

Procurement Practices in New York State School Districts

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PROCUREMENT PRACTICES IN NEW YORK STATE SCHOOL DISTRICTS

Executive Summary¹

The planning, purchase, and delivery of goods and services for school districts are managed by school business officials through a procurement process. The environment that school business officials face when managing procurement is challenging, because it is governed by a complex set of state and local laws and regulations designed to promote three goals: 1) ensuring the best price; 2) providing open and fair competition; and 3) preventing favoritism and corruption. The key objective of procurement is “to buy materials, supplies, and equipment of the right quality in the right quantity from the right source at the right price at the proper time.” (Wood, et al., 1995) However, efficiency objectives can conflict with financial and legal accountability. The tension created when choosing among goals implies that right answers to procurement pressures or problems are rarely clear and non-controversial.

Very little scholarly research exists about what policies and practices promote effective and efficient procurement management. Professional procurement organizations have documented the latest trends in procurement. However, information on actual practices used by school districts is limited, and evidence in support of the efficiency of “best” procurement practices remains anecdotal, at best. To understand how school districts manage procurement, a survey was administered to 679 school districts in New York State. The objectives of the survey were threefold: 1) to document important procurement practices used by New York school districts, including emerging innovations; 2) to analyze how adoption of practices is related to district characteristics; and 3) to provide district business officials and procurement staff an opportunity to identify the major procurement constraints they face.

Results from the survey indicate that procurement practices vary among school districts in New York, and this variation is most frequently associated with a district’s enrollment size. Our multivariate analysis hints that other factors may be at work as well, including proximity to other districts using certain purchasing practices and the presence of a planning process in the district. The following are more specific findings:

Procurement Methods. Most districts use a variety of methods for procurement, and these methods tend to vary by commodity, service, and size of the district.

- Competitive bids and request for proposals (RFPs) are important procurement methods for several categories of commodities, but are not the primary procurement methods in most districts. As expected, the use of competitive sourcing goes up with enrollment size due to bidding requirements under General Municipal Law (GML).
- The use of informal sourcing (price quotes, negotiation, sole sourcing) is most common for a number of materials and supplies (e.g. computer software, library books), and a number of services (e.g. financial services, travel services). Small districts are 2 to 4 times more likely to use informal sourcing as large districts, and districts tend to view competitive sourcing and informal sourcing as direct substitutes for several commodities.

¹ Please see Appendix F for a glossary of commonly used procurement terms.

- All districts have the option of purchasing commodities via the New York State Office of General Service's (OGS) contracts, in lieu of using competitive sourcing, to take advantage of the state's purchasing power. OGS contracts are a leading procurement method for a number of equipment, furniture, and supply categories. While OGS contracts would seem especially advantageous for small districts, their use of OGS contracts was limited by lack of information on available contracts and the complexity of contracts.
- The use of cooperative purchasing groups is important for food and dairy products and maintenance supplies. Very small districts are less apt to participate in cooperatives, possibly due to the lack of procurement staff to work with a cooperative.
- Use of cooperative service agreements (CoSer) with a BOCES is another procurement option, which a number of districts use for services, computer software, and food commodities. Small and medium sized districts are more frequent users of BOCES for materials, supplies, and some services than large districts. Over 80 percent of districts use BOCES for information technology (IT) services, with use linked significantly to district wealth and presumably to availability of state aid.
- Small purchases can pose a challenge for formal procurement systems, because they are often unplanned, of small dollar value, and difficult to control. Use of credit cards (procurement cards) by authorized users has been promoted as a way to maintain flexibility, keep transaction costs low, and provide some control over small purchases. Only one-fifth of New York districts use procurement cards, and their use goes up with enrollment.

