarding a worthy firm that carries a share of the school district's cost--even when price and quality aren't altogether best. But school districts that lean too hard on local sources for their purchasing may be spending too much money for too little product and service.

Local dollars are best kept circulating locally you may be told. This is a truism which in this case deserves another: school purchasing agents have an obligation to select the best merchandise at the lowest possible price. Suppliers benefit from a buy-locally policy. Schools do not. They pay for a rather ephemeral "good will." Often the school can't even count on better service from the local supplier. When a sale is certain, the zeal to give extra service is sometimes transferred by suppliers to more doubtful accounts.

When accidents of geography carry more weight than a low bid meeting specifications, sealed competitive bidding becomes unnecessary. The whole competitive price structure is weakened by a decision to make an award subjectively--not based on price, service and meeting specifications.²³

Roe states that because of pressures from local suppliers, the purchasing agent may believe that good public relations justify patronizing them. Basically, however, good purchasing principles require that the purchaser buy the quality he needs wherever he can get the best price.²⁴ Since schools are agencies of the state, and receive a large portion of their revenue from it, any local preference is like a subsidy to such business interests.²⁵

²³Aldan O'Hearn, "How Much Local Purchasing is Enough?" The Nation's Schools, 72:43, August, 1963.

²⁴Roe, op. cit., p. 138.

²⁵Morphet, Johns, Reller, op. cit., p. 489.

A more acceptable practice is awarding to local suppliers when bids are equal. Melton's study of eighteen Florida districts indicates such a practice in dealing with bidders who are out of the county or out of the state.²⁶

SELECTION OF SOURCES OF SUPPLY

Ritterskamp, Abbott, and Ahrens state that sources of vendor selection include the buyer's experience (potentially this is the best guide), salesmen, catalogs, trade directories, trade journals, and conventions. Preparing and maintaining a list of qualified vendors from these sources is an important asset to purchasing. In rating suppliers, the following factors should be considered: past experience, reliability, accessibility, financial position, shipping care, adequacy of inventory, and availability of special advisory service.²⁷

Not only is it important to have an approved vendor list, but the bidding record of each vendor is also helpful. The purchaser is thus able to know at all times the distribution of the purchasing dollar, as well as the relative competitive status of all suppliers. Any consistent decline or increase in such status, or in the number of suppliers, may have implications for current specifications.

²⁶ Melton, loc. cit.

²⁷ Ritterskamp, Abbott, Ahrens, op. cit., pp. 193-194.

What conduct do purchasers and suppliers expect of each other?

The expectations that the purchaser has of the vendor, according to

Fegley, are that he:

1. Knows the various requirements for school operations, and is able to make constructive suggestions;
2. Is concerned about delivery, follow-up, and performance;
3. Is able to use appointment time to good advantage;
4. Maintains high ethical standards;
5. Follows established purchasing procedures;
6. Guards against offensive conduct.²⁸

What the vendor has a right to expect from the school system is stated by Burch as:

1. Honest and reliable delivery requirements.
2. Bidding programs conducted so as to make the transactions as convenient and profitable for the vendor as possible.
3. Providing clear-cut descriptions of materials.
4. Explicit instructions for shipping and billing.
5. Prompt attention to inspection of goods and to payment of invoices.²⁹

Some writers have noted that the number of suppliers utilized by a school district is potentially extensive because of the wide range of items. In practice, however, because most supplies are of a general nature rather than highly specialized, only a few general-supply vendors furnish the bulk of a district's requests. Some small systems have only one, two, or three suppliers. Such an

²⁸Paul V. Fegley, "Adding Suppliers and Dealing with Current Suppliers," Association of School Business Officials of the United States and Canada, Proceedings of the Convention, (Evanston, Illinois: The Association, 1961), p. 152.

²⁹Raymond R. Burch, "Purchasing," The Nation's Schools, 67:80, June, 1961.

arrangement has the advantages of convenience and simplicity, but may involve somewhat higher prices. On the contrary, with important items, it is advantageous to have multiple sources of supply to insure uninterrupted deliveries. If the total business is so small that dividing it would make it unprofitable to all those who might seek it, it would probably be better to concentrate purchases with one or two suppliers. Five or six suppliers should be considered a maximum in almost any line.³⁰

BIDDING PROCEDURES

Soliciting Bids

Informal bids and quotations are used predominantly in the purchase of supplies. In soliciting prices, Crawford suggests that the following be considered:

1. Use concise specifications so that all companies bidding will know exactly on what to bid.
2. Whenever possible use open specifications to avoid the charge of favoritism.
3. Whenever possible samples of quoted material should be submitted.
4. A satisfactory company product may be used as a standard.
5. Indicate whether the low bid for equal quality will be accepted.
6. All material should be quoted delivered to the school or to one delivery point.
7. Indicate delivery possibilities on the bid.
8. Send out bids in duplicate.³¹

³⁰Ritterkamp, Abbott, Ahrens, op. cit., p. 195.

³¹C. C. Crawford, "Ethical and Practical Implications of Bidding Policies," The Nation's Schools, 51:100, 102, February, 1953.

In order to maximize the number of bids submitted, a variety of media are used. Most commonly employed are local newspapers and trade journals, posting public notice, and writing or telephoning vendors.

Competitive bidding is recommended by purchasing authorities.

Principles underlying it are:

1. To give vendors equal opportunity.
2. To prevent favoring one vendor.
3. To keep taxpayers informed.
4. To prevent fraud.³²

Small districts do not practice competitive bidding, but as they increase in size may do so with considerable savings. Burns points out how consolidation of orders makes competitive bidding more feasible:

In many smaller districts, each school selects a supply catalog and each teacher orders the items needed for the next year. The principal collects the list from each teacher, clips the orders together, and forwards them to the central office, whence they are forwarded to the supply house for a quotation.

Under this system the supplies are packed separately for each teacher. Because each teacher often selects different brands and because the catalog references frequently provide an insufficient description for other dealers, it is virtually impossible to obtain competitive bids. The net result is that the supply house whose catalog numbers are specified is in a very favorable position. Prices quoted frequently are the list prices in broken quantity lots.

³²The University of the State of New York and the State Department of Education, Purchases and Stores (School Business Management Handbook No. 5, Albany, New York: University of the State of New York and State Department of Education, 1956), p. 37.

In one such system needed items were consolidated and packaged for delivery to the individual schools, instead of the individual classrooms, and several bids were procured. As a result, there was a saving of twenty five per cent in the cost of the materials ordered. What had previously cost about \$20,000 was procured for about \$15,000.³³

According to Redmond and Pearson it is good practice to obtain prices from several vendors. In addition to the probability of greater economy, school officials are protected from criticisms of favoritism. Maintaining a list of eligible, qualified vendors, and keeping in contact with them, produces competition and better prices.³⁴

There is concensus that the purchaser should always reserve the right to reject any or all bids.³⁵ Reeder favors this policy on an individual item basis, i.e. a bid can be accepted on one or more items of the same firm, and rejected on others, because price differentials between vendors may vary with each item.³⁶

Bidders should be given at least three weeks from the time of advertising, in which to prepare and submit their bids.³⁷ While there is agreement that this period is optimum, where the number of items is not extensive so long a period is unnecessary.

³³H. Spilman Burns, "How to Buy with Both Economy and Quality in Mind" The Nation's Schools, 68:64-69, October, 1961.

³⁴J. F. Redmond and A. G. Pearson, "Purchasing School Supplies in a Big City System " American School and University, XXV (1953), pp. 373, 376.

³⁵Mort, Reusser, and Polley, op. cit., p. 457.

³⁶Reeder, op. cit., p. 322.

³⁷Ibid.

When bids are opened, it is recommended that bidders be present. As Linn points out, they are entitled to attend, especially if a substantial figure is involved, and it is questionable whether this privilege should be denied them.³⁸ Brainard reflects the common view when he states that after bids are publicly opened, all bidders are entitled to know their competitors' prices and other pertinent information.³⁹

Authorities agree that samples should be submitted with bids. While samples are frequently not required if brand names are specified, any situation where alternate brands are offered should involve samples for comparison. Most small districts can provide only cursory inspection of such samples or testing under actual classroom conditions. Any tests of a technical nature, while desirable, cannot be made. Linn recommends that awards should not be made to suppliers who fail to submit samples, catalog cuts, or other data called for.⁴⁰

Awarding Bids

Under normal circumstances awards are made to the lowest bidder, who is sometimes designated in more qualified terms as the "lowest responsible bidder," or "lowest bidder meeting specifications."

³⁸Henry H. Linn, School Business Administration (New York: The Ronald Press, 1956), p. 271.

³⁹A. D. Brainard, "Fifty Do's and Don'ts about School Purchasing," Michigan School Board Journal, December, 1957, pp. 2-14.

⁴⁰Linn, op.cit., p. 272.

Bids may be requested, and awards made, on the basis of individual items, a combination of them, or by lump sum. Many administrators prefer to believe that supply awards are made on the basis of total considerations, including price, quality, and service.

Conditions of Payment

The extent to which purchase orders are issued varies. Brainard recommends that they be used for all purchases, so that the quantity, description, price, delivery date, terms and other related information are clearly understood by both purchaser and supplier.⁴¹ Fullmer's study indicated general agreement on the importance of issuing purchase orders for all items, but only 62.0 per cent of the reporting districts did so in actual practice.⁴²

The major reasons for failure to adopt purchase orders as the exclusive instrument of payment are related in great part to small purchases, where the purchase order represents a high percentage of the cost, is more time-consuming, and less convenient than other means such as a petty cash fund. One study showed the following:

An analysis of previous purchase orders revealed that approximately 90 per cent of all orders were for less than \$100, 51 per cent were for less than \$25, and 25 per cent for less than \$10. It had been estimated that the cost of processing a purchase order was \$3.90, or 40 per cent of the value of one-fourth of all orders.⁴³

⁴¹Brainard, loc. cit.

⁴²Fullmer, op. cit., p. 144.

⁴³"How to Improve Your School Business Procedures," School Management, September, 1959, pp. 43-46, 92-94.

In spite of disadvantages, it is further recognized that small purchases are frequently necessary. The following steps are helpful in reducing the number of purchase orders for small purchases: make arrangements with local dealers to purchase items up to \$25 on charge, to be billed monthly; use petty cash purchases up to \$10; call for requisitions for certain types of supplies on specific days in order to increase the possibility of consolidating orders; expand the use of annual contracts with monthly deliveries.⁴⁴

The area most in need of speed-up, however, is that involving discounts. Discounts represent rewards for prompt payment.⁴⁵ In taking advantage of discounts offered, be they trade, quantity, chain, or cash discounts, a school district can save far more money than is generally recognized. Reeder states that for the United States, there is an annual loss amounting to hundreds of thousands of dollars, all of which is unnecessary.⁴⁶

Most frequently cited as the major reason for failure to pay all bills promptly, and thus take advantage of the discounts offered, is insistence by the board of education that it approve all bills prior to payment. Such delay beyond the time specified is frequently ignored, and the discount is taken regardless of when payment is made. Ritterskamp, Abbott, and Ahrens say that taking the discount

⁴⁴Ibid., p. 92.

⁴⁵Ernest W. Fair, "Discounts are a Secret of School Budget Savings," The Nation's Schools, XLVI:78, October, 1950.

⁴⁶Reeder, op. cit., p. 323.

after the discount term has expired violates terms of the sale and is a form of "sharp practice" in purchasing. It is a practice which cannot help but harm relations between the institution and the vendor.⁴⁷

In recent years, however, more authority has been delegated to approve purchases, and for larger amounts. There is, accordingly, reason to believe that substantial delays are due to a second source: cumbersome payment procedures. Much can be done to reduce the period between receipt of the invoice and payment to the vendor. Modern machine accounting methods are making substantial contributions in this area.

COOPERATIVE PURCHASING

Cooperative purchasing may be described as the involvement of more than one school district in any aspects of purchasing.

Opinions on its merits are divided. Joyner says:

There is a lot of talk about cooperative purchasing. It is an old subject. I remember going into it about 25 years ago. It is a little bit like the 12-months school--it looks better on paper than it does in practice. However, I think there is a place for some cooperative buying, and I would say if it is to your advantage to do it on certain items, use it and forget it on others.⁴⁸

⁴⁷Ritterskamp, Abbott, Ahrens, op. cit., p. 249.

⁴⁸Schuyler Joyner, General address given at annual meeting of Association of School Business Officials of the United States and Canada, October 18, 1962, Proceedings of the Convention (Evanston, Illinois: The Association, 1962), pp. 355-367.

Fullmer found cooperative purchasing to be the most controversial subject in his entire study. Forty-six respondents agreed with the following statement, while thirty-four disagreed:

Supplies and equipment should be purchased cooperatively with other school districts or other governmental agencies through a competitive bid procedure where benefits of mass buying would be possible without reducing quality or service, or without interrupting the educational program.⁴⁹

Cooperative purchasing was reported being practiced in twenty-seven states, including the states having provisions for centralized purchasing at governmental levels above the local district. Although cooperative purchasing was widespread, it also was practiced sporadically in many instances.⁵⁰

The major benefit of successful cooperative purchasing organization lies in greater savings. The 130 respondents in Fullmer's study reported an estimated savings ranging from four to forty per cent.⁵¹

Other values are reported by the Oakland County, Michigan program which includes cafeteria supplies, paper, typewriters, and school bus bodies:

1. The activity demonstrates the school officials' concern for fiscal responsibility.
2. Every aspect of the procedure provides a practical, professional growth experience for personnel involved.
3. School officials share benefits from the talents of co-workers in other school districts.

⁴⁹Fullmer, op. cit., p. 147.

⁵⁰Ibid., p. 240.

⁵¹Ibid., p. 153.

4. Buying in quantity exacts from the participants increased efficiency in planning.
5. Standards of quality tend to remain high, since delivery of sub-standard products becomes the concern of all participating districts.
6. Non-participating districts reported that vendors were meeting some cooperative bid prices, a fact that is more than just coincidence.
7. Administrators and suppliers realize a savings in time.⁵²

Disadvantages of Cooperative Purchasing

Roe states that one possible danger is that the bureaucracy and red tape involved might become so cumbersome as to limit flexibility and local adaptations.⁵³ Other problems include:

1. If a district does not have central warehousing, one-stop deliveries can be more costly than deliveries to several locations.
2. The individual district gives up many things, and the person or district heading up the cooperative assumes certain burdens and responsibilities.
3. Schools miss salesmen's call and their accompanying service.
4. There are apt to be fewer materials brought to schools for demonstration.
5. Schools may not have the same degree of adjustment satisfaction.
6. Leadership changes in the cooperative may affect the program.
7. Large, once-a-year purchases curtail the opportunity for custom attention to curriculum supply requirements.
8. Purchasing of low-bid items may be the rule rather than the exception, sacrificing quality for price.
9. Local autonomy is jeopardized.

The case against cooperative purchasing is discussed by McCurrach, who concludes that vendor relationships with school districts are better handled on an individual district basis.⁵⁴

⁵²"Cooperative Purchasing in Oakland County" Michigan School Board Journal, 7:17-18, April, 1961.

⁵³Roe, op. cit., p. 138.

⁵⁴David McCurrach, "Cooperative Purchasing! Is It Worth It?" School Business Affairs, 28:16-17,22, April, 1962.

Conditions Needed for Cooperative Purchasing

The factors that make for successful cooperative purchasing are summarized by Hardwick:

1. Sound cooperative buying is contingent upon receptive attitudes among administrative officials of local government. They are imbued with the spirit to act jointly.
2. Existence of a favorable legal framework.
3. Development of an organized plan to provide for leadership, direction, control and management of group action.
4. Formulation of a systematic set of standardized procedures and uniform operating rules.⁵⁵

Based on the above, it appears that cooperative purchasing works for those who organize and make it work. Whether it is worth such effort under all circumstances is problematical until those who are potentially involved investigate and then decide.

SUMMARY

In recent years there has been more emphasis placed on establishment of district policies that provide a sound basis for purchasing rather than to apply external, single-solution answers. The problem of converting principles to practices thus becomes one of adaptation, so as to provide maximum benefit to the individual district. This process, as the reviewed literature indicates, is both continuous and cooperative. Some writers are concerned with the qualitative aspects of purchasing, those involving different

⁵⁵Clyde T. Hardwick, "Cooperative Purchasing Techniques for Municipalities" (unpublished Doctoral dissertation, University of Michigan, Ann Arbor, 1956).

administrative techniques and standards of operation; others contribute to knowledge of the quantitative features, the differences due to district size, for example, and what can be done about them.

While there is consensus that different situations justify modified procedures, there is also realization that good purchasing principles have general application. On this basis, the following standards have been used as criteria for data collected in this study. They were derived in accordance with the means shown on page 6 and their arrangement follows the questionnaire sequence.

General Considerations

1. Written policies are basic to a sound purchasing program.
2. Item selection can best be made when it is a cooperative affair, one which includes users.
3. Printed instructions for supply users are important as a means of obtaining optimum utilization.
4. Charging fees for regular instructional supplies is not good administrative practice.
5. Greater efficiency is promoted when administration is given latitude proportional to district size in making decisions regarding expenditures.
6. Purchasing is facilitated when the supply appropriation balance is known at all times.
7. Within limits, petty cash saves time and money in small and emergency purchases. It is best used when restricted in accordance with written instructions.

Establishing Quality Standards

8. Good business practice calls for specifications that are in writing, that include all items, and must be abided by.

9. Supply specifications vary according to the complexity of the item. A brief description is recommended as a minimum positive identification.

10. As many specification sources as are available should be used.

11. Specifications, while many sources are used, can best be written by personnel responsible for purchasing.

12. Standardization of supplies, in the form of supply lists, permits greater purchasing economy.

Selecting Sources of Supply

13. While there is some merit such as service and prompt delivery in showing preference for local vendors, their prices should be competitive with those of non-local vendors.

14. Establishing and maintaining an up-to-date list of qualified vendors expedites the purchasing program.

15. Maintaining the bidding record of each vendor provides helpful information on the history and current status of each.

16. The number of vendors varies, depending on the subject area, volume of purchase and availability of items. It is important that there be sufficient vendor sources to promote competition.

17. (No criterion was sought for this question, which was concerned with vendor identification and geographic location.)

18. Regardless of the number of sources used in purchasing, the aim is to purchase what best serves the district's needs.

19. As districts get larger, it is imperative that delegation of purchasing authority be granted to specialized personnel.

20. Advantage should be taken of discounts by prompt payment. To do so beyond the authorized period, however, is poor practice.

Bidding Procedures

21. Bids are to be solicited by whatever media will encourage competitive prices.

22. Making supply bid awards can best be done on the basis of total considerations, with the lowest quotation for each item the major factor.

23. Purchase orders are recommended wherever practicable.

24. While purchase orders are recommended, it may be found that the cost and time requirements for their use with small purchases is proportionately high. In such cases, other means may be more economical and feasible.

25. Competitive bidding is necessary in volume buying to insure that the lowest prices are obtained.

26A. It is recommended that written bid invitations go to a minimum of three vendors.

26B. An important part of the written bid invitation is a statement giving the board the right to reject any and all bids.

27. Any vendor is entitled to submit a quotation if he is considered to be qualified.

28. Bidders are entitled to attend bid openings. Their presence is to be encouraged.

29. While there are exceptions, the supply bid period is generally two to three weeks.

30. Requesting that samples be submitted with quotations is good practice because they help clarify items quoted, and can prevent problems that might develop later.

Cooperative Purchasing

The questions in this area were posed to determine the extent of its practice, as well as its reported advantages and disadvantages. There are no ultimate criteria for cooperative purchasing other than those determined by each participating group.

CHAPTER III

THE LEGAL ASPECTS OF PUBLIC SCHOOL PURCHASING IN MICHIGAN

SOURCES OF AUTHORITY AND RESPONSIBILITY

The legal basis for purchasing may be found in state statutes, the state school code, rulings of the state's attorney general, and court decisions. In addition, administrative law, in the form of rules and regulations of agencies such as the state or local boards of education, has the force and effect of law.

Education is a responsibility of the state, which has delegated most of it in turn to local school districts. This accounts, in great part, for the dearth of a substantial body of binding provisions at the state level. While the adoption of a new Michigan state constitution in 1964 enlarged and extended the powers of the State Board of Education, the emphasis of its powers remains advisory and of a service nature, rather than regulatory.

The legal status of the school district thus assumes importance. Garber states that having derived its powers from the state, it exists as an agency of the state. As a quasi-municipal corporation, it is largely governed by those legal principles that

are applicable to the state, not those applicable to municipal corporations such as cities, towns, or villages.¹

As legally charged agents of the school district, the local board of education has only that power invested in it by law and whatever may be implied therefrom. The extent of such power, as it applies to purchasing, is circumscribed by Singer in the following legal principles:

1. A school board cannot delegate its discretionary authority to an individual.
2. A school board's authority to contract (purchasing is a contract) must be found in the statute and such authority is limited by the statute.
3. A party dealing with a school board is presumed to know the law with respect to the limits of the board's authority to contract.
4. Courts generally refuse to enforce an illegal contract.
5. In general, a school district will not be held liable under an express contract that is illegal even though the other party fulfills its part and the school district retains the benefits.
6. Partially completed contracts such as purchases made by an individual with or without the knowledge of the school board, may subsequently be ratified by it, providing the act was one for which the board had the authority in the beginning.
7. One who signs a contract for a school board may be held individually liable, unless in the body of the contract it is made clear that the signer intended to bind the board.²

¹Lee O. Garber, "Legal Problems Involved in Purchasing," Association of School Business Officials of the United States and Canada, Proceedings of the Convention, (Evanston, Illinois: The Association, 1959), p. 153.

²H. Halleck Singer, "Authority of Boards of Education to Delegate Their Discretion in Matters of Purchasing," 1963 Yearbook of School Law, by Lee Garber, (Danville, Illinois: Interstate Printers and Publishers, Inc., 1963), p. 225.

ELEMENTS OF A CONTRACT

Because the foregoing indicate that the board's activity in purchasing is basically a contractual one, it is relevant to define "contract" and indicate its elements. In stating the essentials of a valid contract Ritterskamp, Abbott, and Ahrens say:

A contract is an agreement between two or more parties wherein each by their mutual promises assumes an obligation. To be valid and enforceable, a contract (1) must be made by competent parties. Competency implies sanity, sobriety, legal age and, in addition, the necessary authority if agents are involved. (There must always be an agent to act for a corporation.) (2) Must involve a legal subject matter. (3) Must involve consideration. This is no problem in purchasing, since the buyer's promise to pay and the seller's promise to deliver goods or services meet the requirement of mutual consideration. (4) Must involve a meeting of the minds of the parties. This is the agreement--the understanding between the parties of their mutual promises and undertakings. It must be clear and unequivocal. A valid contract may be oral or written, formal or informal.³

The last point made, that regarding the validity of oral or written contracts, is of major importance in purchasing, as indicated by Gray:

You can leave a lot unsaid and still have a valid contract, but if you omit important elements such as price or quantity, be sure you provide a method for determining them. A definite price is not needed to maintain a valid contract. But failure to set forth standards or methods by which the price can be ascertained, makes enforcement impossible.⁴

³Ritterskamp, Ahrens, Abbott, op. cit., p. 135.

⁴Albert Gray, "How Vague Can Your Order Be?" Purchasing, 53:53-55, 85, July, 1962.

CONSTITUTIONAL AND REGULATORY REFERENCES TO CONTRACTS

The Federal Constitution, Article I, Section 10, Item 1, states: No state shall . . . pass any bill of attainder, ex post facto law, or law impairing the obligations of contracts This provision of the Constitution has frequently been applied to settling controversies between states and colleges or universities over contractual provisions of charters and to controversies between teachers and governing authorities over tenure and retirement rights. The Supreme Court has held that "a legislative enactment may contain provisions which, when accepted as a basis of action by individuals, become contracts between them and the state or its subdivision" Thus, the Federal Constitution itself provides substantial control over the actions of the states and boards of education insofar as those actions involve the impairment of obligations under contract.⁵

The new Michigan Constitution, effective January 1, 1964, contains the following provisions regarding contracts:

Article I, Section 10. No bill of attainder, ex post facto law or law impairing the obligation of contract shall be enacted.

Article II, Section 21. No person shall be imprisoned for debt arising out or founded on contract, express or implied, except in cases of fraud or breach of trust.

Article IV, Section 10. No member of the legislature nor any state officer shall be interested directly or indirectly in any contract with the state or any political subdivision, thereof which shall cause a substantial conflict of interest. The legislature shall further implement this provision by appropriate legislation.

⁵ E. L. Morphet, Roe Johns, Theodore Reller, Educational Administration: Concepts, Practices, and Issues (New York: Prentice Hall, Inc., 1959), p. 171.

STATUTORY AUTHORITY

School district boards of education under the classification and organization of the School Code of 1959 have the general power, authority, and duty to provide necessary equipment and apparatus, and to do all things necessary for the maintenance, prosperity, and success of the schools of the district. The following excerpt from the code is illustrative:

(109) P. 340.154 Same: body corporate: powers. (Second Class)
. . . Said board shall have power to purchase all property, erect and maintain all buildings, purchase all personal property, employ and pay all persons, and do all other things in its judgment necessary for the proper establishment, maintenance, management and carrying on of the public schools of the city and for the protection of other property of the district, and government and for the control and management of all schools, school property and pupils

COURT DECISIONS

Of fundamental importance in understanding the relation of the courts to the local school board is the principle that the courts will not interfere with a decision of a board of education in an area in which the board has power to act unless it can be shown that the board abused its discretion, according to Hamilton and Reutter.⁶ Authority to purchase broadly is the general interpretation by the judiciary, so long as the matter is part of the regular educational program, and not in the nature of unusual services.

⁶Robert Hamilton and Edmund Reutter, Legal Aspects of School Board Operation (New York: Bureau of Publications, Teachers College, Columbia University, 1958), p. 7.

In *Knabe v. Board of Education of West Bay City*, 1887, the Court said, "When the law gives the board of trustees power to prescribe the course of studies it gives them authority to provide means to carry the power given into effect."

The following Michigan cases illustrate and clarify the corporate nature of school districts as stated in Section 352 of the 1959 Michigan School Code (Act No. 269, P.A. 1955).

School districts are municipal corporations capable of suing and being sued and of contracting and being contracted with. *Waterman-Waterbury Co. v. Cato School Dist. No. 4*, 183 Mich. 168.

The public school district of the City of Battle Creek is a state agency created by law to carry forward the educational policy of the state and derives its power and authority from the constitution of the state. *Public Schools of Battle Creek v. Kennedy*, 245 Mich. 585.

The officers of townships, counties and cities have no control over the officers of school districts. *Board of Education of Detroit v. Campbell*, 256 Mich. 350.

Term "school district" is commonly regarded as legal division of territory, created by state for educational purposes, to which state has granted such powers as are deemed necessary to permit district to function as a state agency. *Board of Education of Detroit v. Superintendent of Public Instruction*, 319 Mich. 436.

School districts and school officers have only such powers as statutes expressly or impliedly grant to them. *Foster v. Board of Education of School Dist. No. 10, Delta Tp., Eaton County*, 326 Mich. 272.

STATE ATTORNEY GENERAL'S OPINIONS

Opinions rendered by the Attorney General provide numerous guidelines for local school boards. For example:

School districts are not liable for special assessments for local improvements, nor may the districts validly contract for payment of such special assessments.⁷

Following are examples of opinions which bear on conflict of interest by Board members:

School contracts of purchase of supplies from a dealer who is also a member of the board of education, are void.⁸

Members of the board of education must not be interested in contracts with the district. This, however, would not prevent making of a contract with the wife of one of the members of the district board with reference to her separate estate in which the husband has no interest.⁹

The conflict-of-interest issue is also clarified in the School Code:

It shall be unlawful for any member of a board of education to perform any labor for the school district except as provided in this act, or to sell or to rent any material or supplies to the school district in which he is a member of the board: Provided, That this section shall not prohibit business transactions with corporations in which the board member owns less than $\frac{1}{2}$ of the stock; Provided further, That nothing in this section shall prohibit any board member in a school district of less than 4,000 population from making total sales in any school year to the school district in the amount less than \$500.¹⁰

⁷1926-28 Opinions of the Attorney General 688.

⁸Attorney General's Opinion, June 26, 1928.

⁹Attorney General's Opinion, August 26, 1933.

¹⁰Michigan School Code, 1959 (547) P. 340.969.

It is clear that each of the sources discussed has contributed to the contractual authority of school boards. Documentation of the many problems related to contracts may be found in one or several of the sources cited.

COMMON CONTRACTUAL PROBLEMS

Foremost among such problems is that involving ultra-vires contracts, those beyond the authority of the board to make. This applies to contracts falling outside the area prescribed by statute. Edwards says:

According to the great weight of authority contracts which a school board had no authority to make are void, unenforceable, and without effect. On such contracts a school board is not liable in a court of law even though the contract has been performed by the other party and the board retains the benefit of the performance. Nor does it matter that the school board itself thought it had the authority to enter into the contract involved and so represented it to the other party. The authority of a school board to contract is an open book; it is to be found in the statutes and court decisions of the state; all who deal with school boards are required themselves to judge of its powers; and if they misjudge its powers they must suffer the consequences. In refusing to hold a board or a school district liable on an unauthorized contract, the courts reason that the local school corporation is an arm of the state vested with such contractual powers as have been conferred upon it and no others; in making contracts it is spending public not private funds; and all who deal with it are supposed to know the law and to judge for themselves the measure of authority the state has conferred upon it.¹¹

The situation involving possible ultra-vires contracts is not clear. It has been said that one who deals with a district is a volunteer. That is, he is free to deal or not as he chooses and is bound at his peril to know that its contractual authority is not

¹¹Newton Edwards, "Contractual Authority of School Boards," Law and the School Business Manager, Lee Garber, editor (Danville, Illinois: Interstate Printers and Publishers, Inc., 1957), pp. 31-2.

exceeded.¹² It is usually held that contracts in excess of the constitutional debt limit, those let contrary to a statute requiring competitive bidding, and those requiring a vote of the district are ultra-vires.¹³

Linn observes that the competitive bid requirements are designed to protect school funds and insure that districts will get the most for their money. As prices continue to rise, a greater number of school contracts will fall under the competitive bid requirement.¹⁴

Outside of contracts involving the school plant, the monetary limitations on competitive bids for purchasing in Michigan schools appear to be established at the local level. Oosting found that the limits were placed by the city government or by the board of education rather than by the state, for equipment and supplies. Restrictions were not on the amount but on the manner of purchase.¹⁵

The degree to which changes may be made in contracts let on competitive bids poses a problem. If the changes are too extensive, then the bidding value is lessened, but if no changes are permitted, it means cancelling the bids and readvertising with new specifications.

¹²Robert R. Hamilton and Paul R. Mort, The Law and Public Education (Brooklyn: The Foundation Press, Inc., 1959), p. 304.

¹³Hamilton and Mort, op. cit., p. 305.

¹⁴Linn, op. cit., p. 534.

¹⁵B. R. Oosting, "Legal Limitations on Buying," The Nation's Schools, 6:61-2, July, 1957.

Hamilton and Mort say that a certain flexibility is permitted if the changes are not so great as to amount substantially to abandoning the original contract and entering into a new one.¹⁶

DELEGATION OF AUTHORITY

In speaking of the legislative, judicial, and executive functions of the board of education, Roach says that "it may properly delegate its executive (or administrative) authority--but not its legislative or judicial powers--to agents acting on its behalf."¹⁷ In all cases, however, where authority is delegated, the board is not relieved of its responsibility. The corporate nature of the board precludes divesting itself of its duties.

There is no enumeration in Michigan law, of procurement duties for the local superintendent, hence it raises the question of his authority to purchase. Edwards says:

A board may authorize its superintendent or business manager . . . to make investigations and even to enter into negotiations . . . but no agreements or understandings reached in this manner will constitute a contract unless they are confirmed by the board in a duly executed contract.¹⁸

Authorities agree that a board would have to be in almost continuous session in order to approve all purchases. In a realistic view of this problem, Singer says:

¹⁶Hamilton and Mort, op. cit., p. 299.

¹⁷Stephen F. Roach, "General Authority of School Boards," Law and the School Business Manager, op. cit., p. 12.

¹⁸Edwards, op. cit., p. 27.

There is a possibility that some persons might argue that there would be no harm in designating individuals to make small purchases for the schools while reserving large purchases for action by the school board. It appears, however, that the size of the purchase does not alter the problem. A review of court cases seems to indicate that the authority to purchase is a matter of principle and not of amount. If a school board cannot delegate authority to an individual to purchase a school bus, then it is probable that authority cannot be delegated to purchase a typewriter or, for that matter, if one is technical, to buy a gross of pencils. In consideration of the many purchases which a school district must make, a large share of which are minor in nature, it seems that efficient business operation requires delegation of purchasing.¹⁹

In practice, local boards commonly limit authority of the purchasing agent to a specified monetary maximum. A second authorizing feature, in addition to the size of purchase, is the common practice of making purchases prior to approval. Ratification of such purchases, according to Singer, is a perfectly legal procedure. Subsequent approval by the board accomplishes the same purpose as though the board had given prior approval. This does not constitute delegation of authority, however.²⁰ The problem created by purchase prior to approval is the lack of contract status of items delivered and in use before their purchase is ratified.

¹⁹Singer, "Authority of Boards . . .," op. cit., p. 224.

²⁰Ibid., pp. 233-4.

SUMMARY

The local school board has the major responsibility for school purchasing. It cannot legally delegate its judgmental authority.

The courts, state statutes, and state attorney general's opinions have all contributed to defining the limits of the board's authority. In spite of this, there remain areas that are not clearly defined. Some illegal practices, such as ultra-vires contracts and granting of authority, are in effect only because they have not been challenged.

It is basic that the board by-laws be legally sound. The consensus of legal authority is that the local board may establish ~~any policies and~~ procedures to promote the district's educational welfare, so long as there is no violation of the existing statutes.

CHAPTER IV

PURCHASING INSTRUCTIONAL SUPPLIES IN MICHIGAN PUBLIC SCHOOLS: FINDINGS AND SUMMARY

INTRODUCTION

Subject Area Covered

This chapter presents the current practices for purchasing instructional supplies in Michigan public schools. The survey was conducted by means of a questionnaire (see Appendix B), constructed so as to encompass four aspects of purchasing: general considerations in determining needs, establishing quality standards, selection of sources of supply, and bidding procedures. Also included was a section on cooperative purchasing, to determine the extent of its practice.

School District Categories

All Michigan public school districts having a superintendent were polled. In classifying districts by size, an arbitrary scale was created, the purpose of which was to enable comparisons to be made with some degree of uniformity. At the same time, it was desirable to determine whether substantial differences existed between adjacent official size classifications. The smallest districts

having a superintendent are those of the fourth class whose membership extends up to 2,400. Because of the large number of districts within this class, they were split into three equal groups of eight hundred each, thus providing an opportunity to make comparisons as they approached the 2,400 breaking point. Third class districts, with membership ranging from 2,400 to 30,000, were split somewhat differently. It was recognized that purchasing practices associated with volume buying and personnel specialization were utilized long before the district reached 30,000 members. Accordingly, an equitable division was made of three classes between 2,400 and 20,000 membership, plus one category over 20,000. A tabulation was made of all reporting districts below and above the 2,400 membership figure, prior to determining the number and size of each category so as to make the classification as equitable as possible.

The survey returns are shown in Table 1.

Table 1. Response to Questionnaire on School Supplies

<u>Membership</u>	<u>Number of Districts</u>	<u>Number of Returns</u>	<u>Per cent of Returns</u>
800 or less	187	148	79.2
801 - 1,600	163	138	84.8
1,601 - 2,400	86	67	77.9
2,401 - 8,000	132	103	78.0
8,001 - 14,000	19	16	84.2
14,001 - 20,000	9	7	77.8
over 20,000	8	6	75.0
Totals	604	485	80.3

Collecting and Arranging Data

The data on each questionnaire were entered on punch cards, which with the appropriate program and parameter cards, were then computer-processed at the Michigan State University Computer Center. The Analysis of Contingency Tables (Act II) for the CDC 3600 was the program used to perform the analysis of the data. Responses to the questions were used as the control variable, and the seven membership groups served as the spread variable. Observed frequencies, percentages, and product moment correlations were computed for all responses.

Graphic Presentation

The percentages of different responses among the seven sizes of school districts are presented in graphic form. The advantages are twofold. First, trends are immediately detectable, and patterns lend themselves to more prompt interpretation. Second, they are more readable and usable by the practicing administrator. By identifying his own district's size on the horizontal scale, and striking a vertical line from that point, he can compare his practices, percentage-wise, with other districts.

The per cent of the total districts making a particular response is shown in parentheses adjacent to the line representing that response.

Percentage totals may exceed 100 per cent where there are multiple responses, or be less where there was no response. In the latter case, for example, small districts would not respond to questions regarding competitive bidding if they do not practice it.

Included with the graphically-recorded response to each question is a recognized criterion. (Page 6 indicates how the criteria were established.) The significance of the presentation is found not only in inter-group comparisons, but with the recommended standards as well. Where actual practices showed a correlation (r) above .20 with district size, they have been recorded on the graphs.

Intermediate School Districts

This chapter also presents data on the intermediate districts. A questionnaire was constructed (see Appendix C) to obtain information in three areas: how the intermediate superintendent perceived his role in purchasing for all the districts under his jurisdiction; the degree of primary-district purchasing by the intermediate office; and the extent of cooperative purchasing within each intermediate district.

From the seventy-seven questionnaires distributed, sixty-four replies were received, or 83.1 per cent. These intermediate district responses, in shedding light on their purchasing role, particularly with primary districts, supplement the findings from the individual districts having superintendents.

PRESENTATION OF DATAIndividual District Questionnaire

The graphs that follow are in the sequence provided by the questionnaire sent to individual districts. The graphs are, in varying degrees, self-explanatory. Accompanying them are observations based on the percentage trends shown. Further observations are included in the summary.

Intermediate District Questionnaire

Following the graphic presentation on the practices of individual districts, the findings from intermediate districts are presented in tabular form, with relevant commentary.

Question 1 - Are your purchasing policies in writing?

Criterion - Written policies are basic to a sound purchasing program.

Figure 1 shows that more than half of all districts employing a superintendent have no written purchasing policies. Of those districts having written policies, the greater number provide only guidelines. As districts increase in size, a larger per cent of them have their policies in writing.

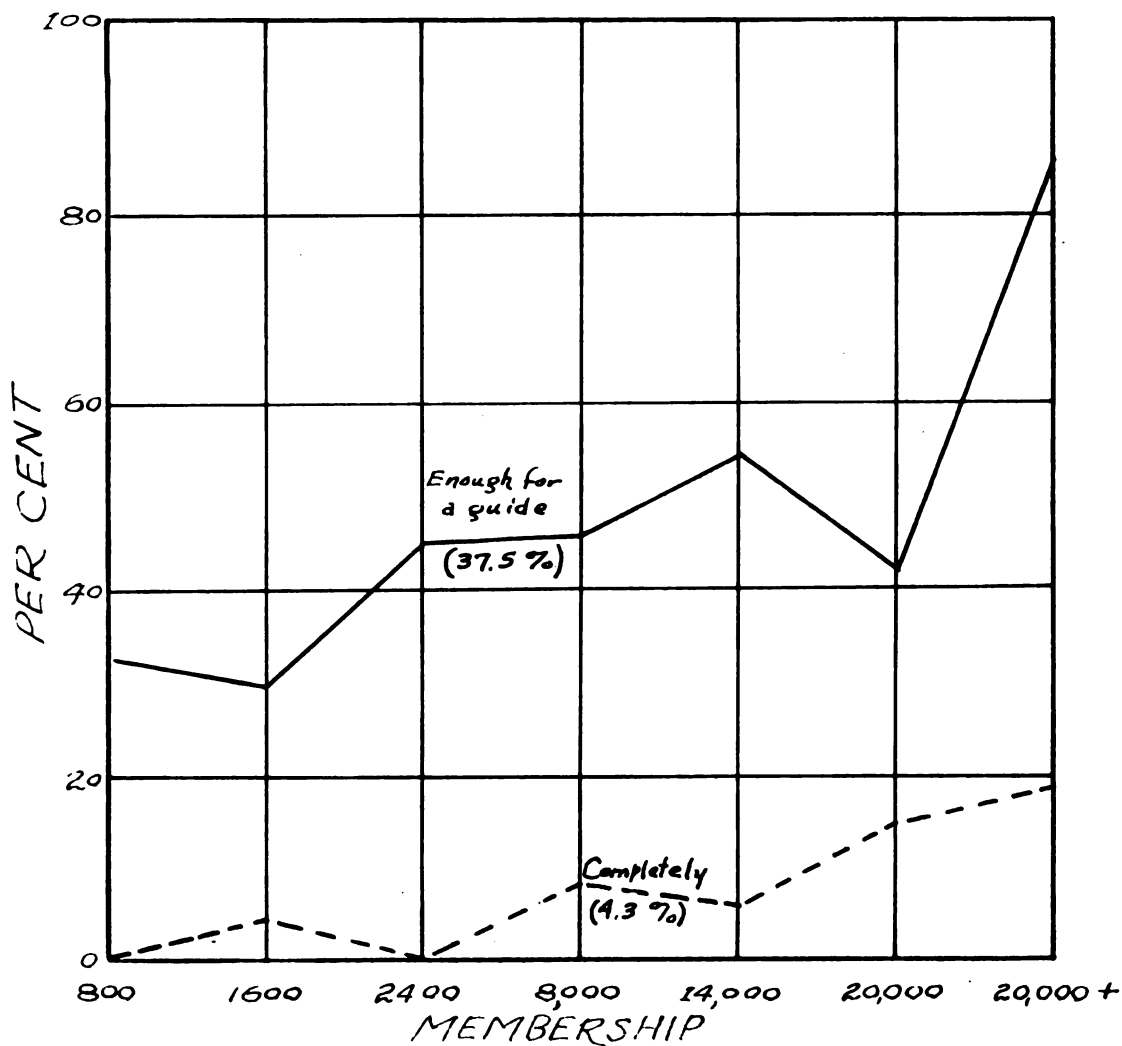


Figure 1. Per cent of Districts Having Written Purchasing Policies

Question 2 - Who determines what instructional supplies are used?

Criterion - Item selection can best be made when it is a cooperative affair, one which includes users.

As shown in Figure 2, selection by users declines as the districts get larger. It thus appears that the larger the district, the less influence the teacher has. Individual determination in the smaller districts is replaced in some degree by group determination in the large districts.

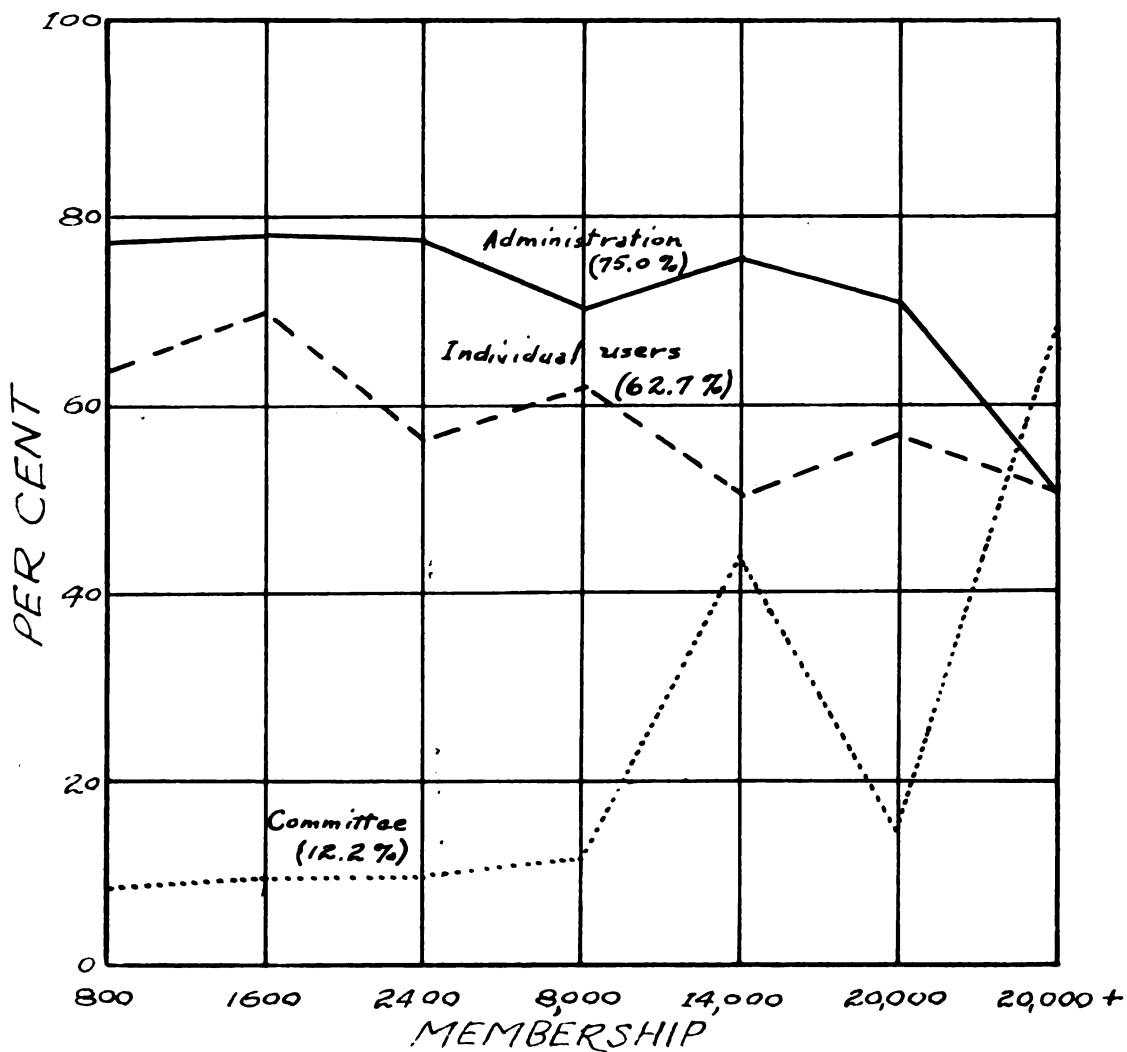


Figure 2. Who Determines What Instructional Supplies Are Used

Question 3 - Do you issue printed instructions regarding use of supplies?

Criterion - Printed instructions for supply users are important as a means of obtaining optimum utilization.

Less than five per cent have written instructions covering all subjects. Three out of five schools have none, except in the largest districts. This may reflect a need for controls because of volume in the large districts, as well as an attempt to overcome the greater communication gap.

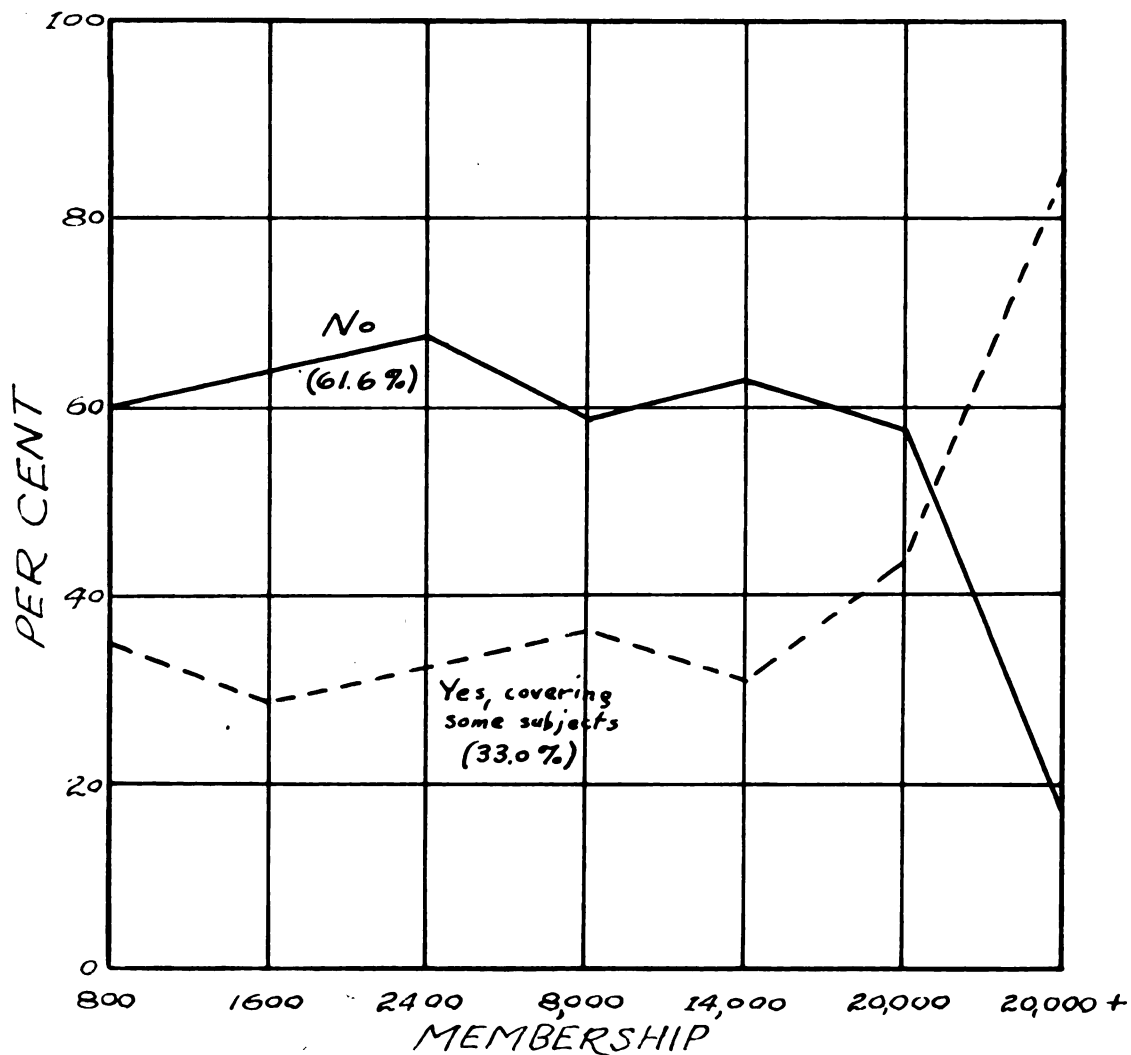


Figure 3. Degree to Which Printed Instructions are Issued for the Use of Supplies

Question 4 - Does your district charge a fee for workbooks? Laboratory materials? Classroom supplies?

Criterion - Charging fees for regular instructional supplies is not good administrative practice.

Figure 4 shows a lack of correlation between fees charged and district size. This may be a reflection of the grouping of random wealth of districts. Those with relatively high ability to support themselves locally may tend to do so, while poorer districts may tend to charge. The law is silent regarding the charging of fees.

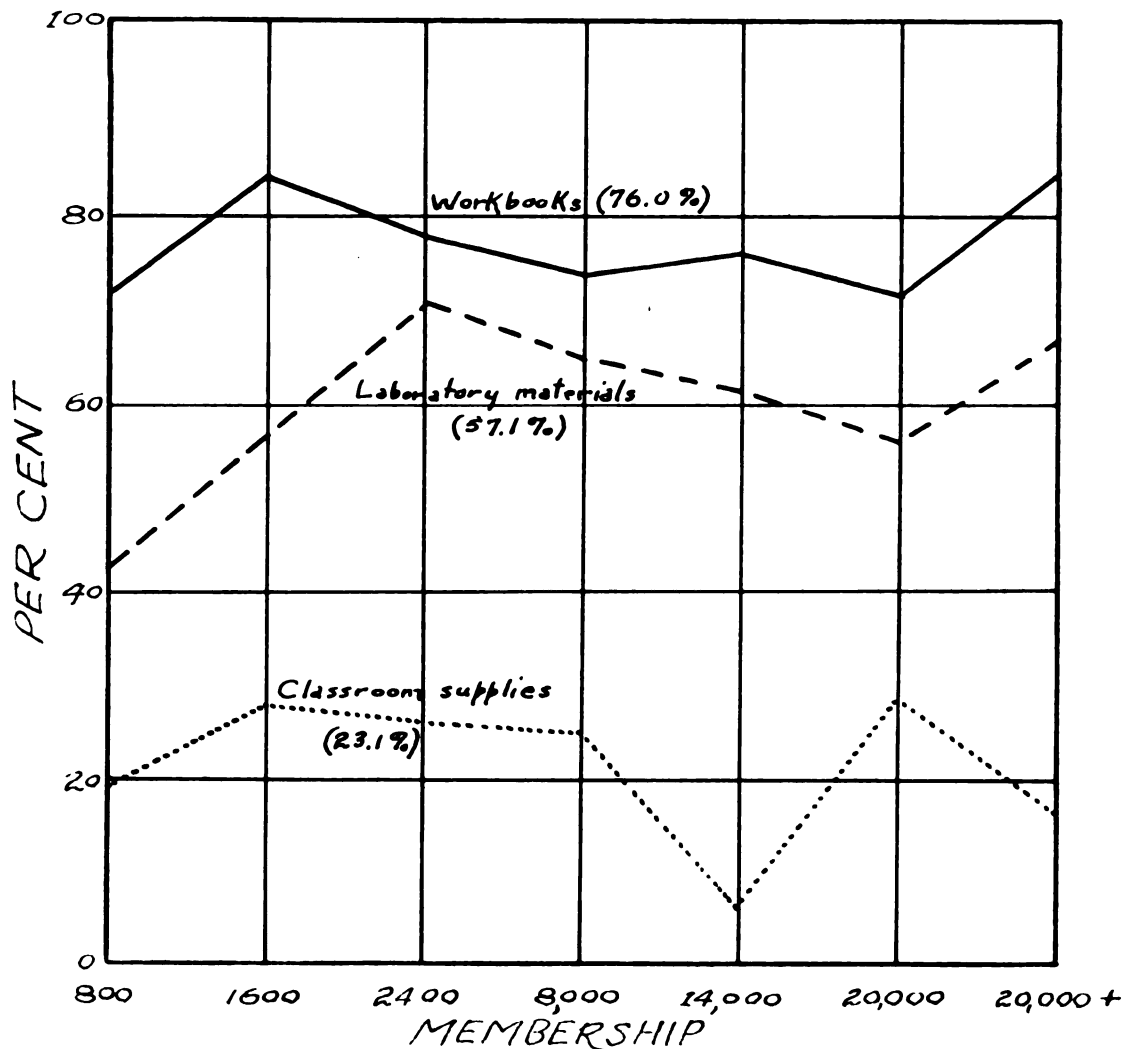


Figure 4. Per cent of Districts Charging Fees for Workbooks, Laboratory Materials, and Classroom Supplies

Question 5 - Is administration authorized to make purchases within prescribed limits?

Criterion - Greater efficiency is promoted when administration is given latitude proportional to district size in making decisions regarding expenditures.

Figure 5 indicates that it is general practice to place restrictions on authorized expenditures. Authorities agree that some latitude may be given, since control is maintained through regular board action plus the required annual audit. They recommend that control be a matter of method rather than money.

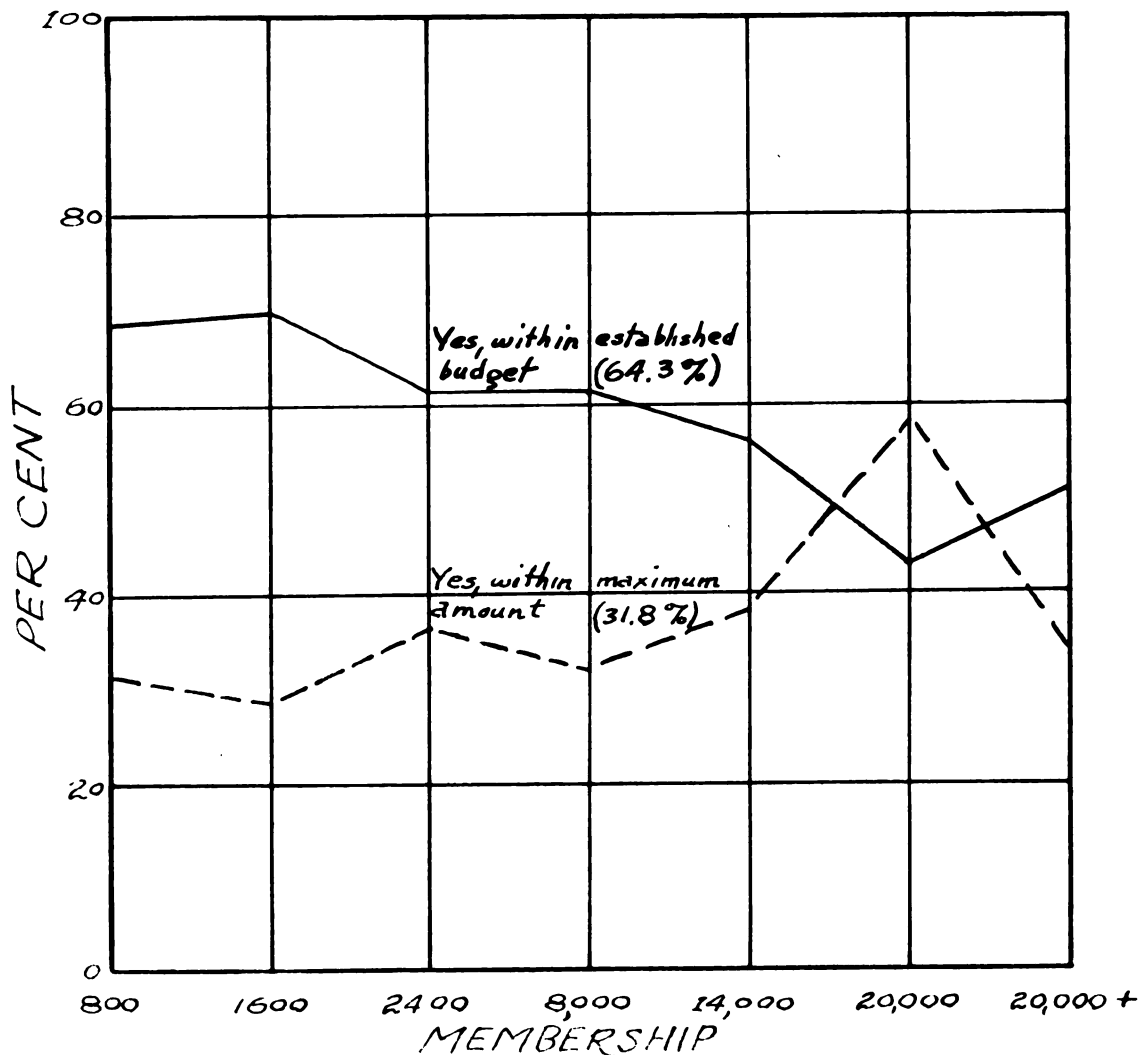


Figure 5. Authorization of Administration to Make Purchases Within Prescribed Limits

Limitations on Administration

Boards are careful to insure that administration works within the budget. As a secondary control, a dollar limitation is often placed on expenditures. The limitation amount by district size is shown in Table 2, which indicates that as districts get larger, so does the authorized limit. A sharp contrast to this trend is found in (A) and (B) of the table. The seven (A) districts reported either that there was no limit on the superintendents, or that he could use his own judgment. The lone (B) district reported a limitation of \$10.00.

Table 2. Number of Districts Reporting Administrative Purchasing Limitations, by District Size

Dollar Limitations	Maximum District Membership						
	800	1,600	2,400	8,000	14,000	20,000	20,000+
\$1000 and over	2	7(A)	4	5	2	2	2
\$500 - 999	12	11	12	17	4	1	
\$300 - 499	2	3	2	2	1		
\$200 - 399	7	6	2	4			
\$100 - 199	9	7	3				
Less than 100	8	3	1			1(B)	

Question 6 - When is the appropriation balance for the purchase of supplies known?

Criterion - It is important that the supply appropriation balance be known at all times.

While almost the same percentage of the smallest and the largest districts know their balance at all times, Figure 6 shows that there is a decline which reaches its lowest point in those districts between 1601 and 2400. This may be the point where the district has become too large for manual bookkeeping, but too small to put in a modern bookkeeping system.

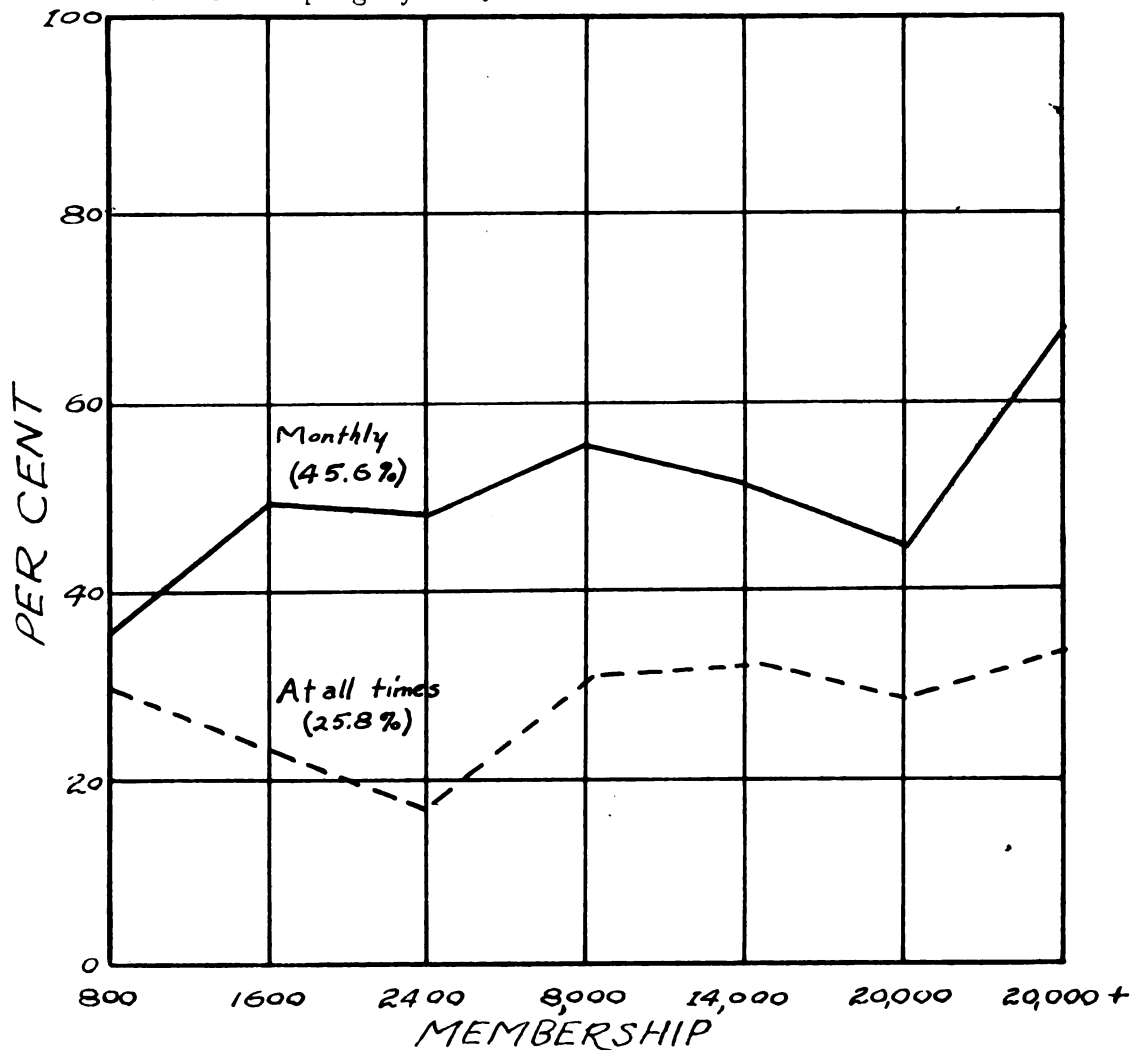


Figure 6. Frequency With Which Supplies Appropriation is Known

Question 7 - May some purchases of supplies be made from a petty cash fund?

Criterion - Within proper controls, petty cash saves time and money in small and emergency purchases.

Figure 7 indicates that the greater use of the petty cash fund by larger districts may indicate more frequency due to greater volume. Non-use by the largest districts for small purchases could mean that it is replaced by confirming purchase orders, thus providing a common vehicle for all regular purchases.

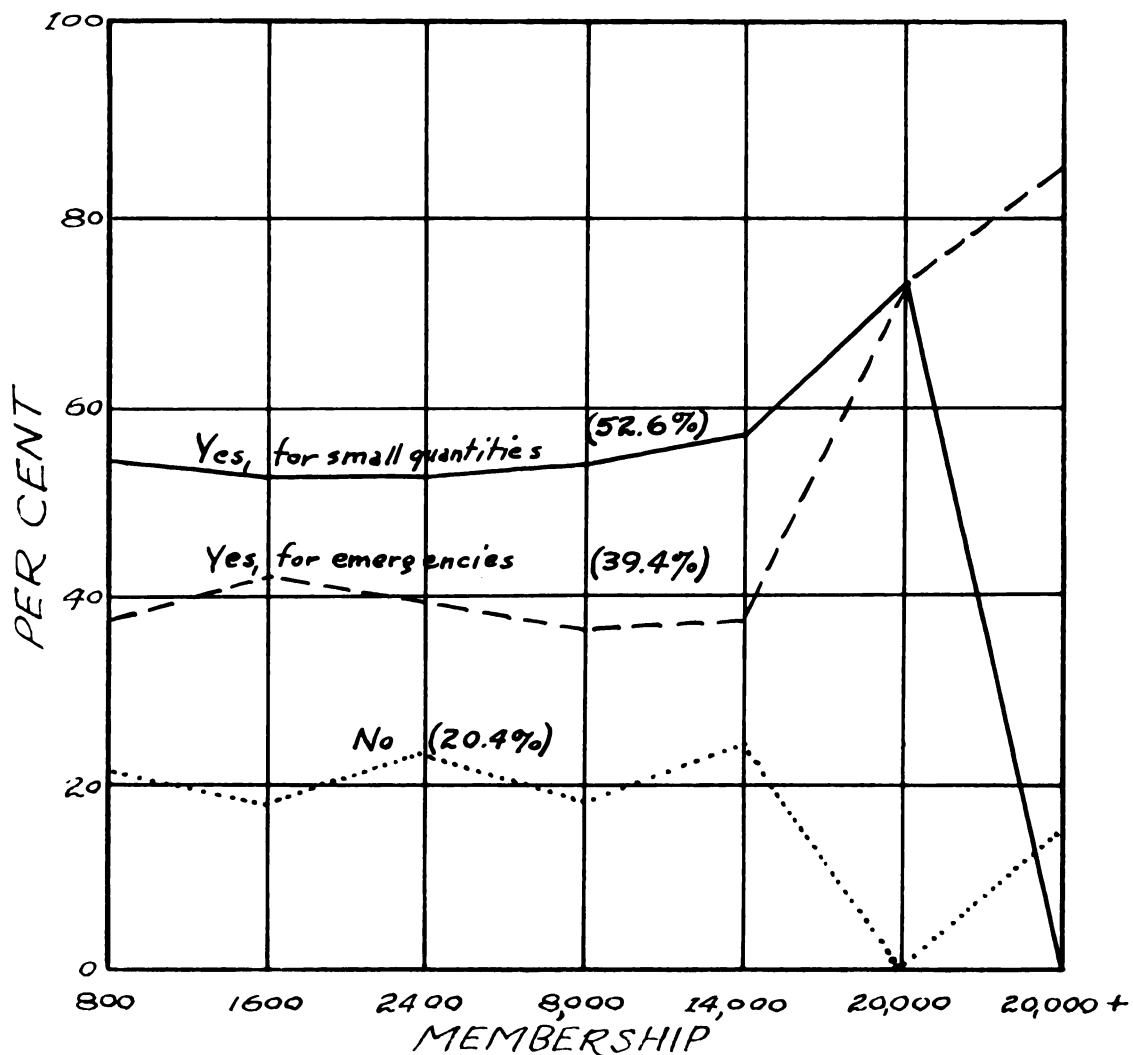


Figure 7. Degree of Usage of Petty Cash Fund

Question 8 - How extensive are your specifications, i.e. are they in writing? Are all items included? Must they be abided by?

Criterion - Good business practice calls for specifications that are in writing, that include all items, and must be abided by.

As might be expected, Figure 8 indicates that written specifications are developed as districts increase in size. Larger districts also show more adherence to specifications. This is related to the requirements of competitive bidding. Conversely, smaller districts allow more personal choice.

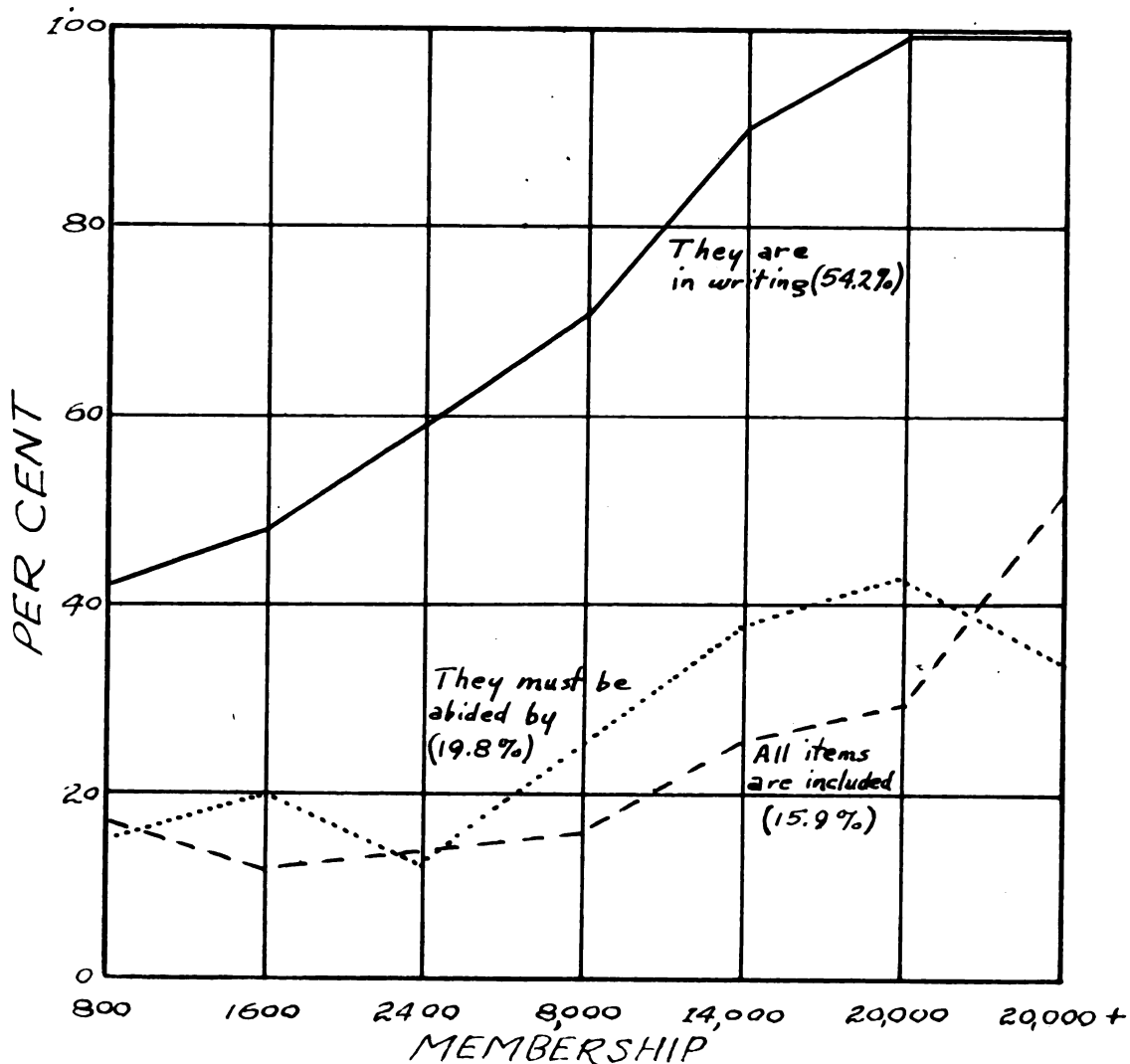


Figure 8. General Features of Specifications

Question 9 - How complete are your specifications?

Criterion - Supply specifications vary according to the complexity of the item. A brief description is recommended as minimum positive identification.

Figure 9 shows that a brief description is most often used for supply specifications. While supply items generally don't require the full description required for equipment, specifications assume more importance in volume buying.

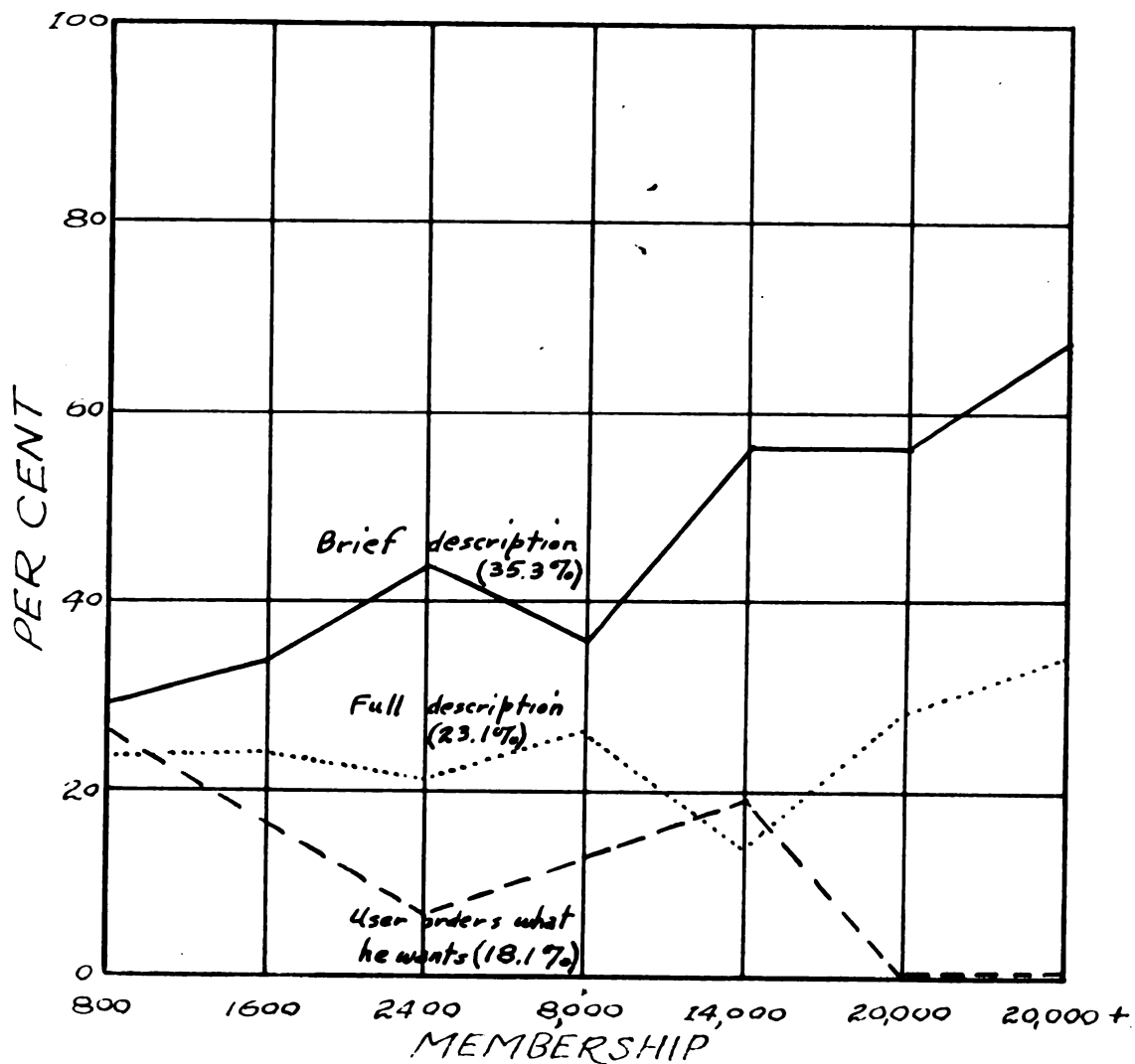


Figure 9. Completeness of Specifications

Question 10 - What sources are used in preparing specifications:
 suggestions of users, catalogs, recommendations of salesmen,
 samples submitted, other?

Criterion - As many specification sources as are available should
 be used.

Figure 10 shows that the three major sources are used more as districts increase in size, up to 14,000 membership. The decline in the larger districts may indicate that it is difficult for any single source to make much of an impact in the large system, because of the competitive bidding structure.

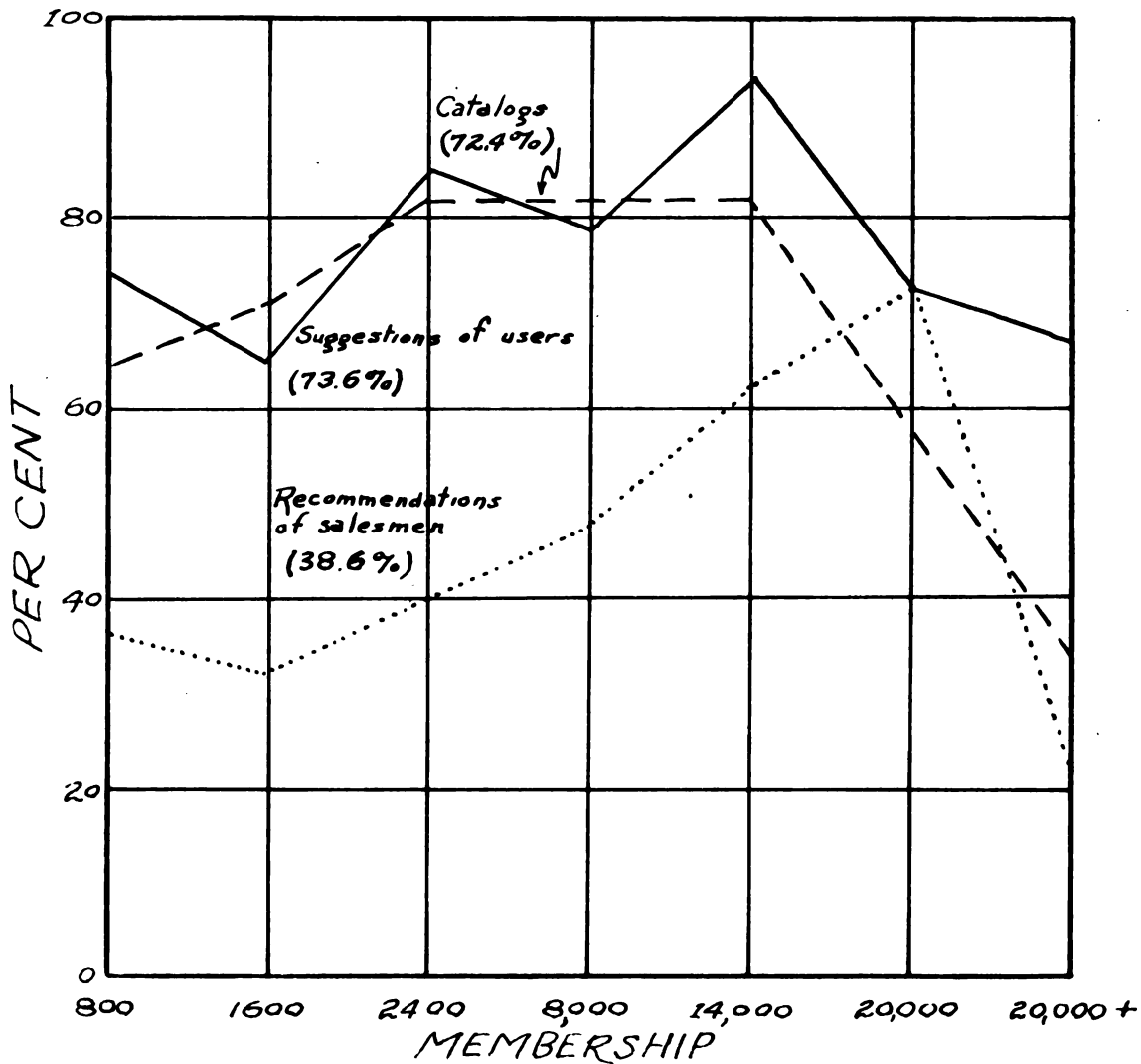


Figure 10. Sources Used in Preparing Specifications

Question 11 - Who writes the specifications?

Criterion - Specifications, while many sources are used, can best be written by personnel responsible for purchasing.

Figure 11 shows that while specification writing by committees of users increases with district size, administration remains the dominant element. This is understandable since purchasing becomes more structured and impersonal with growth.

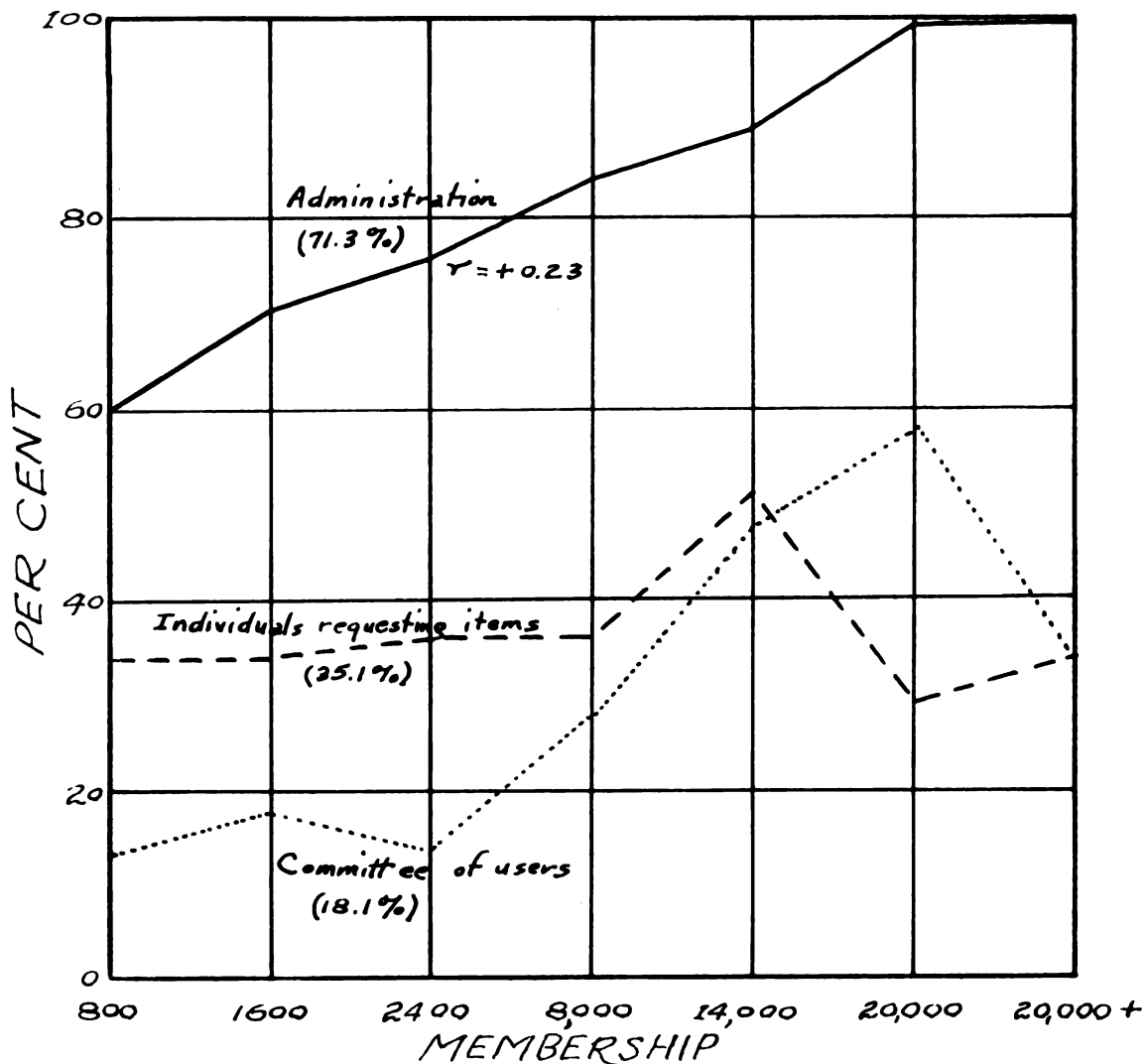


Figure 11. Who Writes the Specifications

Question 12 - Are supplies usually standardized so that a single selection is made?

Criterion - Standardization of supplies, in the form of supply lists, permits greater purchasing economy.

Figure 12 shows complete standardization in the largest districts. This is not so surprising as the fact that three of five of the smallest districts practice it.

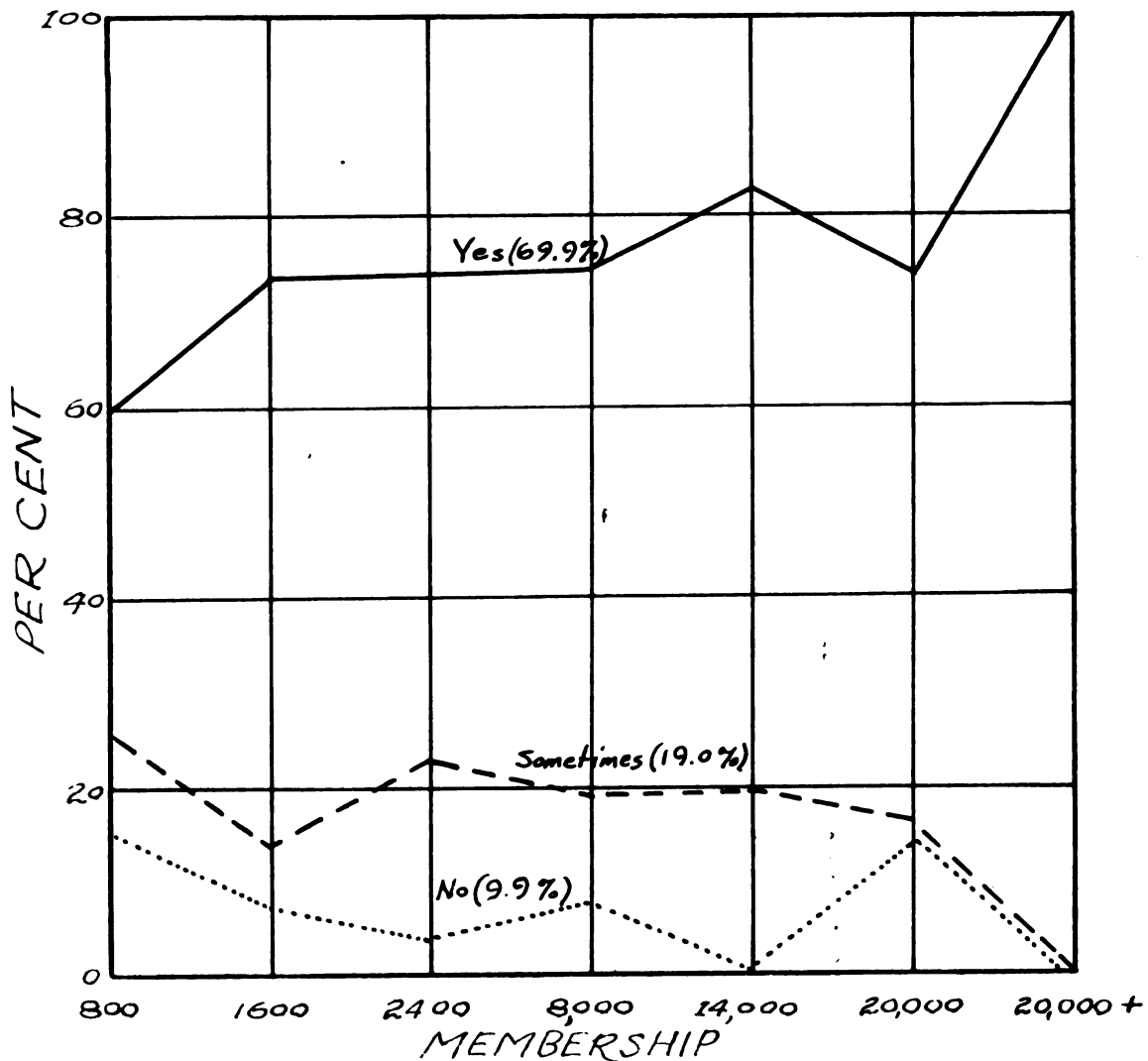


Figure 12. Is a Single Selection Made When a Supply Item is Purchased?

Question 13 - Do local suppliers usually receive any preference?

Criterion - While there is some merit such as service and prompt delivery in showing preference for local vendors, their prices should be competitive with those of non-local vendors.

Figure 13 shows a decline in local preference for districts having over 8,000 membership. Reasons given for local preference reported about the same for price, quality, and service, with the latter having a slight edge in all sizes.

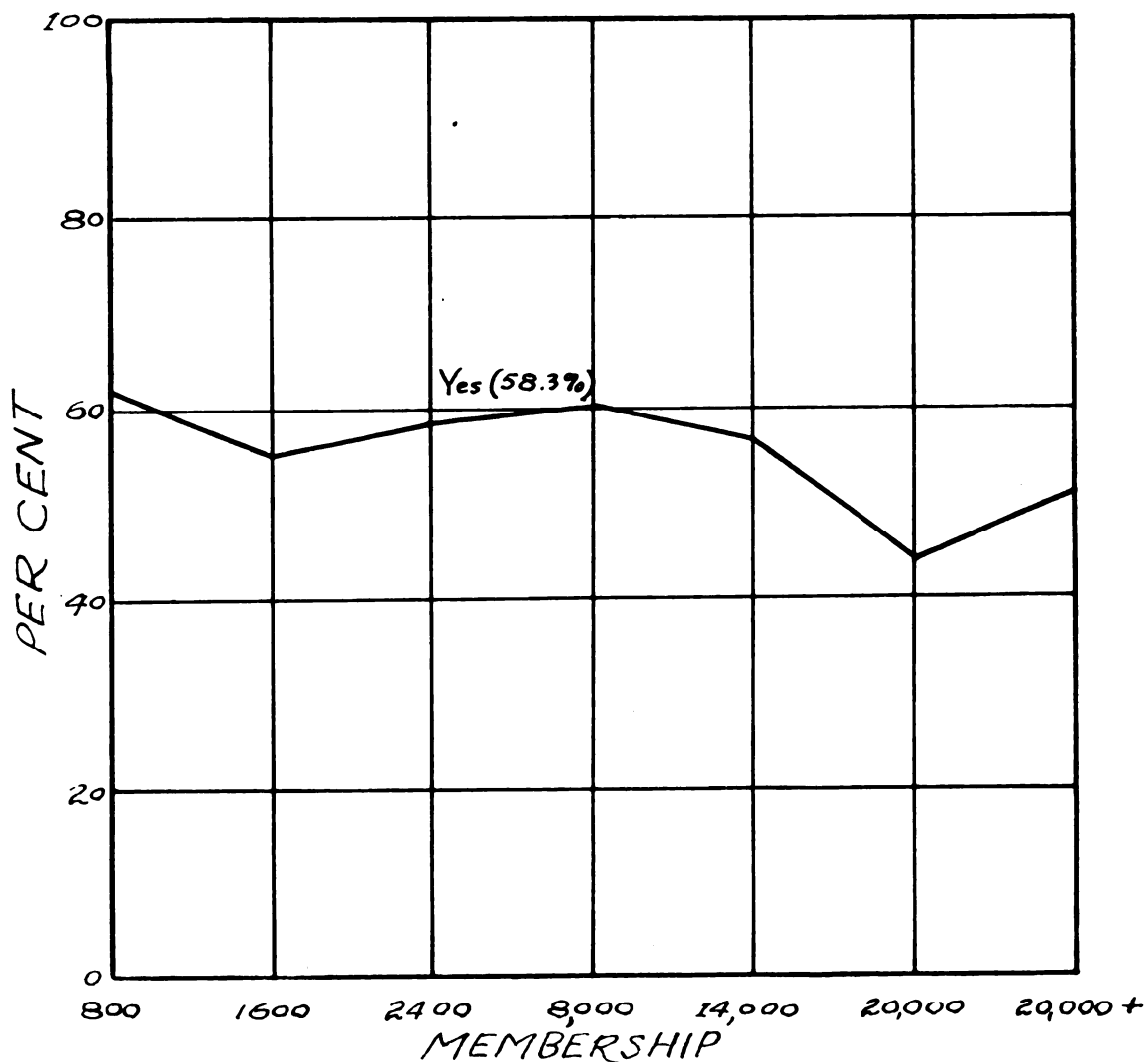


Figure 13. Per cent of Preference for Local Dealers

Question 14 - Is a list of qualified supply vendors maintained by your district?

Criterion - Establishing and maintaining an up-to-date list of qualified vendors expedites the purchasing program.

Figure 14 indicates that larger systems are more likely to keep such a record, probably due to having a more specialized purchasing function, with more vendors and greater volume. This is not necessary in the smallest districts, many of which are served by only two or three suppliers.

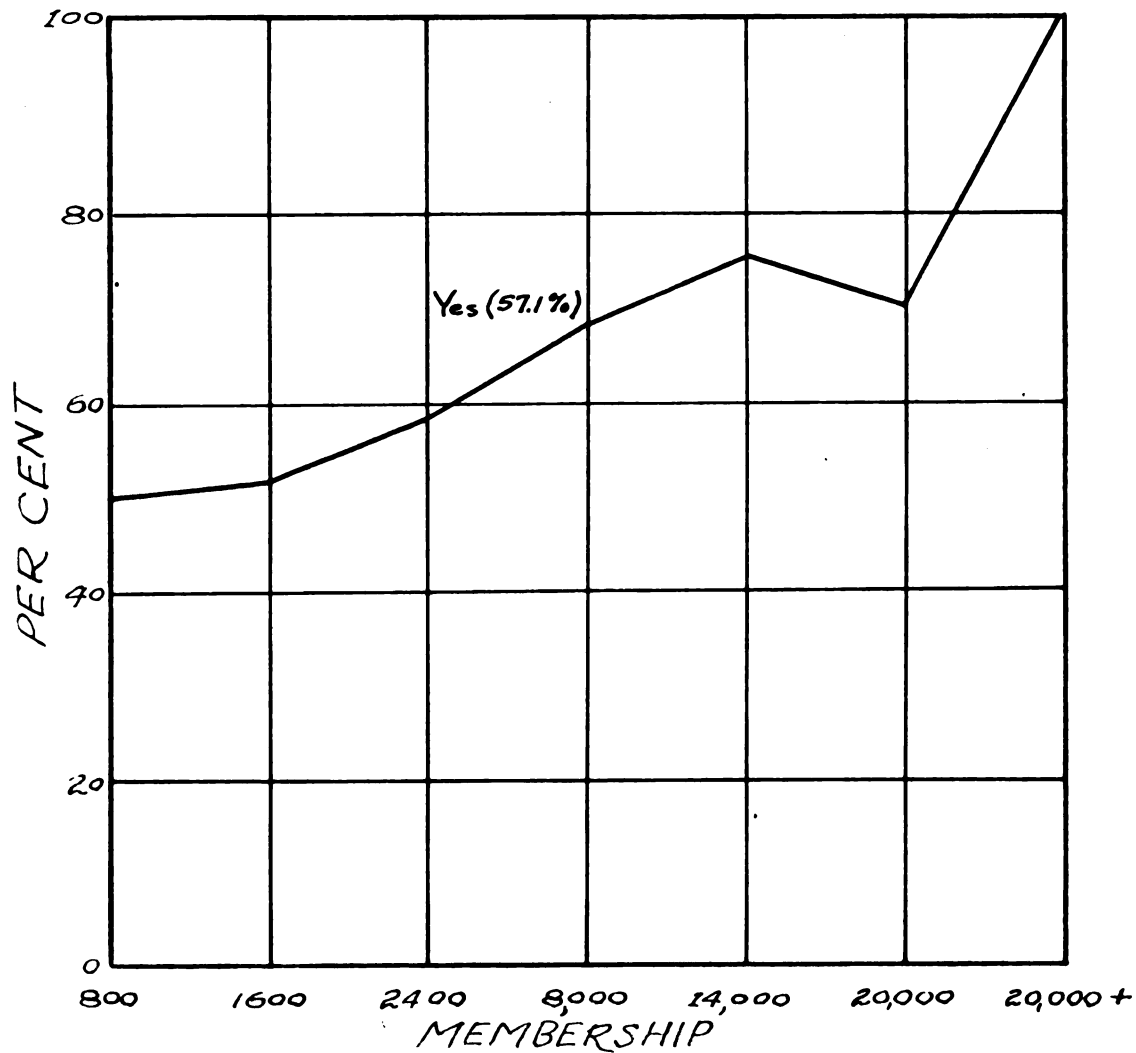


Figure 14. Per cent of Districts Maintaining a List of Qualified Vendors

Question 15 - Is a bidding record kept of each vendor?

Criterion - Maintaining the bidding record of each vendor provides helpful information on the history and current status of each.

Figure 15 shows that the trend is to maintain such a record as districts get larger. It appears that there is a breakdown in the largest systems. The two factors which may explain this reversal are (1) the large number of vendors may make it unfeasible and (2) the impersonal nature of purchasing in this size district may make it unnecessary.

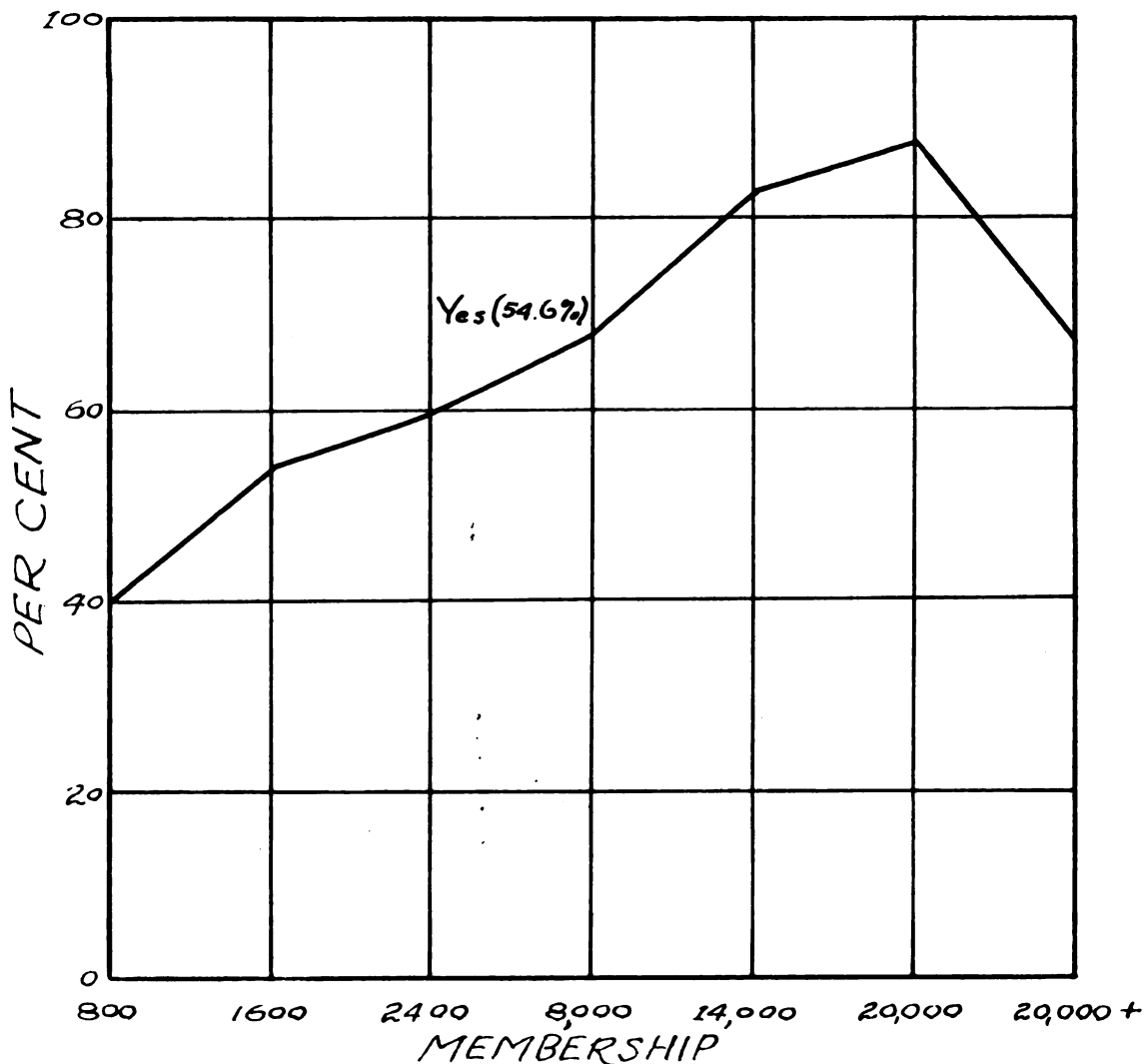


Figure 15. Per cent of Districts Maintaining the Bidding Record of Each Vendor

Question 16 - Approximately how many vendors do you have for instructional supplies?

Criterion - The number of vendors varies, depending on the subject area, values of purchase and availability of items. It is important that there be sufficient vendor sources to promote competition.

Figure 16 shows that the more vendors are utilized as districts increase in size. Not shown in the figure are the following, all of which predominate in the largest districts:

<u>Number of Vendors</u>	<u>Per cent of Total</u>
11 to 15	6.8
16 to 20	1.9
more than 20	5.2

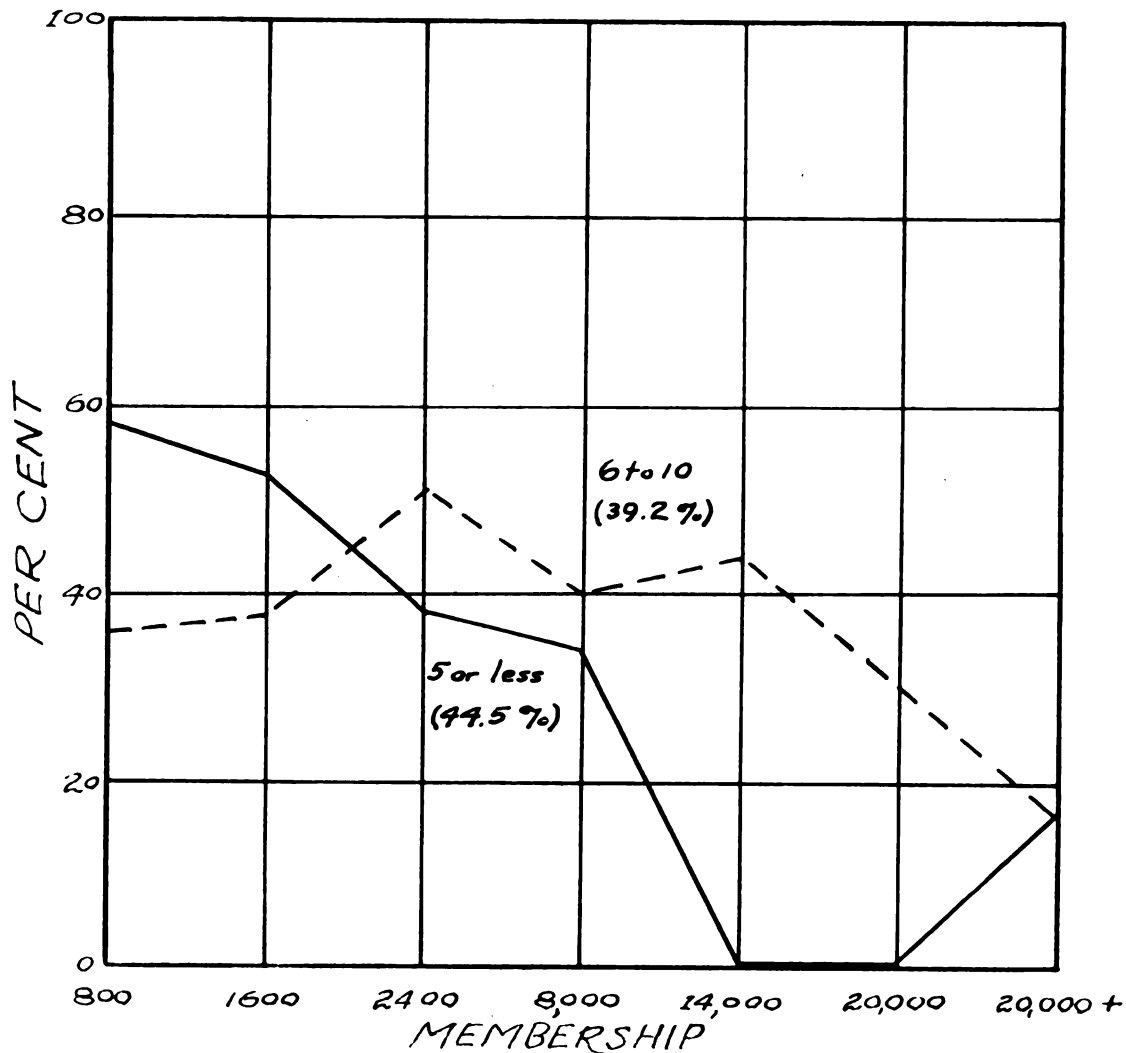


Figure 16. Number and Per cent of Supply Vendors

Question 17 - Which vendors have generally furnished most of your classroom supplies in recent years?

A total of 1,449 responses was received, or an average of three per district. Several districts indicated that their cooperative purchasing program is a source of supplies. These were not included in the tabulation.

A separate sub-total was made of the three vendors most frequently reported. Two of them are school supply houses, the third is a general supplier.

Local vendors include all those within the country. All others within the state were tabulated separately as outside the county. Among these are a number of regional suppliers who serve up to several counties.

A tabulation was also made of the outstate vendors. These are located mainly in states bordering Michigan, but some are as far away as New England.

It should be noted that the frequency with which suppliers were reported has no bearing on the dollar volume of their business with the schools.

Results are shown in Table 3.

Table 3. Which Vendors Have Generally Furnished Most Classroom Supplies in Recent Years

VENDORS										
District Maximum Member- ship	Number of Times Vendors Were Reported	Big Three		Local		Outside County		Outside State		Per cent
		Number of Times Reported	Per cent Reported	Number of Times Reported	Per cent Reported	Number of Times Reported	Per cent Reported	Number of Times Reported	Per cent Reported	
800	369	140	37.9	35	9.5	134	36.3	60	16.3	
1,600	420	207	49.3	20	4.8	117	27.8	76	18.1	
2,400	193	107	55.4	21	10.9	49	25.4	16	8.3	
8,000	331	180	54.4	36	10.9	69	20.8	46	13.9	
14,000	64	35	54.7	11	17.2	10	15.6	8	12.5	
20,000	38	20	52.6	9	23.7	3	7.9	6	15.8	
20,000+	34	13	38.2	7	20.6	4	11.8	10	29.4	
Totals	1,449	702	48.5	139	9.6	386	26.6	222	15.3	

Question 18 - How do you buy most of your instructional supplies?

Criterion - Regardless of the number of sources used in purchasing, the aim is to purchase what best serves the district's needs.

Figure 18 shows that salesmen and catalogs are used most frequently in smaller districts, while competitive bidding is most frequent in large districts, which would indicate that the volume of purchasing is a major factor. The middle-range districts reflect the trend away from single sources toward the more objective and formal aspects found in competitive bidding.

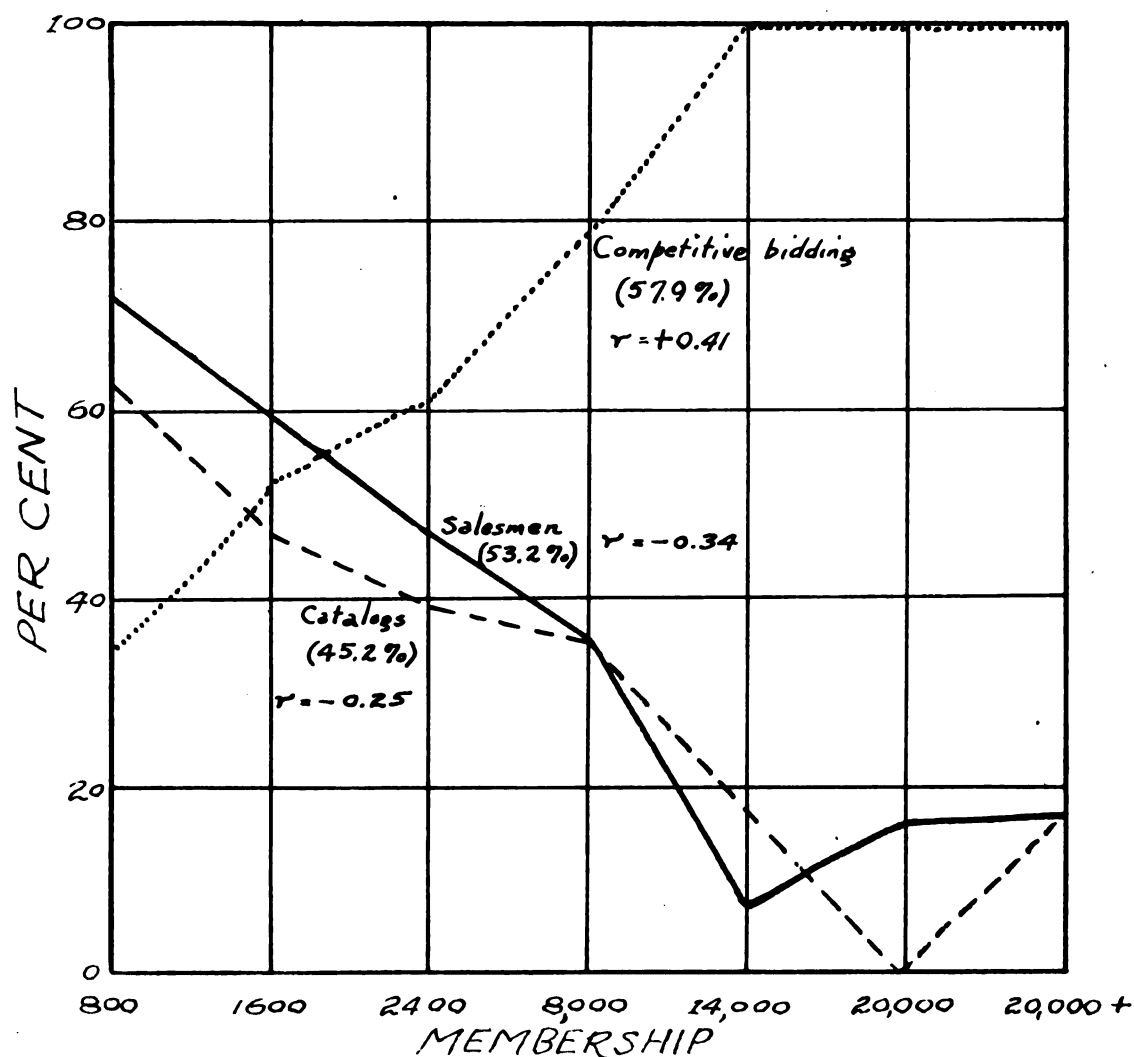


Figure 18. Sources of Instructional Supplies

Question 19 - What is the title of the person directly responsible for purchasing in your district?

Criterion - As districts get larger, it is imperative that delegation of purchasing authority be granted to specialized personnel.

Figure 19 indicates that the superintendent is not superseded as purchaser until the 8,000 - 14,000 membership is reached. The business manager designation in turn is succeeded by the purchasing agent midway between the 14,000 and 20,000 membership districts.

"Other" refers to an assistant superintendent or an administrative assistant.

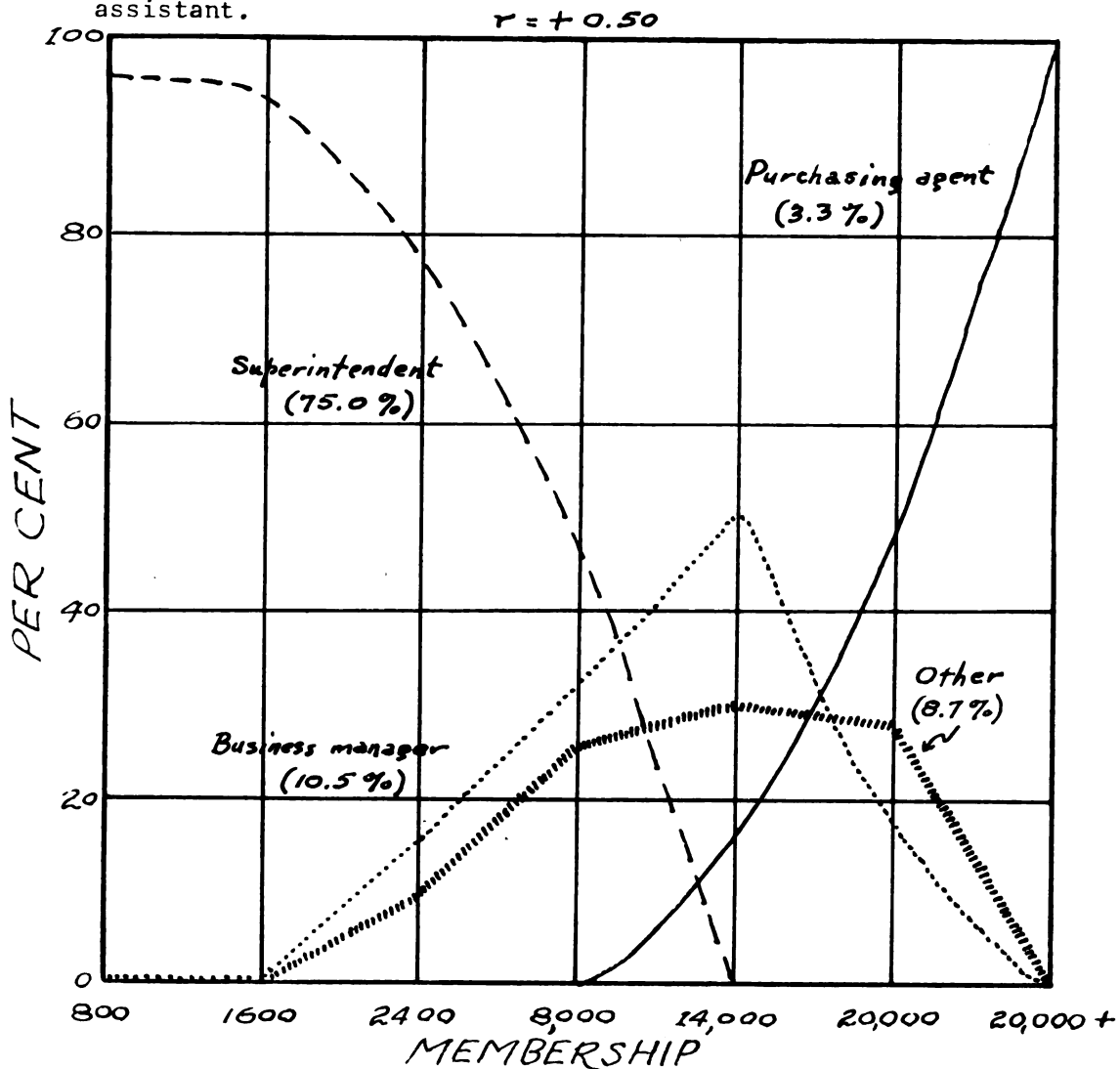


Figure 19. Title of the Person Responsible for Purchasing

Question 20 - When paying invoices, do you take advantage of discounts for prompt payment?

Criterion - Advantage should be taken of discounts by prompt payment. To do so beyond the authorized period, however, is poor practice.

Figure 20 indicates that about one district in fourteen does not take discounts. It may be because (1) they may not know that they're allowed, (2) if paying bills only monthly, they are unable to do so, (3) small district discounts may be considered negligible, and (4) cumbersome payment procedures make it impossible.

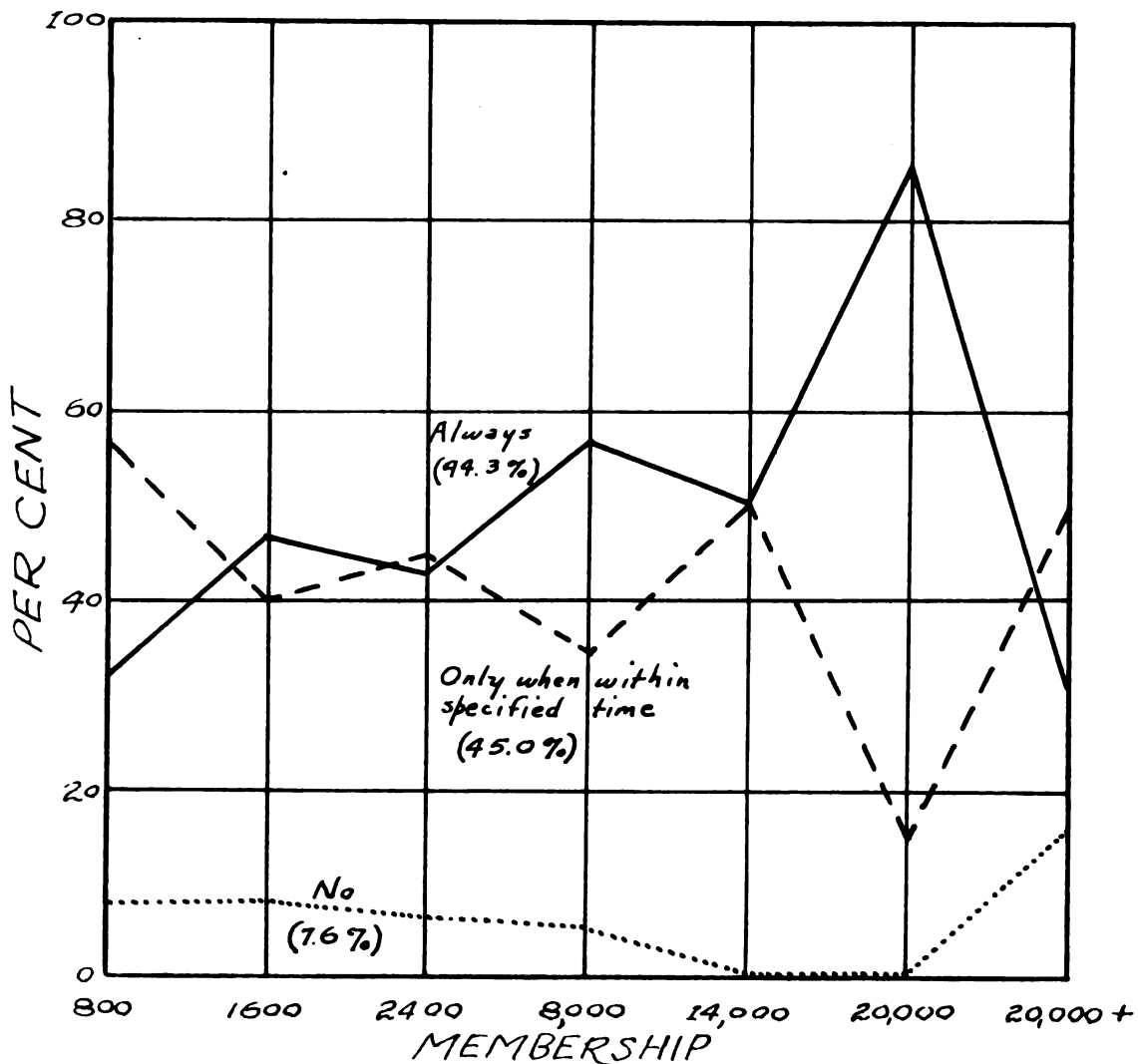


Figure 20. Degree to Which Discounts are Taken

Question 21 - How are bids solicited?

Criterion - Bids are to be solicited by whatever media will encourage competitive prices.

The most frequent means of bid solicitation, as shown in Figure 21, is the letter to vendors. The telephone is used in the middle-range group, by about one of four districts. Although considered by some authorities to be the legally-approved form, the local newspaper notice runs third in practice. Not shown in the figure is posting of a public notice, which is practiced by 2.5% of the total districts.

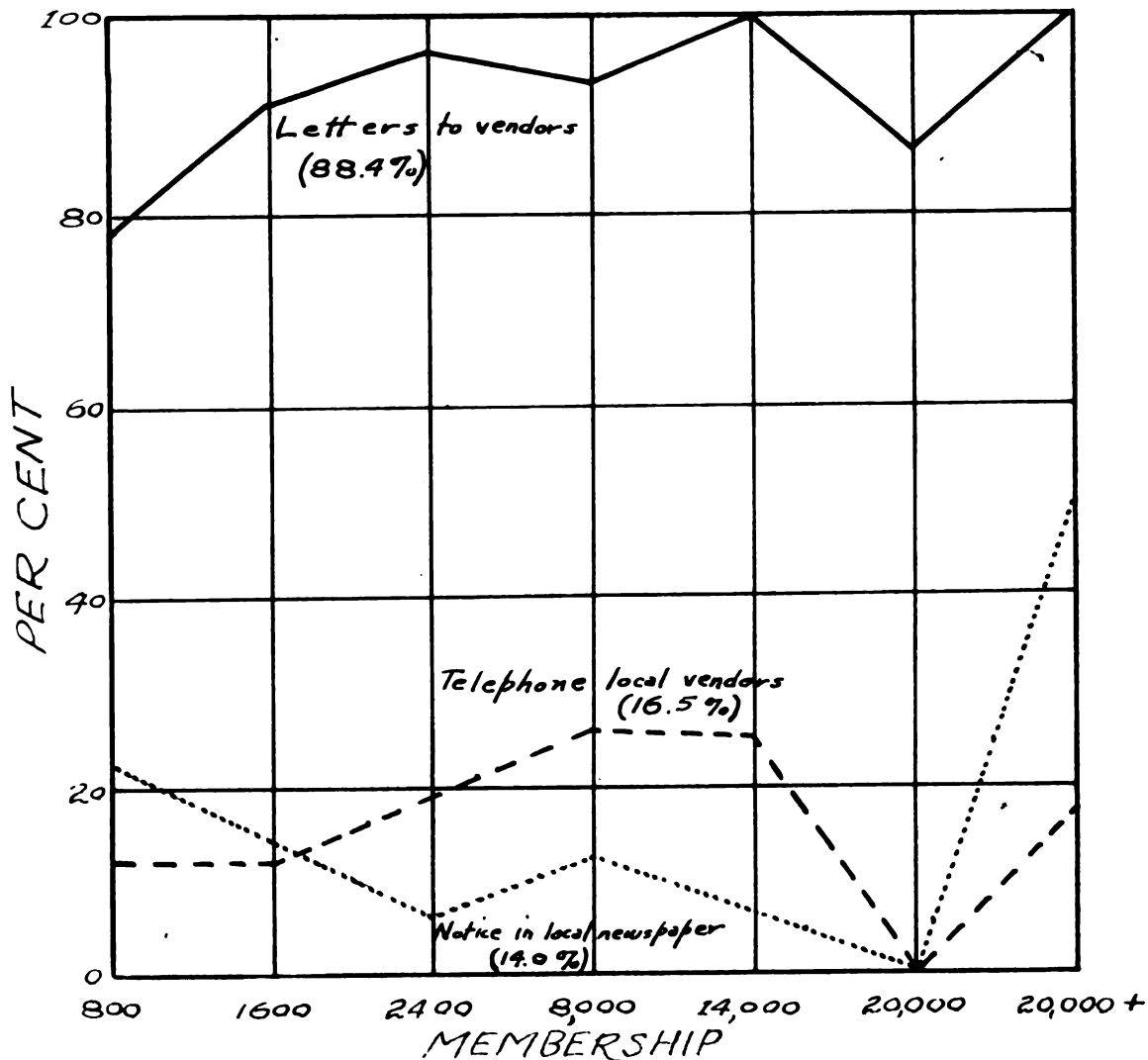


Figure 21. Methods Used to Solicit Bids

Question 22 - How are supply bids generally awarded, assuming they meet specifications?

Criterion - Making supply bid awards can best be done on the basis of total considerations, with the lowest quotation for each item the major factor.

Figure 22 shows that the low total for each item is used by only one of eight of the smallest districts, but by two of three in the largest. Its increased frequency can be explained in part by more formal purchasing relations and price consciousness due to volume.

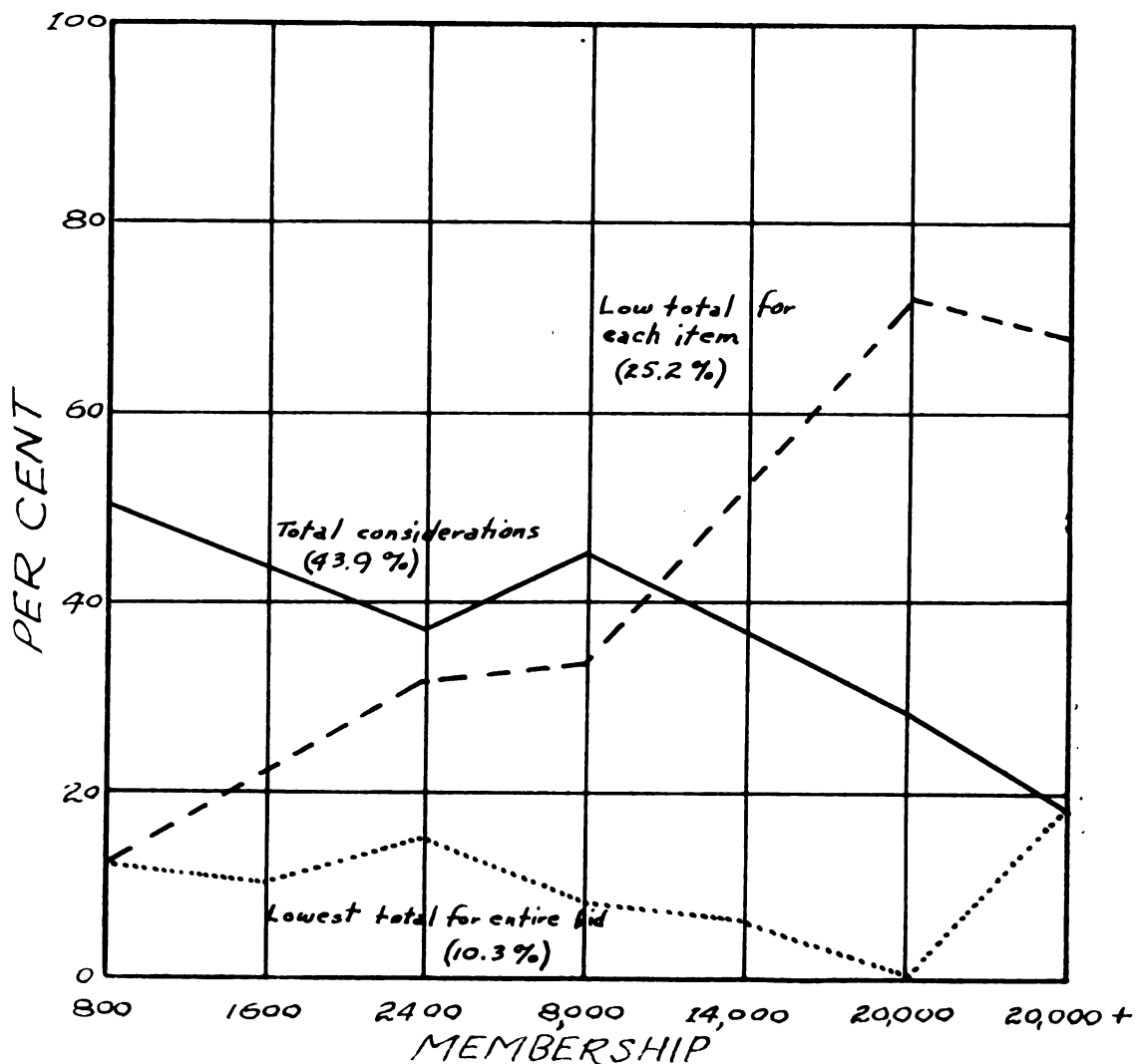


Figure 22. On What Bases Bids are Awarded

Question 23 - Under what conditions are purchase orders issued?

Criterion - The use of purchase orders are recommended wherever practicable.

Figure 23 shows that about one of ten smallest districts never use purchase orders, probably because lack of volume does not warrant it. As volume purchasing increases, the cost of issuing a purchase order is proportionately less. It also provides a single-instrument system for better accountability.

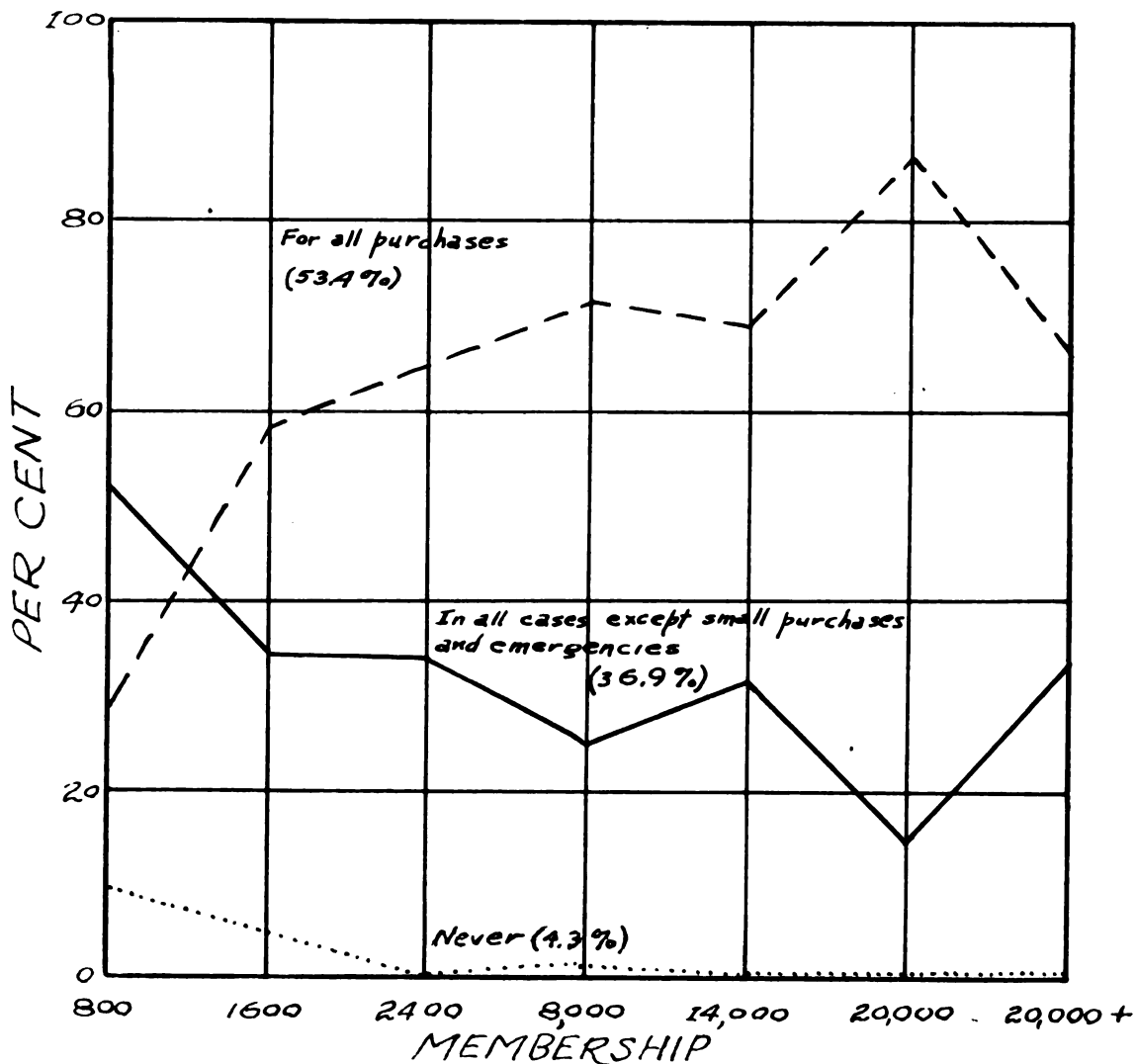


Figure 23. Degree of Purchase Order Usage

Question 24 - What is the usual way of paying for small local purchases?

Criterion - While purchase orders are recommended, it may be found that the cost and time requirements for their use with small purchases is proportionately high. In such cases, other means may be more economical and feasible.

Figure 24 shows that the open account predominates in the smallest districts and purchase orders in the largest. Districts having 1,600-2,400 membership are evenly divided in their use of the three methods. Petty cash is used most consistently by the majority of districts.

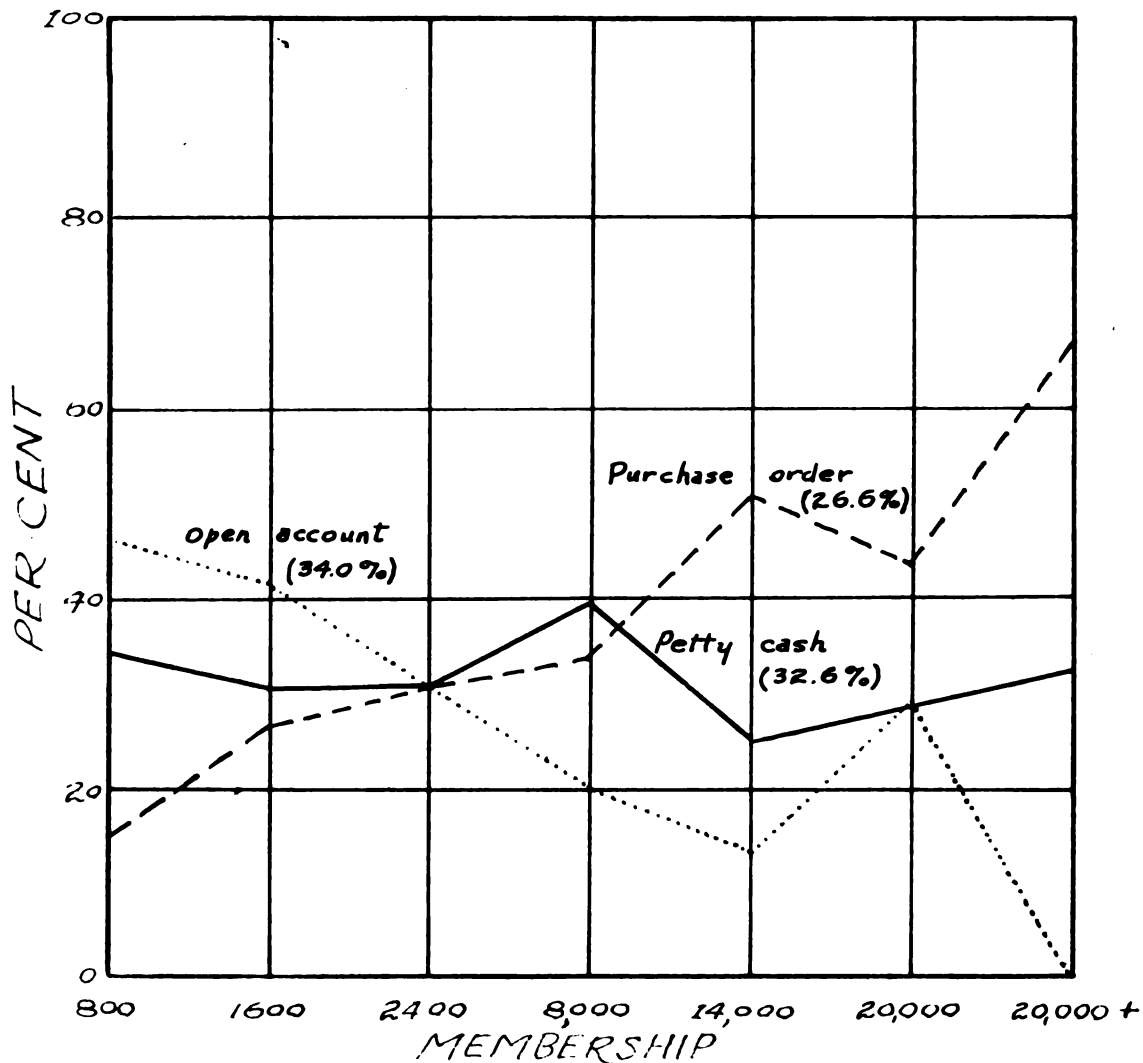


Figure 24. Methods Used in Making Small Local Purchases

Question 25 - When do you use competitive bidding?

Criterion - Competitive bidding is necessary in volume buying to insure that the lowest prices are obtained.

Figure 25 shows the transition in the decline of competitive bidding for specialized items, and the rise of a specified minimum requirement. The latter trend appears to reflect the development of the specialized purchasing function. The use of competitive bidding in all cases except emergencies remains somewhat constant.

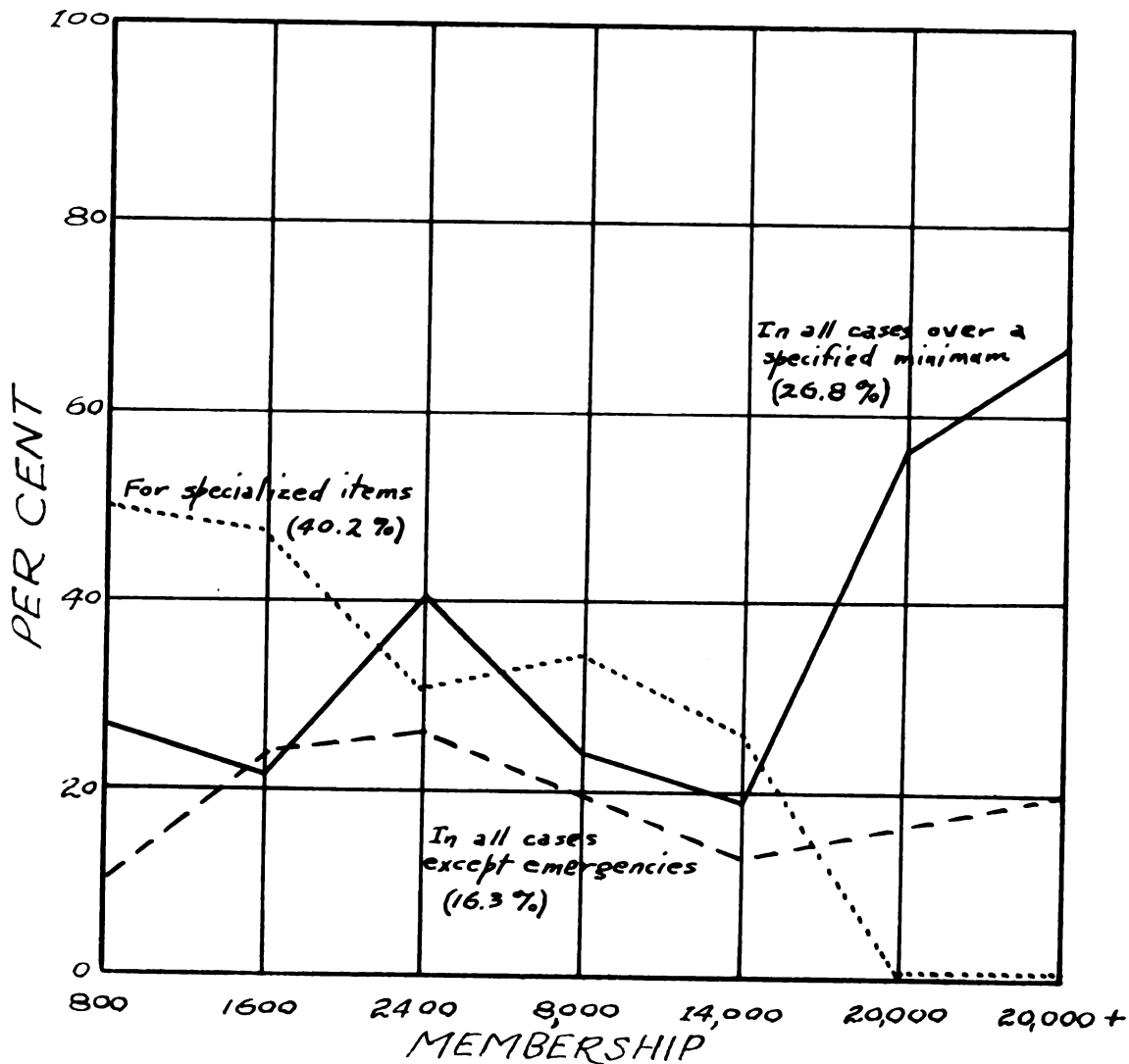


Figure 25. When Competitive Bidding is Used

Question 26 - Written bid invitations: (A) Do they always go out to at least three vendors? (B) Do they include a statement giving the board the right to reject any and all bids?

Criterion - (A) It is recommended that written bid invitations go to a minimum of three vendors. (B) An important part of the written bid invitation is a statement giving the board the right to reject any and all bids.

The somewhat parallel increase of these features, as shown in Figure 26, reflect the more formal structure of larger school districts.

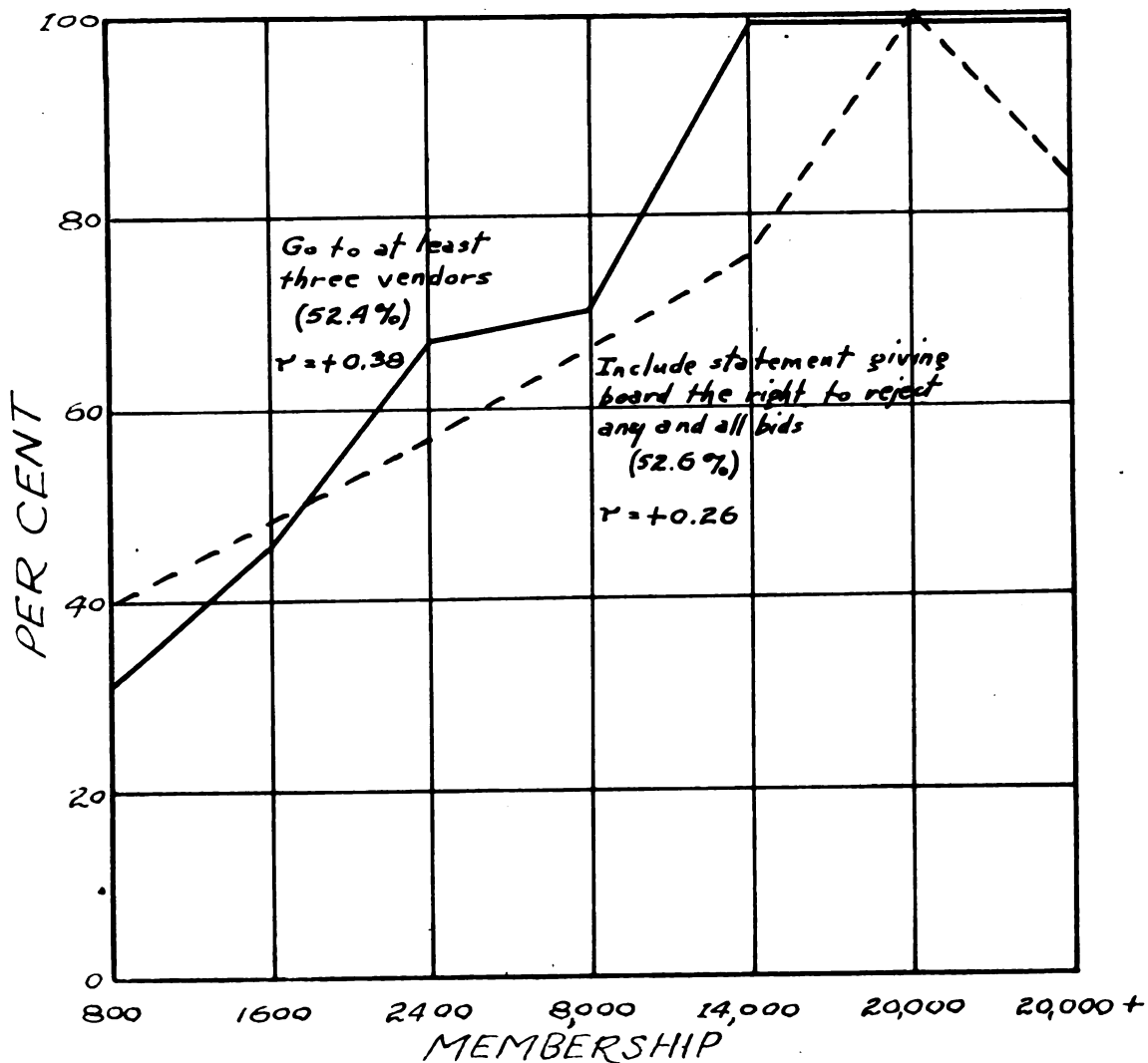


Figure 26. Features of Written Bid Invitations

Question 27 - To whom are bid invitations sent?

Criterion - Any vendor is entitled to submit a quotation, if he is considered to be qualified.

Figure 27 shows that as districts increase in size, the more any interested vendor participates. This may be due not so much to a closed system in the smaller districts, but rather the attraction of greater sales in the larger districts. The steady increase of specialized vendors up to the 8,000 membership districts reflects the growth of a more extensive curriculum.

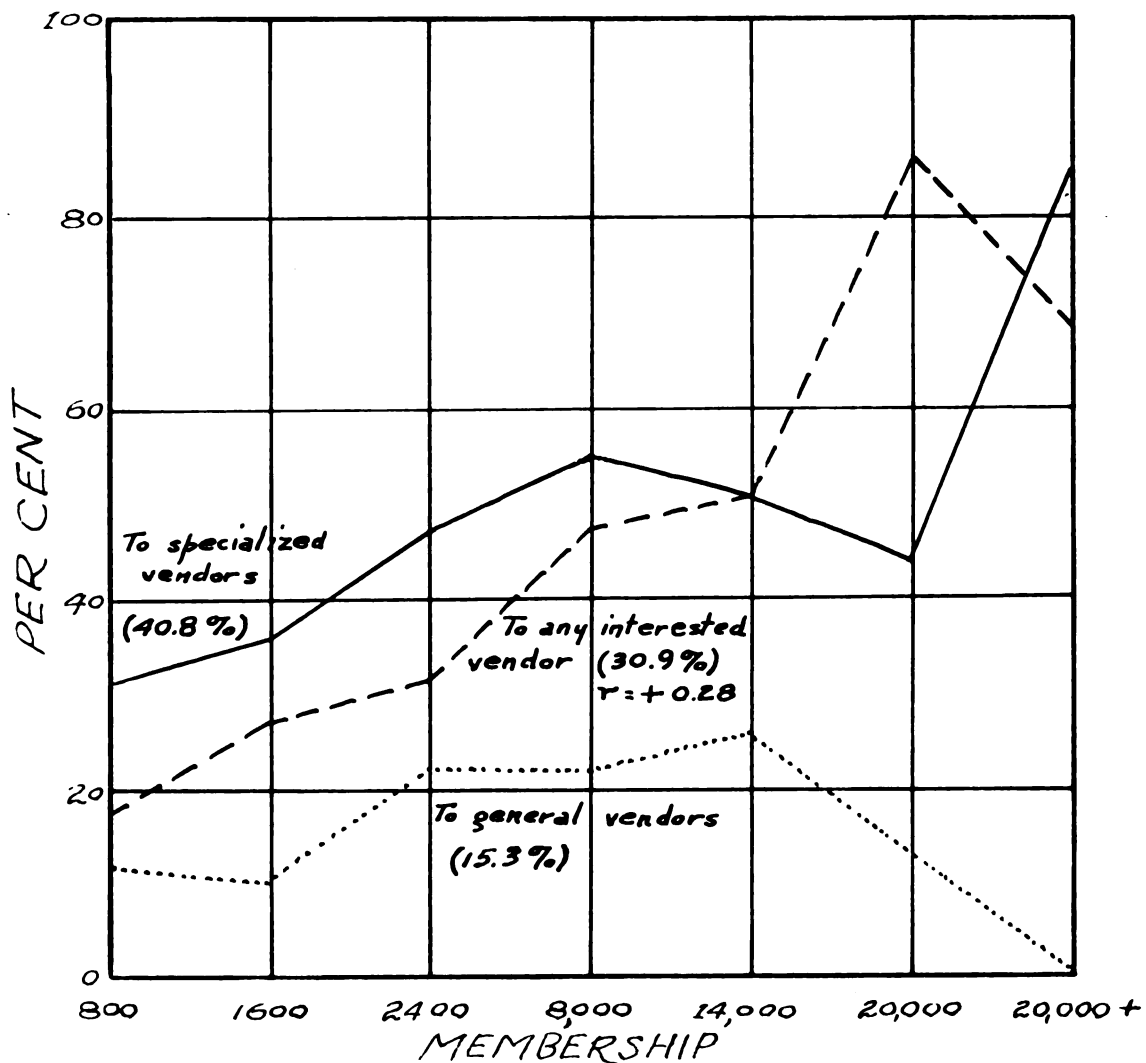


Figure 27. To Whom Bid Invitations are Sent

Question 28 - Are bidders usually present when bids are opened?

Criterion - Bidders are entitled to attend bid openings. Their presence is to be encouraged.

Figure 28 shows little attendance in the smallest districts. This may be due to lack of volume, the few vendors involved, and purchasing supplies without the benefit of a personal salesman, i.e. by mail.

A number of respondents, at all levels, stated that vendors were not usually present, but were always welcome.

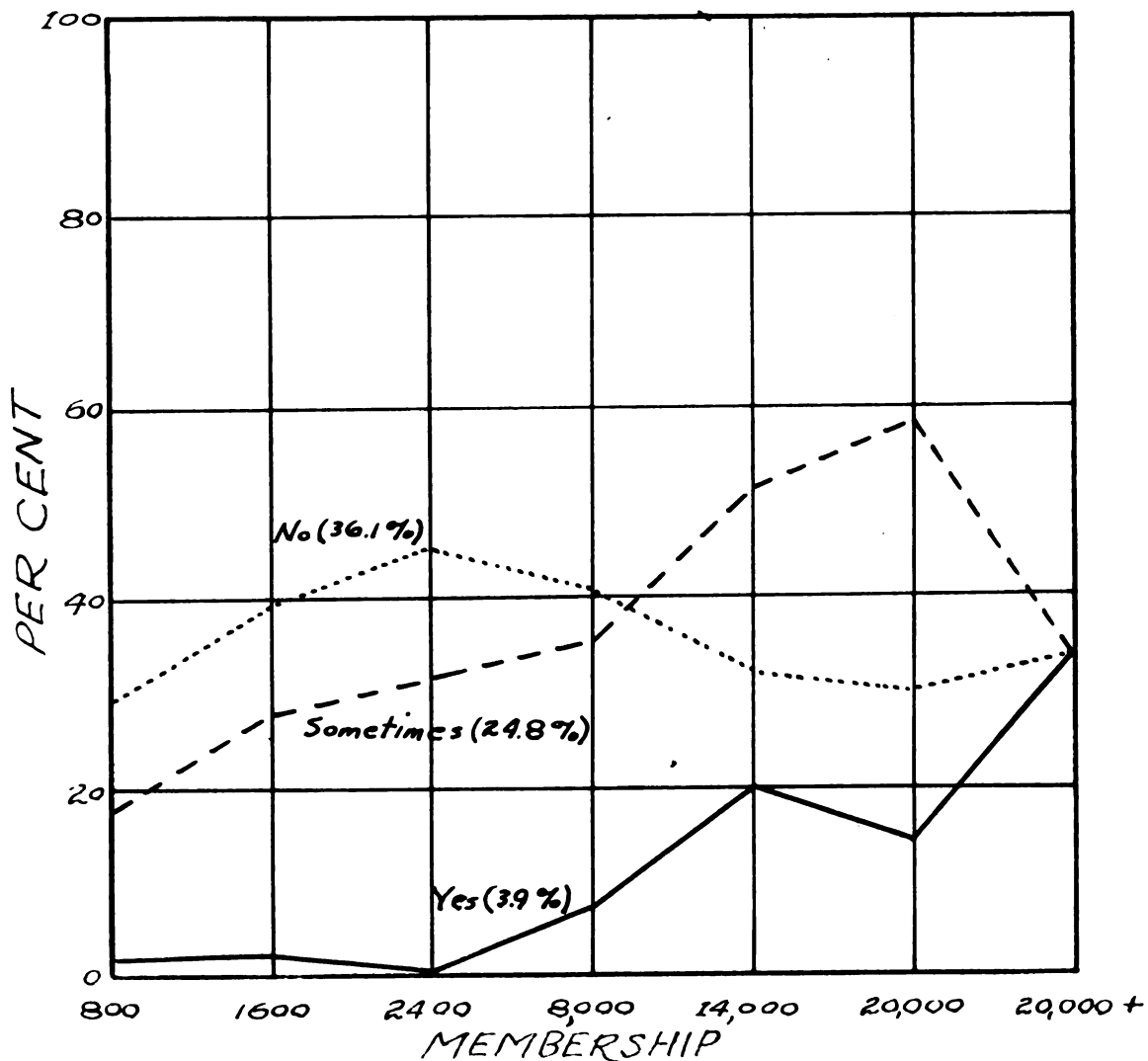


Figure 28. Degree to Which Bidders are Usually Present When Bids Are Opened

Question 29 - How much bidding time is usually allowed?

Criterion - While there are exceptions, the supply bid period is generally two to three weeks.

Figure 29 shows that a bid period greater than two weeks replaces the shorter period with districts in the middle range. In the larger districts this trend is reversed. This latter trend may be influenced by the proximity of vendors as well as by more grouping of specialized items in bids.

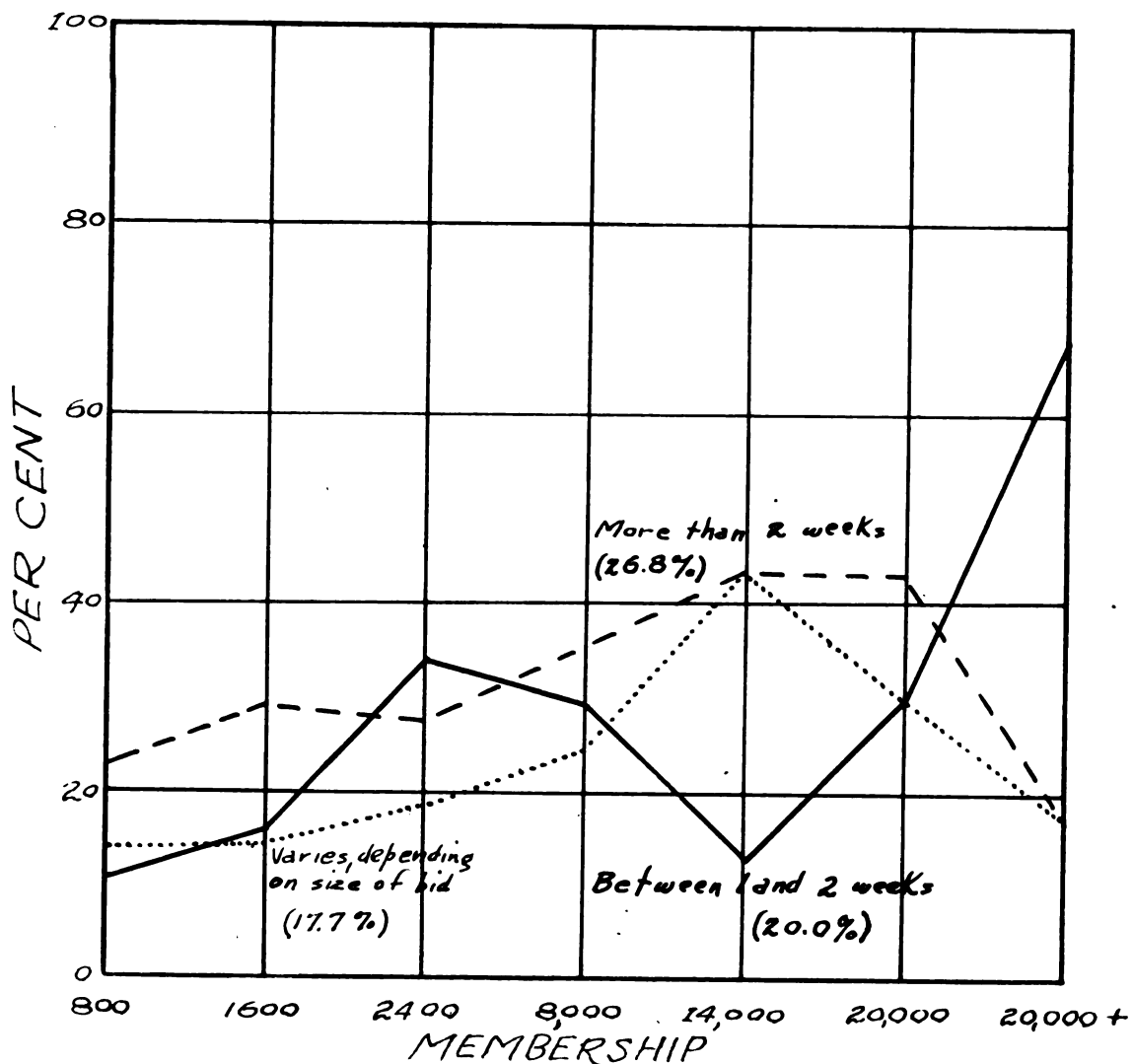


Figure 29. Bidding Time Allowed

Question 30 - Are samples requested with bids?

Criterion - Requesting that samples be submitted with quotations is good practice because they help clarify items quoted, and can prevent problems that might develop later.

Figure 30 indicates that the frequency of calling for samples increases with district size. Requesting them sometimes is probably related to the discriminating features of competitive bidding.

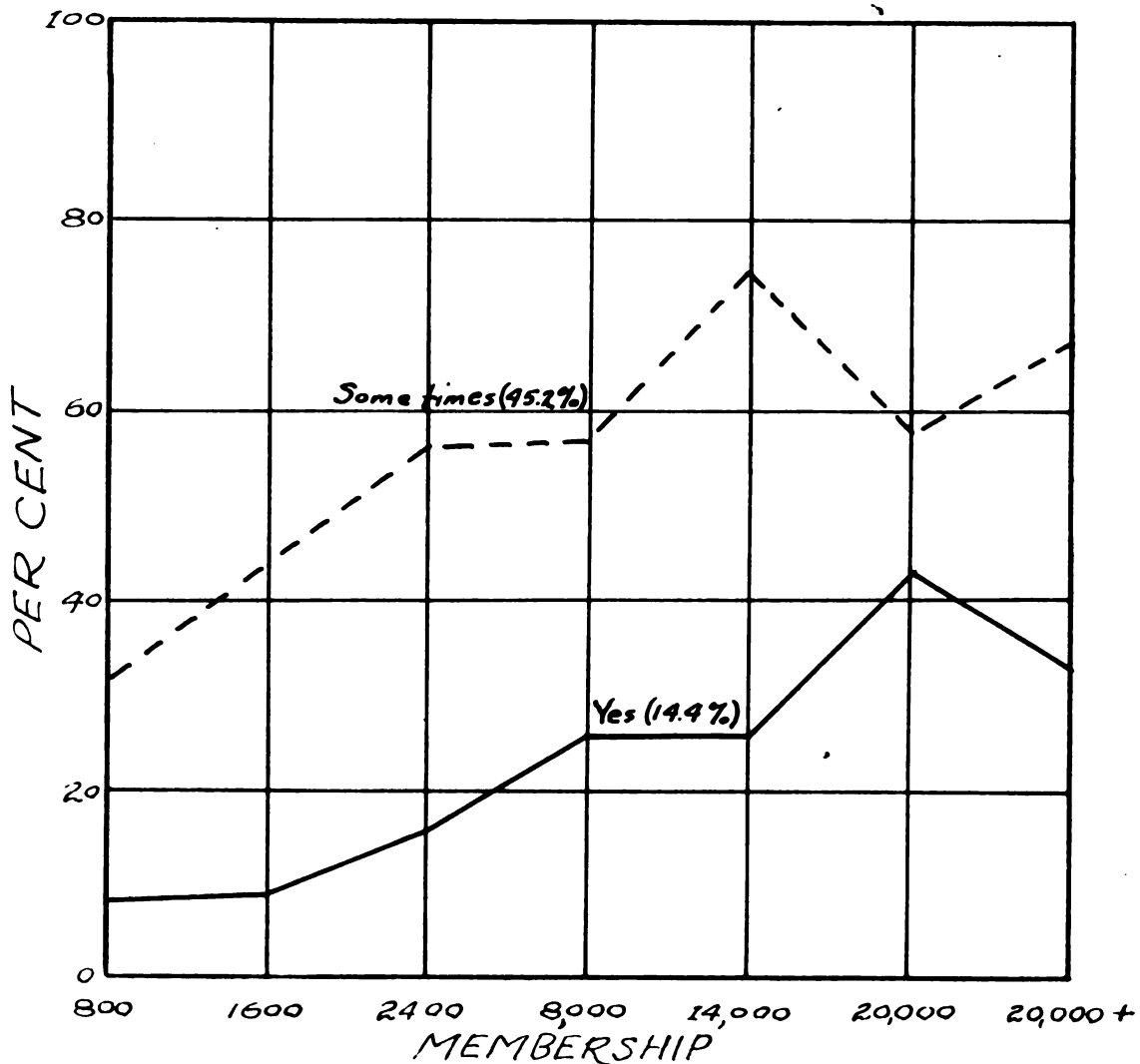


Figure 30. Degree to Which Samples are Submitted with Bids

Question 32 - If you are not now engaged in cooperative purchasing, what is the reason?

Note: Questions 32-37 have been included to determine the extent of cooperative purchasing, as well as its reported advantages and disadvantages. The use of criteria has been omitted for this part of the study.

Figure 31 shows that the preference to purchase for the individual district increases sharply in the 14,000-20,000 group. This appears to be the size at which the district believes it has enough volume to match cooperative purchasing. Figure 33 confirms this reasoning since the preceding size group shows the greatest participation.

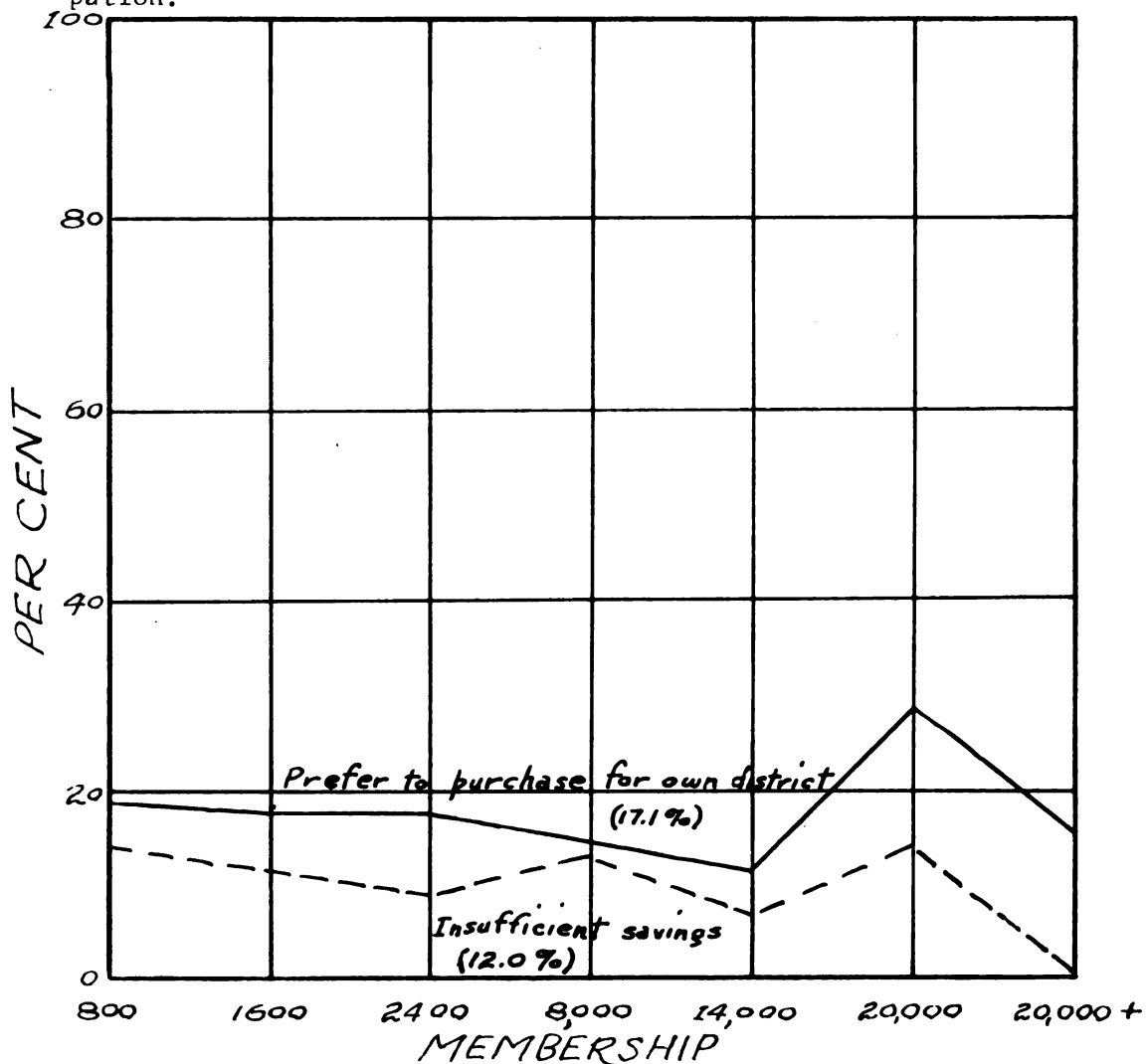


Figure 31. Reasons for not Participating in Cooperative Purchasing

Question 33 - Do you now purchase any instructional supplies cooperatively?

Figure 32 indicates that participation is significantly greater in middle-sized districts. That cooperative purchasing is currently practiced in urban areas would indicate that geographic location is a major factor. A tabulation showed that the average length of time that districts have participated is 3.1 years.

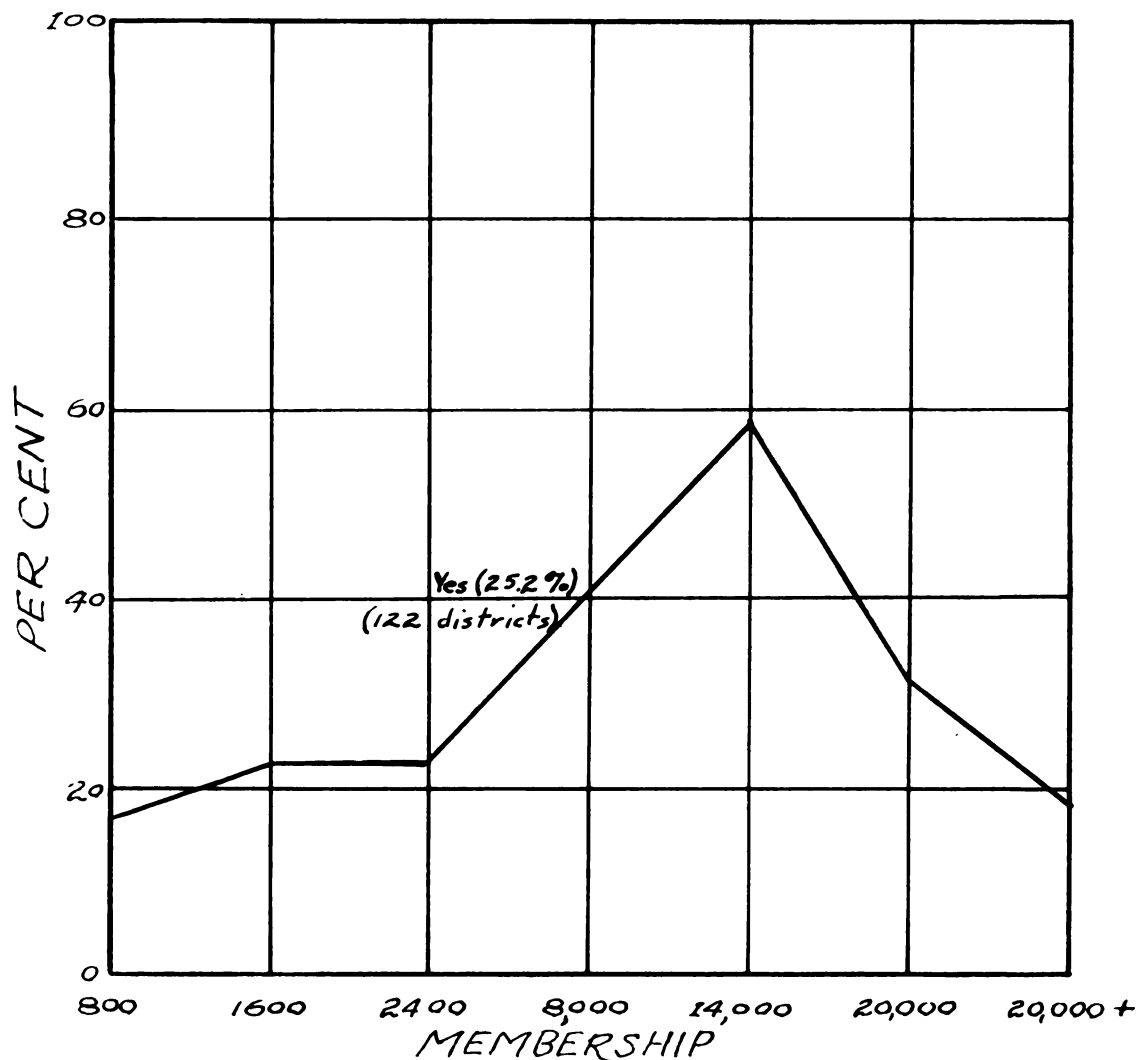


Figure 32. Extent of Participation in Cooperative Purchasing

Question 34 - What do you estimate is the approximate per cent of savings?

Figure 33 shows that the most active districts report less savings. This may be due to wider experience and more complete records. In the absence of time and cost studies, interpretation of the estimate must be limited.

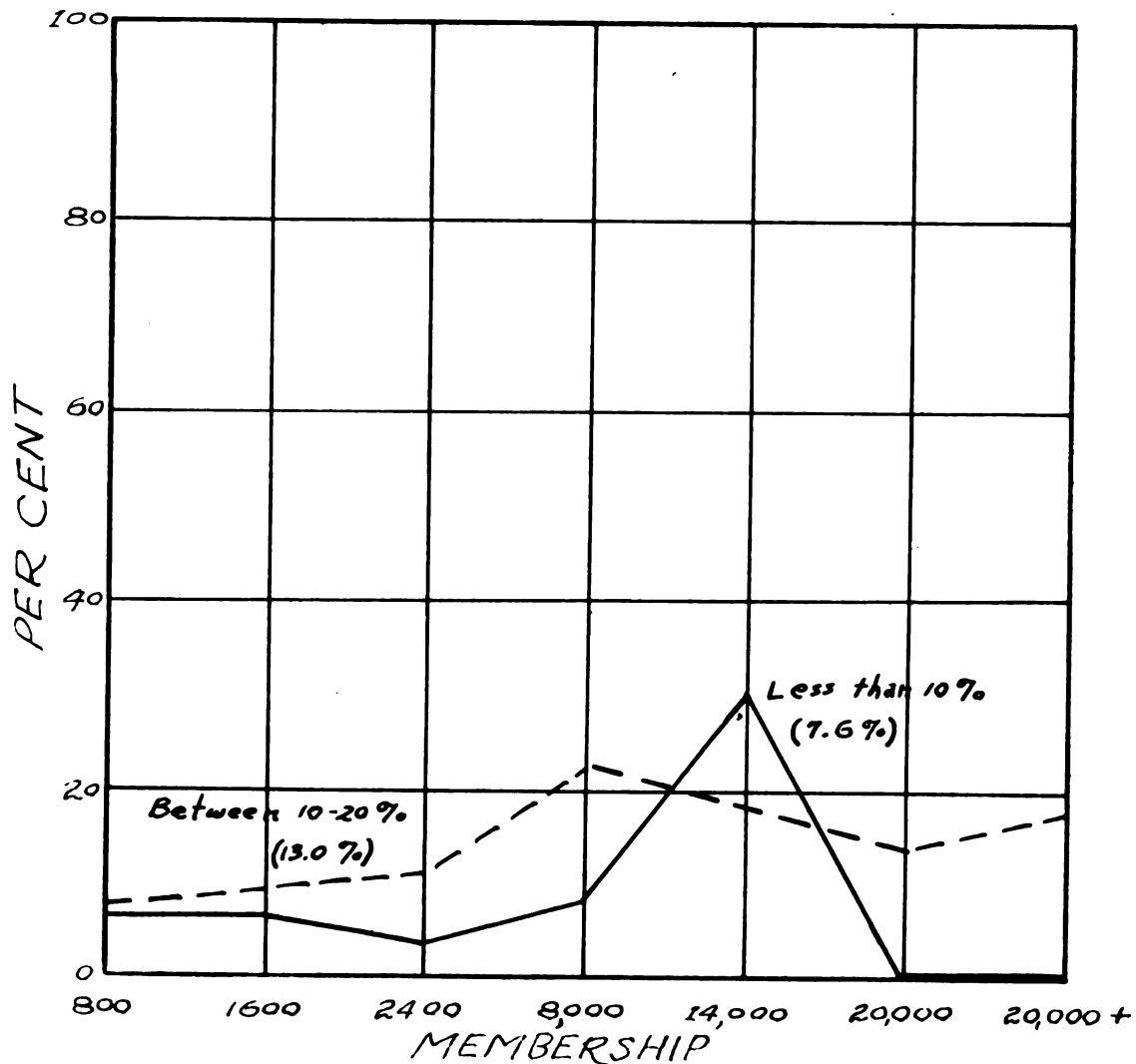


Figure 33. Estimated Per cent of Savings

Question 35 - What have been the advantages of cooperative purchasing?

In Figure 34, two out of five of the most active districts claim that lower prices and improved standards are the major advantages. Also mentioned as benefits by the total number of participants, but not shown in the chart, are savings in time (12.4%), more understanding (6.4%), and more vendor service (1.9%).

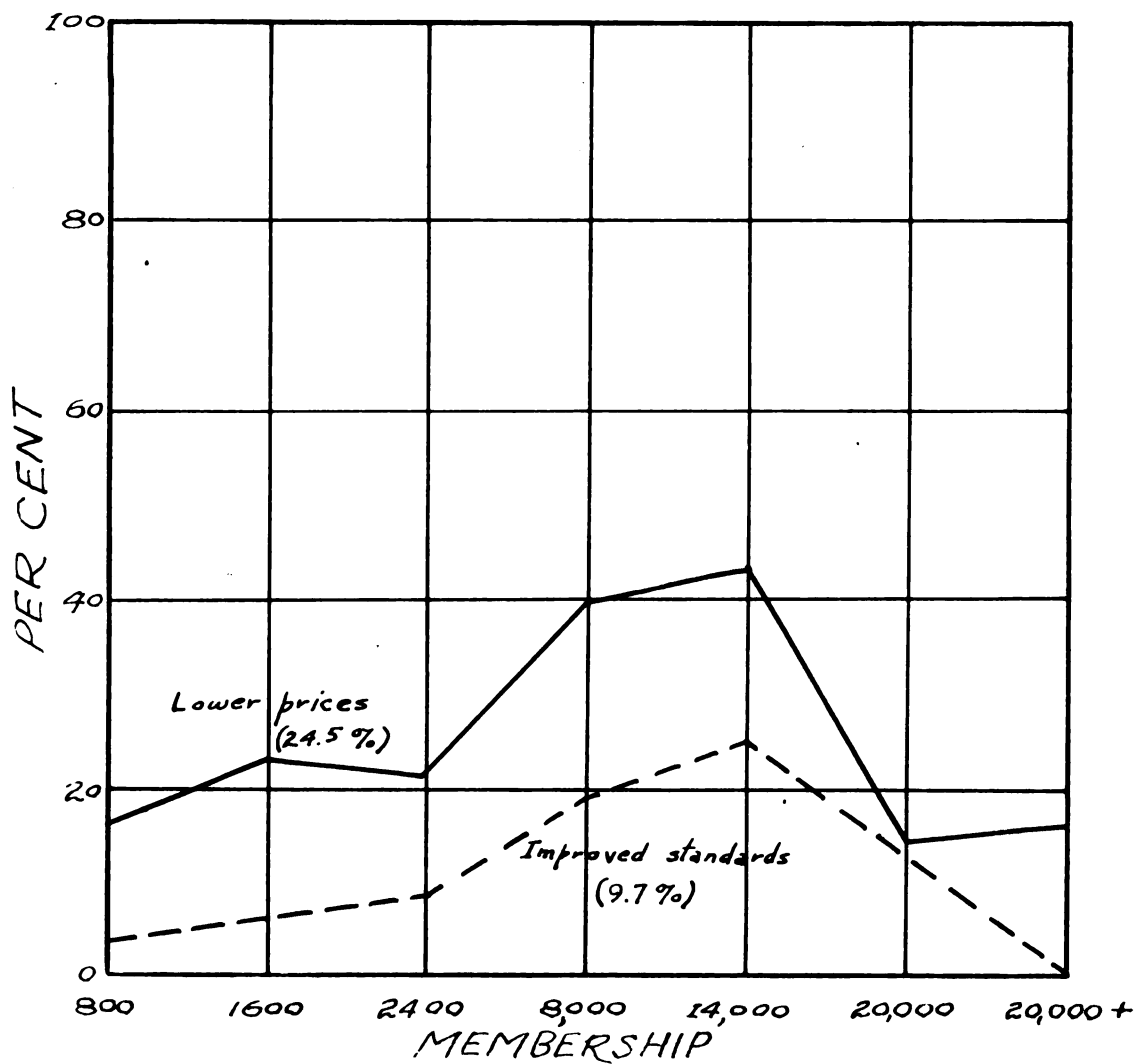


Figure 34. Reported Advantages of Cooperative Purchasing

Question 36 - What have been the problems in cooperative purchasing?

Figure 35 indicates a low incidence of problems. Since the program is voluntary, participants can be expected to find more satisfactions than problems.

Other problems reported, but not in the chart, are insufficient savings (1.9%), lack of interest (2.7%), and organizational problems and lack of time (5.6%).

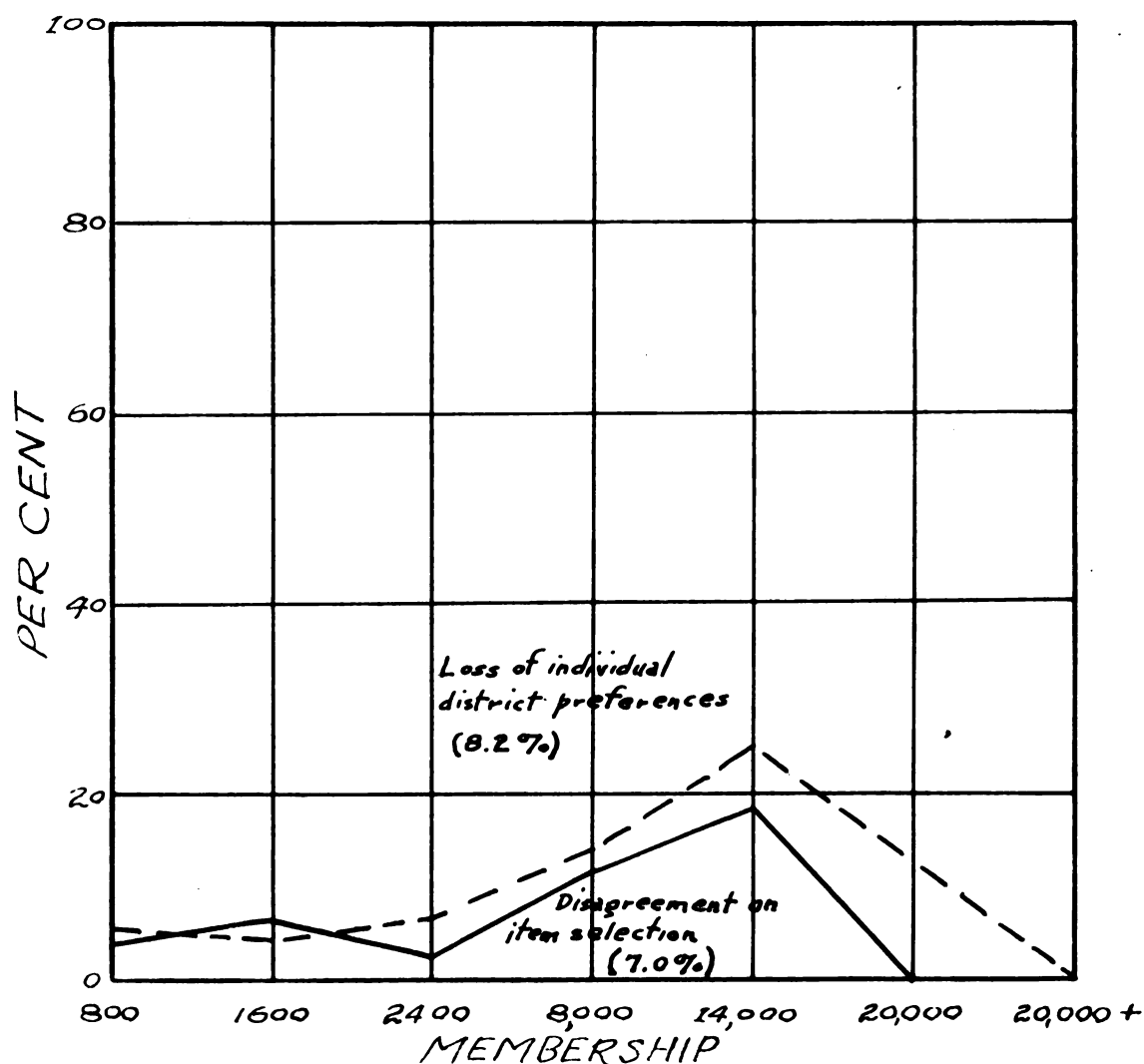


Figure 35. Problems Reported in Cooperative Purchasing

Question 37.-- How are supplies distributed?

Figure 36 shows that as the number of participating districts increases, there is a greater tendency to make deliveries to only one point in each district. It is valid to assume that vendors would find this necessary in order to maintain their profit margin. The question then becomes one of how much actual savings are realized when distribution to individual schools is made by school personnel.

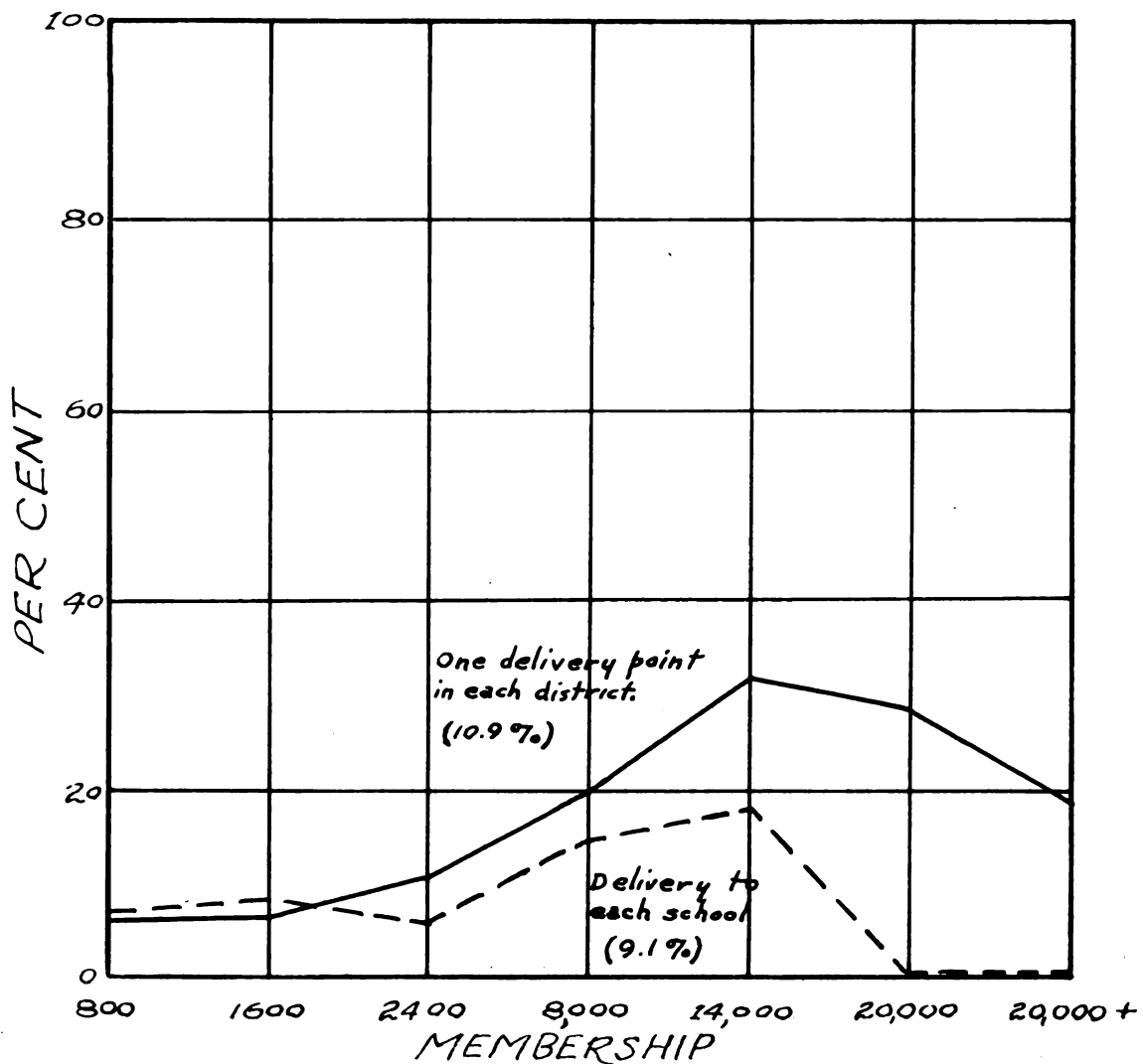


Figure 36. Number of Vendor Delivery Points

Data From Intermediate Districts

As indicated in Table 4, almost three-fourths of the intermediate offices do not purchase for their primary districts.

Table 4. How Much Purchasing the Intermediate Office Does for Primary Districts

Function Performed by Intermediate District	Number of Responses	Per cent
None	45	70.3
Perhaps supply lists	7	10.9
Consolidates requests	5	7.8
Obtains prices	7	10.9
Issues purchase orders	8	12.5
Other	9	14.0

The other functions referred to in Table 4 include procurement of the necessary administrative supplies, such as class records, attendance books, report cards, and tests. A number of intermediate superintendents pointed out that their office performs this service as part of their organizational program.

In order to clarify the high percentage of non-activity by the intermediate office, it is helpful to recognize the disparity in the statewide distribution of primary districts. Consider the following:

Thirty-six per cent of the intermediate districts have five or less primary districts.

Fifteen of the seventy-seven intermediate districts contain over half of all the primary districts.

On the basis of this information, it can be seen why most primary districts do their own purchasing: their scarcity, together with their small supply budgets and the geographic distances between them, do not appear to warrant efforts by the intermediate office. This is confirmed in Table 5.

Table 5. Reasons Reported by Intermediate Districts for not Doing any Primary District Purchasing

Reason Given	Number of Responses	Per cent
Distance between districts	6	9
Lack of uniformity in district size	4	6
Lack of interest	20	31
Other (the majority of these are the absence or scarcity of primary districts)	21	33

The small purchasing power of each primary district may make it economically unfeasible to involve the intermediate office, where there are only a few primaries in the intermediate district.

The other major reason given for non-participation is lack of interest. Miscellaneous reasons include lack of storage facilities, each district wished to do its own purchasing, and shortage of personnel in the intermediate office.

Thirty-four of the intermediate districts, or fifty-three per cent, have attempted to organize local districts for cooperative purchasing. At present, thirteen of the intermediate districts, or twenty per cent, are participating in cooperative purchasing of instructional supplies with districts larger than primary. Of this group, the average has been with eight districts for a period of five years.

There is a consciousness of cooperative purchasing among those intermediate superintendents who are not currently engaged in it. Several like the idea and spoke of exploring its possibilities, this year. Perhaps one reason for their interest is the fact that in fifteen counties there are currently operating cooperative purchasing programs that are not related to the intermediate office in any way.

Participation in cooperative purchasing, as well as attitudes toward it, provide an indication of how intermediate superintendents perceive their role. The majority see themselves as consultants. On this basis, they encourage initiative on the part of districts within their jurisdiction. Exceptions to this were found in certain urban areas where the intermediate superintendents activity sought to increase economies for all their districts. Others favor aid to the smallest districts by consolidating their requests and doing the purchasing for them. Results of the question on their attitudes are shown in Table 6 .

Table 6 . What Intermediate District Superintendents Believe Should Be Their Functions, as far as Cooperative Purchasing is Concerned

Function	Number of Responses	Per cent
To encourage all districts to do their own purchasing	2	3.1
To help all districts on a consultant basis	41	64.1
To help the smallest districts by consolidating requests	18	28.1
To do the purchasing for all districts served by the intermediate office	15	23.4
Other	8	12.5

Among the other aspects of how the intermediate superintendent perceives his function, the most frequent attitude is that if their districts desire, the intermediate superintendents are willing to help. Several expressed this thought, while others said they would appreciate leadership from the Department of Public Instruction. The majority appear to believe the initiative should be taken by others than themselves.

SUMMARY OF FINDINGS

Introduction

This chapter presented data relative to purchasing practices in 485 of Michigan's 604 school districts having a superintendent. Data were also presented from sixty-four of Michigan's seventy-seven intermediate school districts. Validation and clarification of the information gathered were provided by written and oral communications with a sample of superintendents. The viewpoints of the two major school suppliers were also included for points of agreement and disagreement.

Summary of Individual District Practices

Commonality of practice among the seven categories of district size has been shown graphically. The observations that follow are not exhaustive but seek to summarize the degree of usage of each practice. Further observations can be made by a district's personnel, upon comparison of their own practices with those of others in the same size group as well as with other groups.

Written purchasing policies - The majority of districts do not have written policies, but the per cent increases as districts get larger. It is possible that in smaller districts, because of less purchasing, such policies are considered unnecessary.

Item selection - Administration determines, in three-fourths of the districts, what items will be used. Although individual users make their own selection in smaller districts, this practice is replaced by committee decisions in the larger districts. This appears to support standardization as volume buying becomes greater.

Printed instructions for use of supplies - Supplies may be squandered by some teachers, hoarded by others. The purpose of written instructions is to provide adequate but not excessive quantities. Since the majority of districts furnish no instructions, it may be interpreted to mean that they do not consider this a major problem.

Charging fees - A basic question in this area is the legal right to charge fees. A distinction may also be made between charging for laboratory materials, e.g. broken glassware, and for classroom supplies or workbooks. Why three times as many districts charge for workbooks as those charging for classroom supplies, may be related to the relatively higher cost of the former, but there is no valid legal distinction between them.

Limitations on administration - Budgetary control is more extensive than control by a maximum dollar amount. The two means of control complement each other.

When the appropriation balance is known - Only one of four districts knows its appropriation balance at all times. Much can be done to correct this, by adoption of modern accounting practices.

Purchasing from petty cash - Half of the districts use petty cash for small purchases. Two out of five districts use it for emergencies. It is assumed that the remaining districts utilize open accounts and/or purchase orders. Since petty cash is convenient and economical, its use within a written policy can be greatly extended.

Extensiveness of specifications - While only fifty-four per cent of the total districts have written specifications, their use increases with district size. This corresponds to more standardization and formal bidding procedures. Only one-sixth of the districts include all items, however, indicating that personal preference may still be a major characteristic in determining which supplies are purchased. Supporting this, only one district in five requires that the specifications be adhered to.

Completeness of specifications - Adoption of a brief description parallels district size increase. Conversely, the personal preference of the user disappears in the larger districts, reflecting more standardization. One-fourth of the districts report use of a full description. The distinction between a brief and a full description is relative, depending on the detail considered necessary for positive identification.

Sources used in preparing specifications - Catalogs and the suggestions of users are both used by three-fourths of the total districts, but their influence declines in the larger systems. The influence of salesmen increases up to the largest districts, then drops drastically. It appears that in districts over 14,000 formal bidding diminishes the effect of catalogs, as well as user suggestions.

Writing specifications - Both administration and committees are used more as districts increase in size. The former, however, has the responsibility in three-fourths of the total districts, while committees have it in only one of five districts.

Standardization of supplies - This is more prevalent in larger districts and is practiced by all districts over 20,000 membership. It thus reflects the more impersonal and formalized purchasing structure.

Preference for local vendors - Three of five districts report such preference. The practice is rather consistent among all sizes, having a total range of only twelve per cent. Service is the major reason given for showing preference.

Maintaining a list of qualified vendors - As districts get larger, a higher proportion of them have such a list. This is partially due to necessity, since they utilize more vendors, as indicated elsewhere in this summary.

Keeping bidding records - Findings parallel those of the previous question, except in districts over 20,000 membership. The trend reflects the more specialized purchasing organization in larger districts.

Number of supply vendors - Fewer vendors are used in small districts, as would be expected. Five of six districts have ten or less vendors. Only in districts over 8,000 does the number of suppliers increase beyond ten, reflecting a more specialized curriculum.

Location of most frequently used vendors - The major school suppliers reach a higher per cent of districts in the middle range (2,400 to 14,000 membership) than they do in smaller or larger systems. In total districts, they deal with almost fifty per cent. Local vendors are more frequently mentioned as districts get larger, indicating that there are more of them available.

How most instructional supplies are purchased - This aspect of the purchasing process is shown to be closely related to district size. As competitive bidding gains prominence, the influence of salesmen and catalogs steadily declines.

Title of the person responsible for purchasing - As with the previous question, the difference that district size makes is clearly shown. As district size increases, there is further delegation of authority, from the superintendent to the business manager, to the purchasing agent. Other personnel classifications find some usage in the medium and larger districts.

Taking advantage of discounts - That small districts take no discounts is explained in part by the fact that the two major suppliers don't offer discounts as such. The other districts are about evenly split between those that take only authorized discounts, and those that take them regardless of the time limit.

How bids are solicited - Letters to vendors are by far the most common means of soliciting quotations, being used by almost nine out of ten districts.

How bids are generally awarded - Total considerations are replaced by low total for each item in larger districts. Price thus becomes the most important factor in volume purchasing.

Conditions under which purchase orders are issued - They are used by more than half the districts for all purchases, with the greatest per cent of increase in districts between 800 and 1600 membership. More than one-third of the systems use purchase orders except for small purchases and emergencies.

Paying for small local purchases - Petty cash is used by about the same proportion, one-third, of all districts. The open account is utilized most by the smallest systems, declining as districts get larger. The reverse is true with purchase orders, which find their most frequent usage in the big districts.

When competitive bidding is used - There is forty per cent greater use of competitive bidding in the largest districts than in the smallest. The rate of increase is not regular, however, for in districts between 2,400 and 14,000 membership, the upward trend is temporarily reversed. Participation in cooperative purchasing may be a factor here.

Distribution and form of written bid invitations - In both features of bid invitations, whether they went out to at least three vendors, and whether they included a right-to-reject clause, a positive correlation to district size was found. Legally, a board has the right to reject, whether the statement is included or not.

To whom bid invitations are sent - The emergence of the open market is reflected in the greater participation of any interested vendors as districts grow larger. This does not necessarily indicate any less interest in service, so much as it indicates more concern for obtaining supplies at the best possible price.

Presence of vendors when bids are opened - There is a low total incidence of vendors present at bid openings. It is probable that lack of vendor time and interest are more important factors than restrictions made by the purchasers.

Bidding time allowed - There appears an inconsistency in the time permitted, which is due in part to the nature of the items and the size of the bid. The period most frequently reported was more than two weeks, by one out of four districts.

Requesting samples with bids - Samples are more frequently requested in larger districts. Almost half the systems reported that they sometimes requested samples, presumably depending on the items involved.

Cooperative purchasing - The graphic presentations on this subject reflect diverse perceptions. Substantial support comes from the twenty-five per cent of the districts now engaged in it. Those not participating state as the primary reason a preference to do their own purchasing. Prevalence of this reason alone precludes the extension advocated by its exponents.

Lower price is the most frequently stated benefit of cooperative purchasing. This is subject to qualification, however, when the sorting and distributing to individual schools is done by educational personnel. In last analysis, it appears that the decision to engage or not engage in cooperative purchasing is dependent on study of its ultimate value to the districts contemplating it.

Relating Practices to Those Recommended by Authorities

Whether or not a majority of Michigan districts are following recommended practices is shown in Table 7. Almost half of the practices (46.7 per cent) recognized as desirable are being observed by a majority of the districts.

Table 7. Summary of Current Purchasing Practices in Terms of
Practices Recommended by Authorities

Criterion	Per cent of agreement with criterion	
	More than 50 per cent of districts	Less than 50 per cent of districts
<u>General Considerations</u>		
1. Written policies are basic to a sound purchasing program.		x
2. Item selection can best be made when it is a cooperative affair, one which includes users.	x	
3. Printed instructions for supply users are important as a means of obtaining optimum utilization.		x
4. Charging fees for regular instructional supplies is not good administrative practice.		x
5. Greater efficiency is promoted when administration is given latitude proportional to district size in making decisions regarding expenditures.		x
6. It is important that the supply appropriation balance be known at all times.		x
7. With proper controls, petty cash saves time and money in small and emergency purchases.	x	
<u>Establishing Quality Standards</u>		
8. Good business practice calls for specifications that are in writing, that include all items, and must be abided by.	x	
9. Supply specifications vary according to the complexity of the item. A brief description is recommended as minimum positive identification.		x
10. As many specification sources as are available should be used.	x	

Table 7 -- Continued

Criterion	Per cent of agreement with criterion	
	More than 50 per cent of districts	Less than 50 per cent of districts
11. Specifications, while many sources are used, can best be written by personnel responsible for purchasing.	x	
12. Standardization of supplies, in the form of supply lists, permits greater purchasing economy.	x	
<u>Selecting Sources of Supply</u>		
13. While there is some merit such as service and prompt delivery in showing preference for local vendors, their prices should be competitive with those of non-local vendors.	x	
14. Establishing and maintaining an up-to-date list of qualified vendors expedites the purchasing program.	x	
15. Maintaining the bidding record of each vendor provides helpful information on the history and current status of each.	x	
16. The number of vendors varies, depending on the subject area, volume of purchase and availability of items. It is important that there be sufficient vendor sources to promote competition.		x
18. Regardless of the number of sources used in purchasing, the aim is to purchase what best serves the district's needs.	x	
19. As districts get larger, it is imperative that delegation of purchasing authority be granted to specialized personnel.		x
20. Advantages should be taken of discounts by prompt payment. To do so beyond the authorized period, however, is poor practice.		x

Table 7 -- Continued

Criterion	Per cent of agreement with criterion	
	More than 50 per cent of districts	Less than 50 per cent of districts
<u>Bidding Procedures</u>		
21. Bids are to be solicited by whatever media will encourage competitive prices.	x	
22. Making supply bid awards can best be done on the basis of total considerations, with the lowest quotation for each item the major factor.		x
23. The use of purchase orders is recommended whenever practicable.	x	
24. While purchase orders are recommended, it may be found that the cost and time requirements for their use with small purchases is proportionately high. In such cases, other means may be more economical and feasible.		x
25. Competitive bidding is necessary in volume buying to insure that the lowest prices are obtained.		x
26A. It is recommended that written bid invitations go to a minimum of three vendors.	x	
26B. An important part of the written bid invitation is a statement giving the board the right to reject any and all bids.	x	
27. Any vendor is entitled to submit a quotation if he is considered to be qualified.		x
28. Bidders are entitled to attend bid openings. Their presence is to be encouraged.		x

Table 7 -- Continued

Criterion	Per cent of agreement with criterion	
	More than 50 per cent of districts	Less than 50 per cent of districts
29. While there are exceptions, the supply bid period is generally two to three weeks.		x
30. Requesting that samples be submitted with quotations is good practice because they help clarify items quoted, and can prevent problems that might develop later.		x

Summary of Intermediate District Practices

The majority of intermediate districts do not purchase for their primary districts. Major reasons for this are the scarcity of primary districts and lack of interest.

Most intermediate district superintendents perceive themselves as consultants. While a few have exerted leadership in some aspects of purchasing, initiative has generally been left to the local districts. This is illustrated by those cases where cooperative purchasing is in operation without participation by the intermediate office.

VALIDATING OPINIONS OF SUPERINTENDENTS AND VENDORSIndividual School District Superintendents

The opinions expressed by various individual superintendents, in interviews with them, generally reinforced what was reported on the questionnaires. Since the information requested was in terms of the "usual" practice, rather than an "either-or" alternative, the respondents were free to indicate how they generally handled various procedures in supply purchasing. A number of questions had multiple answers, which also allowed inclusion of variations in practice.

The most frequent comment made was along the lines of the following, which capsulates the common pattern:

We do the bulk of our purchasing during the summer months, on open competitive bidding. Supplies for use during the entire school year are all distributed to the individual schools, before the beginning of school in September. As small fill-in items are needed throughout the year, purchase orders are issued to local business concerns.

The above was expressed by the superintendent of a five-thousand-membership district, but reflects the place of purchasing in the educational organization for most of the medium and small districts. Within this framework, purchasers were able to respond directly to the questions raised in regard to how their purchasing procedures were handled. The incidence of non-response to individual questions was very low, confirming that the questions were generally understood.

Cooperative purchasing was the area which elicited the most conflicting evaluations. One administrator, from a district having seven thousand students, made this comment:

We have investigated the possibility of cooperative purchasing and find that there is a saving for small school districts but not much, if any, for districts of our size and larger. There is a saving if one is willing to accept any quality that the cooperative group purchases, which might be as good or better than is now being used, but in many cases the quality is poor.

A number of superintendents, while not participating, were eager to express their enthusiasm for the possibilities offered by cooperative purchasing. One said that he has been preaching its merits for years.

Intermediate District Superintendents

Opinions reflect generally the survey findings, i.e., that some degree of purchasing activity is engaged in by the county office, that others are currently contemplating it, and that there is a residue who do not have any present plans to become involved either in aiding individual districts or in cooperative purchasing.

Some intermediate superintendents believe that any involvement on their part with individual districts would be resented. One of these comments further:

I have noticed that superintendents often buy unwisely because they do not consult with the personnel using the materials and supplies, the use of which might vary from school to school, thus making it more unwise at an intermediate level. I think that too little training is obtained by the average superintendent for buying critically. However, I can see a greater need for other services at this time from the intermediate level.

In contrast to the intermediate superintendent who subscribes to a policy of non-interference, one who is active in cooperative purchasing expressed the opinion that the county office should provide leadership for all the school districts, in any way possible. In his words, his approach is "to encourage over the years, and actively participate in, all forms of cooperative enterprise wherever this satisfies either economic or professional standards."

Between these two points of view, one with an attitude of being available if needed, and the other aggressively seeking to promote ideas for greater savings, there are varying shades of opinion.

Vendors

Interviews were held with the sales managers of the two largest school supply firms in Michigan. The questionnaire's contents were discussed with them. Their points of view on various purchasing aspects follow:

The vendor's role - The most important thing that vendors have to sell is service. The school supply salesman, many of whom were formerly educators, serves a real need. His knowledge of school problems enables him to serve as an unpaid member of the superintendent's staff. Since he is in periodic contact with the school administration, he can better provide service for unforeseen changes. He is a professional person who places the school's concerns above the profit motive.

Competitive bidding - As a practice that is growing, the vendors welcome it, but within the fraternity of legitimate school suppliers. It is unfair to ask an established vendor to provide numerous catalogs, then to use them for doing business with other sources, particularly mail-order houses and other vendors whose only interest is in making the sale. Such outside bidders do not support the school program, i.e. they neither advertise in educational journals, nor do they support the conventions. The basic criticism of such sources is that they do not provide service. The net price quoted by the recognized supplier offsets the discounts of the low-price-only vendor because of the service feature. (By this reasoning the local vendor is acceptable because by his proximity he is in a position to provide such service.) Local vendor preference is a matter of board policy, and this is well recognized.

Time problems - The usual two-week bid period should be doubled, since vendors then would have ample time to contact manufacturers and confirm prices and delivery terms. Another time feature which would help balance the vendor's scheduling is a semi-annual order rather than an annual one.

Cooperative purchasing - This is a poor practice, one that is particularly unfair to small vendors. By participating in it, the vendor loses his identity. Price is the major factor, but price without service is self-defeating, and this is why cooperative purchasing will never be a purchasing panacea.

The foregoing perspective has merit in that it represents the views of the other party who enters into purchasing contracts. It is a reminder that purchasing is not a one-way affair, but involves the seller as well.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

RECAPITULATION

Four areas relating to purchasing were identified: general considerations in determining needs, establishing quality standards, selection of sources of supply, and bidding procedures. Cooperative purchasing was included as an additional category, but only to determine the extent of its practice. An intensive review of literature and research was conducted. The legal aspects of purchasing were examined for a validating background. Following this, a series of questions was prepared which covered related purchasing practices. Responses to the questions were solicited from all Michigan public school districts having a superintendent. A brief questionnaire was also used with superintendents of intermediate school districts to determine their purchasing role as well as their degree of participation in cooperative purchasing.

From recommendations of the Association of School Business Officials and other authorities, a set of criteria was prepared. The actual practices were then compared with those recommended. A summary of the status of current practices, as well as validating opinions, were presented in Chapter IV.

CONCLUSIONS

It will be noted, in studying the graphs, that the degree to which districts observe some practices relates to district size. While size is not a cause, it is a condition which characterizes some practices more than others. Further, it may be concluded that certain practices find optimum usage in districts of a particular membership range. Who does the purchasing, the incidence of competitive bidding, and the degree of standardization all illustrate this point.

Other practices derive their degree of utilization not by size differentials but by local board and administrative policies. They appear to be entirely dependent on the local policy, regardless of district size. Examples are found in such practices as charging fees, the suggestions of users as a source of specifications preparation, and in the use of a petty cash fund.

The implication of this distinction between those practices identified with district size, and those determined by local policy is that in the latter category, practices are changeable. It then follows that if local review indicates the desirability of modifying its practices, the district size is no barrier.

This assumes greater importance when comparisons are made with recognized criteria. It is not only helpful to know what practices could be changed by local policy, it is of further aid to know, by checking with recommended standards, what should be changed.

The foregoing statements provide background for the first two conclusions which follow. Other conclusions are based on findings from individual practices, and supplement the graphic interpretation. Still other conclusions might be drawn which apply to particular segments of school size.

1. Individual practices may be identified with district size, with local policy and administrative organization, or both.

2. Almost half of the purchasing practices studied are being used as recommended by a majority of Michigan school districts having superintendents.

3. The following approved practices are being utilized in varying degrees by Michigan school districts. The extent of their usage is identified with district size and qualified by local business administration policy:

- a. Written purchasing policies.
- b. Printed instructions for use of supplies.
- c. Liberalized authorization for administration to purchase.
- d. Application of method whereby the supply appropriation balance will be known at all times.
- e. Use of the petty cash fund, or other convenient means, to make small and emergency purchases.
- f. Use of written specifications.
- g. The basis of preference for local vendors.
- h. Competitive bidding.
- i. Having a minimum of three vendors for bid invitations.
- j. A quotation period commensurate with the size of the bid.

4. In the absence of legal clarification, and in the interests of organization and economy, local boards have assumed the initiative in such matters as delegating authority and charging for pupil materials. Some legal requirements are not being met, and such violations exist only because they have not been challenged and tested in the courts.

5. Substantial losses are resulting from failure by the majority of districts to take prompt advantage of discounts offered.

6. Cooperative purchasing remains a controversial subject, practiced by a few, discussed by some, ignored by the majority. Little is being done to confirm or disprove its merits, or to explore its possible applications.

RECOMMENDATIONS

The findings of the study and the conclusions drawn from them provide a basis for the following recommendations.

1. Personnel charged with purchasing responsibility need more background and guidance. This can be provided by the use of regular meetings with others in like capacity to exchange ideas and information; communication with the intermediate and state levels; professional courses toward certification; and pre-service and in-service education.

2. More initiative should be taken at the intermediate level to exert purchasing leadership, as is being done in a few notable exceptions. Aid to individual districts, particularly smaller ones, could include preparation of models for standard supply lists, specifications, standard bid forms, information on supply unit costs, and workshops for in-service training of school administrators. Rather than usurping local authority, such help reinforces it.

3. Likewise, contributions from the state level are needed:

- a. Collaboration and guidance on the projects suggested for the intermediate office can be extended.
- b. Much purchasing research can be provided.
- c. One of the most important aids at this level would be the preparation of a purchasing handbook to be used as a guide for all districts. Because it is contrary to local autonomy, and because of the wide range in local conditions, it is not recommended that statewide, centralized purchasing be considered.

4. Of particular concern to state authority is the clarification of current statutes. Additional study is necessary to clarify and provide more specific legal guidelines for local boards and administrators.

5. The intermediate district and the Department of Public Instruction can help, but responsibility for change rests primarily with the local district. The data clearly indicate those practices that require corrective action. The following recommendations for improvement in purchasing practices are accordingly directed to the individual school districts. In order to establish and maintain an

adequate program for purchasing instructional supplies, each district should:

- a. Have in writing its purchasing policies, instructions for use of supplies, and specifications. Local purchasing criteria should be specific, and subject to periodic review.
- b. Provide liberal monetary authorization for administration to purchase.
- c. Apply modern accounting methods so that the appropriation balances will be known at all times, provisions can be made to expeditiously purchase small quantities and emergency items, and prompt advantage can be taken of discounts offered.
- d. Establish a code for vendor relations that recognizes the mutual obligations of both parties. Contractual and general conditions of competitive bidding, the basis of any preference given to local vendors, and variations in the quotation period should be included in its contents.

6. Much more study is needed in cooperative purchasing. On the basis of the findings, it appears that the intermediate office is in an excellent position to provide leadership in this area. The feasibility of establishing even a limited program should be explored, and local administration should be stimulated and encouraged to consider its merits.

A number of recommendations are currently in effect in many districts, but more utilization and extension is needed. In final analysis, the degree of up-dating is dependent on the attitudes of those managing the schools, the importance they attach to purchasing, and the time they spend in the purchasing program.

SUGGESTIONS FOR FURTHER STUDY

1. This study has been confined to the areas which deal with purchasing mechanics and external features. Research is needed on the other, or internal, aspects. The Association of School Business Officials lists these as: methods of ordering; schedules for ordering, tabulating, purchasing, and delivering; delivery of supplies by vendors; and distribution of supplies to schools.

2. Similarly, only those practices related to instructional supplies have been surveyed. Parallel statewide studies in such areas as equipment and contracted services could further clarify and provide direction for improving purchasing practices.

3. There is need for further research of the elements of good purchasing practice that could lead to the development and preparation of a statewide purchasing handbook. Similarly, the entire area of purchasing practices should be studied in terms of what can be done to meet the recommended standards.

4. The economic status of districts is inherent in this study, but further enlightenment can be derived by relating practices to state equalized valuation. Such an analysis could provide a basis for rating purchasing practices of individual as well as intermediate districts.

5. Two-thirds of Michigan's school districts are primary.

Individually, their purchasing power may be small, but collectively this is not so. Because of this, there is a need to obtain more information on primary district purchasing, beyond what was gathered in this study from the intermediate districts.

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APPENDIX A

Dear Superintendent

Attached is a questionnaire which is to be used to gather data relative to current practices in purchasing instructional supplies.

In procurement of instructional supplies there are so many diverse factors that it is neither possible nor desirable to establish a single pattern. Administrative practices which are satisfactory in one district may be unsatisfactory in another.

While recognizing such differences, the attached questionnaire seeks to survey and identify current practices. Many school districts have initiated practices and procedures which have proven to be very effective. In sharing them with other districts there is considerable mutual benefit. Because the findings will be published, your response is needed so that recommended practices and procedures can be based upon a complete survey of current practice.

School administrators are becoming increasingly conscious of the savings which can be gained by developing good purchasing procedures and many times by purchasing cooperatively with other school districts. Because of this increased awareness, many requests for information and assistance are being directed to the Department of Public Instruction.

It is hoped that your response to this request for data will provide guidelines to current practices which can be published for the use of all school districts.

Any suggestions or comments you wish to make in addition to the items in the questionnaire will be appreciated. Thank you very much for your assistance and cooperation in this project.

Sincerely,

A handwritten signature in cursive script, appearing to read "Al Kloster".

Alexander J. Kloster
Deputy Superintendent, Administration
Michigan Department of Public Instruction

AJK/ae

APPENDIX B

QUESTIONNAIRE ON PURCHASE OF INSTRUCTIONAL SUPPLIES

INSTRUCTIONS: It is recognized that with lack of personnel and time, it is difficult to utilize adequate purchasing practices. A major purpose of this survey is to determine the status of present procedures, in order that helpful guide lines may be developed.

This questionnaire refers to **INSTRUCTIONAL SUPPLIES ONLY**, i.e. those consummable, relatively inexpensive items, such as chalk, paper, crayons, bats and balls, etc. Some questions **HAVE SEVERAL ANSWERS**, depending on your situation, so **PLEASE CHECK ALL THAT APPLY**.

Responses should reflect current practices in your school system, and not your opinion as to what constitutes a good practice. Feel free to make additional comments on the back of this sheet.

- | <p>1. Are your purchasing policies in writing?
 <input type="checkbox"/> completely
 <input type="checkbox"/> enough to provide a guide
 <input type="checkbox"/> no</p> <p>2. Who determines what instructional supplies are needed?
 <input type="checkbox"/> individual users
 <input type="checkbox"/> administration
 <input type="checkbox"/> committee
 <input type="checkbox"/> other _____</p> <p>3. Do you issue printed instructions regarding use of supplies?
 <input type="checkbox"/> yes, covering all subjects
 <input type="checkbox"/> yes, covering some subjects
 <input type="checkbox"/> no</p> <p>4. Does your district charge a fee for
 <input type="checkbox"/> workbooks
 <input type="checkbox"/> laboratory materials
 <input type="checkbox"/> classroom supplies (crayons, paper, etc.)</p> <p>5. Is administration authorized to make purchases within prescribed limits?
 <input type="checkbox"/> yes, within \$ _____
 <input type="checkbox"/> yes, within established budget
 <input type="checkbox"/> no</p> <p>6. When is the appropriation balance for the purchase of supplies known?
 <input type="checkbox"/> at all times
 <input type="checkbox"/> monthly
 <input type="checkbox"/> at regular intervals
 <input type="checkbox"/> at the start and end of the fiscal year</p> <p>7. May some purchases of supplies be made from a petty cash fund?
 <input type="checkbox"/> yes, for small quantities
 <input type="checkbox"/> yes, for emergencies
 <input type="checkbox"/> no</p> <p>8. How extensive are your specifications?
 <input type="checkbox"/> they are in writing
 <input type="checkbox"/> they include all items
 <input type="checkbox"/> they must be abided by</p> <p>9. How complete are your specifications?
 <input type="checkbox"/> user orders what he wants
 <input type="checkbox"/> single brand name or catalog number
 <input type="checkbox"/> brief description, plus one or more brand names
 <input type="checkbox"/> full description, with or without brand names</p> <p>10. What sources are used in preparing specifications?
 <input type="checkbox"/> suggestions of users
 <input type="checkbox"/> catalogs
 <input type="checkbox"/> recommendations of salesmen
 <input type="checkbox"/> samples submitted
 <input type="checkbox"/> other</p> | <p>11. Who writes the specifications?
 <input type="checkbox"/> committee of users
 <input type="checkbox"/> administration
 <input type="checkbox"/> individuals requesting the items
 <input type="checkbox"/> written specifications are not used</p> <p>12. Are supplies usually standardized so that a single selection is made for the entire district?
 <input type="checkbox"/> yes
 <input type="checkbox"/> no
 <input type="checkbox"/> sometimes</p> <p>13. Do local supply vendors usually receive any preference?
 <input type="checkbox"/> yes, based on _____ price, _____ quality, _____ service
 <input type="checkbox"/> no</p> <p>14. Is a list of qualified supply vendors maintained by your district?
 <input type="checkbox"/> yes
 <input type="checkbox"/> no</p> <p>15. Is a bidding record kept of each vendor?
 <input type="checkbox"/> yes
 <input type="checkbox"/> no</p> <p>16. Approximately how many vendors do you have for instructional supplies?
 <input type="checkbox"/> 5 or less
 <input type="checkbox"/> 6 to 10
 <input type="checkbox"/> 11 to 15
 <input type="checkbox"/> 16 to 20
 <input type="checkbox"/> more than 20</p> <p>17. Which vendors have generally furnished most of your classroom supplies in recent years?</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Name of Firm</th> <th style="text-align: left; border-bottom: 1px solid black;">Where located</th> </tr> </thead> <tbody> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> </tbody> </table> | Name of Firm | Where located | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
|---|---|--------------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Name of Firm | Where located | | | | | | | | | | | | | | |
| _____ | _____ | | | | | | | | | | | | | | |
| _____ | _____ | | | | | | | | | | | | | | |
| _____ | _____ | | | | | | | | | | | | | | |
| _____ | _____ | | | | | | | | | | | | | | |
| _____ | _____ | | | | | | | | | | | | | | |
| _____ | _____ | | | | | | | | | | | | | | |
| <p>18. How do you buy most of your instructional supplies?
 <input type="checkbox"/> salesmen
 <input type="checkbox"/> catalogs
 <input type="checkbox"/> competitive bidding
 <input type="checkbox"/> local vendors
 <input type="checkbox"/> other</p> | | | | | | | | | | | | | | | |

(OVER)

19. What is the title of the person directly responsible for purchasing in your district?
- ☐ board member
 - ☐ superintendent
 - ☐ business manager
 - ☐ purchasing agent
 - ☐ principal
 - ☐ teacher
 - ☐ other _____
20. When paying invoices, do you take advantage of discounts for prompt payment?
- ☐ always, even when late
 - ☐ only when paid within time specified
 - ☐ no
21. How are bids solicited?
- ☐ letter to vendors
 - ☐ telephoning local vendors
 - ☐ posting public notice
 - ☐ notice in local newspaper
 - ☐ other _____
22. How are supply bids generally awarded assuming they meet specifications?
- ☐ lowest total for each item
 - ☐ lowest total for entire bid
 - ☐ both of the above
 - ☐ total considerations, based on price, quality, and service
23. Under what conditions are purchase orders issued?
- ☐ for all purchases
 - ☐ in all cases except small purchases, or emergencies
 - ☐ never
24. What is the usual way of paying for small local purchases?
- ☐ petty cash
 - ☐ personal funds, reimbursed later
 - ☐ purchase order
 - ☐ open account
 - ☐ other _____
25. When do you use competitive bidding?
- ☐ in all cases
 - ☐ in all cases over \$ _____
 - ☐ in all cases except emergencies
 - ☐ for specialized items
 - ☐ not at all
- (Omit questions 26-30 if you do not use written bid forms.)
26. Do written bid invitations
- ☐ always go out to at least three vendors
 - ☐ include a statement giving the board the right to reject any and all bids
27. To whom are bid invitations sent?
- ☐ to specialized vendors, according to the type of commodity
 - ☐ to general vendors
 - ☐ to any interested vendor
28. Are bidders usually present when bids are opened?
- ☐ yes
 - ☐ no
 - ☐ sometimes
29. How much bidding time is usually allowed?
- ☐ 1 week or less
 - ☐ between 1 and 2 weeks
 - ☐ more than 2 weeks
 - ☐ varies depending on size of bid
30. Are samples requested with bids?
- ☐ yes
 - ☐ no
 - ☐ sometimes
31. What was your 1963-64 (fourth Friday) membership as reported to the Department of Public Instruction?
- The following questions are concerned with cooperative purchasing, which is an agreement between two or more school districts to combine their purchases of any items.*
32. If you are not now engaged in cooperative purchasing, what is the reason?
- ☐ prefer purchasing for only my district
 - ☐ lack of time
 - ☐ insufficient savings
 - ☐ don't believe in it
33. Do you now purchase any instructional supplies cooperatively?
- ☐ yes, years of participation
 - ☐ no
- If "yes", please answer the balance of the questions.
34. What do you estimate is the approximate percent of savings?
- ☐ none
 - ☐ less than 10%
 - ☐ 10 - 20%
 - ☐ over 20%
35. What have been the advantages of cooperative purchasing?
- ☐ lower prices
 - ☐ improved standards
 - ☐ savings in time
 - ☐ more understanding between districts
 - ☐ more vendor service
 - ☐ none
36. What have been the problems in cooperative purchasing?
- ☐ insufficient savings
 - ☐ general lack of interest
 - ☐ disagreement on item selection
 - ☐ organizational problems, and/or lack of time
 - ☐ loss of individual district preferences
 - ☐ other _____
37. How are the supplies distributed?
- ☐ vendor delivers to one point in each district
 - ☐ vendor delivers to each school
 - ☐ vendor delivers to one location, where each district sorts and distributes its share
 - ☐ other _____

Thank you for your response. Please return the completed form in the envelope provided, to

PURCHASING SURVEY
P. O. Box 164
East Lansing, Mich. 48824

APPENDIX C

To the Intermediate School District Superintendent:

A questionnaire on purchasing practices is being distributed at this time to all Michigan school districts except primary. A copy of the explanatory letter which accompanies the questionnaire is enclosed. In order to obtain information on purchasing for primary districts, as well as any cooperative purchasing activity by your office, the form below is being sent to you for completion.

Your cooperation in this matter is appreciated. The information obtained will help to provide a background for improving purchasing practices in Michigan schools.

PURCHASING QUESTIONNAIRE FOR INTERMEDIATE SCHOOL DISTRICTS

INSTRUCTIONS: It is recognized that with lack of personnel and time, it is difficult to utilize adequate purchasing practices. A major purpose of this survey is to determine the status of present procedures, in order that helpful guide lines may be developed.

This questionnaire refers to **INSTRUCTIONAL SUPPLIES ONLY**, such as chalk, paper, crayons, bats and balls, etc. Some questions have **SEVERAL ANSWERS**, depending on your situation, so **PLEASE CHECK ALL THAT APPLY**. Feel free to make additional comments on the back of the sheet.

1. How much purchasing for primary districts is done in the intermediate office?
 - ☐ none
 - ☐ prepares supply lists
 - ☐ consolidates requests
 - ☐ obtains prices
 - ☐ issues purchase orders
 - ☐ other (specify) _____
2. If the answer to question 1 was "none", what do you believe is the major reason?
 - ☐ distance between districts
 - ☐ lack of uniformity in district size
 - ☐ lack of interest
 - ☐ other (specify) _____
3. Is the intermediate office participating in cooperative purchasing of any instructional supplies with districts larger than primary?
 - ☐ yes with _____ districts number of years _____
 - ☐ no
4. Has the intermediate office ever attempted to organize local districts for cooperative purchasing?
 - ☐ yes
 - ☐ no
5. Are there cooperative purchasing arrangements within your district that are not related in any way to your office?
 - ☐ yes
 - ☐ no
6. What do you believe should be the functions of the intermediate office as far as cooperative purchasing is concerned?
 - ☐ encourage all districts to do their own purchasing
 - ☐ help all districts on a consultant basis
 - ☐ help the smallest districts by consolidating requests
 - ☐ do the purchasing for all districts served by the intermediate office
 - ☐ other (specify) _____

Thank you for your response. Please return the completed form in the enclosed envelope to

PURCHASING SURVEY
P. O. Box 164
East Lansing, Mich. 48824