E-procurement. E-procurement refers to a range of functions including electronic requisitions, use of the internet for product research and ordering, use of email and/or a government's website to communicate with potential vendors, solicit and process bids, and use of integrated databases for vendor, product, purchase order, and financial information. E-procurement is often touted as a way to reduce unit costs by expanding access to vendors, and decrease administrative costs by reducing paperwork and processing time. The following is a summary of e-procurement practices used by New York districts:

- Procurement staff in most districts use the internet to research price estimates, OGS contracts, or city and county contracts. Internet use for product and vendor research goes up with district size, but small districts are more apt to use the internet for small purchases.
- A much smaller share of districts accept bids online or use an electronic requisition system. Electronic-requisition use increases dramatically with the size of a district.
- Only a few districts have a website devoted to procurement for communication and interaction with vendors, and most of these districts are large in size. Some districts use a regional purchasing group or BOCES to post solicitations on the web as an alternative.

Constraints, Training, & Support. The survey asks several questions about the constraints faced by districts in managing procurement, what resources they presently use from the New York State Education Department (SED), and their interest in training and support on procurement topics.

- Approximately two-thirds of the districts responding to an open-ended question on constraints cited resource constraints (time, staff, and money) as affecting their procurement practices. Small districts frequently cited district size and rural locations as constraints. Large districts are more apt to cite legal restrictions and staff expertise as constraints.
- Over 70 percent of districts use SED procurement services, primarily the SED website. Large districts are much more apt to contact SED staff about procurement issues than small districts.

- Close to half of district respondents expressed an interest in general training and support, and over 80 percent are interested in training on OGS contracts. Training materials, a website on procurement practices, and conferences on procurement topics were requested by a number of districts.
- Small districts are less apt to be interested in training and support, despite the fact that they are less apt to use practices considered innovative among procurement professionals. The lack of trained procurement staff in these districts may partially account for this pattern.

Conclusions & Recommendations

Procurement in New York State school districts is one of many tasks school business officials perform in managing their districts' resources. School business officials procure goods and services through a variety of mechanisms to ensure that teachers, support staff, and administrators are getting the goods and services they need in a timely and cost-effective way.

The legal and institutional environments that govern and support procurement in New York State school districts have several strengths. The legal foundation for procurement in state and education law encourages open and fair competition through bidding requirements, and promotes district accountability through the designation of purchasing agents. State law permits districts to take advantage of economies of scale by buying from state, county or city contracts, forming cooperative purchasing groups with other public entities, and using BOCES to contract for administrative and educational services. To support these practices, the New York State Association of School Business Officials (NYSASBO), the New York State Council of School Superintendents (NYSCOSS), and the New York State Association of Municipal Purchasing Officials (SAMPO) assist school business officials by notifying them about changes in procurement laws and regulations and sharing good practices through conferences and training sessions. SED and the Office of the State Comptroller (OSC) also offer advice about how to interpret laws and set up sufficient control mechanisms to prevent fraud and corruption.

As independent public entities, however, school districts must cultivate their own expertise to manage procurement. Although the state agencies and associations listed above are available to guide procurement decisions, school districts lack a clear source of information and assistance with buying and contracting for goods and services. Our survey results suggest that school districts could benefit from a unified effort by state agencies and associations to clarify legal requirements, provide training assistance, and increase awareness of good practices for procurement. Examples of such efforts include:

- **Increased staffing within SED to provide technical assistance to school districts on procurement policies and practices.** The Office of Education Management (OEM) in SED is not sufficiently staffed to provide the assistance school districts need with procurement policies and practices. To the extent that New York State deems it important that school districts use efficient and effective procurement practices, it is important that SED has enough qualified staff to provide such guidance. Increased staffing within SED is crucial for the successful implementation of the other recommendations discussed below.
- **A website hosted by SED that acts as a central resource about procurement policy, legal requirements, and preferred practices.** OEM currently hosts a website with helpful information about procurement practices for school districts (<http://www.emsc.nysed.gov/mgtserv/gemsho.htm>). However, districts could be better served by a website that acts as an information repository compiling procurement

guidance provided by state agencies and professional organizations. The website should include SED's procurement policy handbook, training materials, information about and links to OGS contracts, examples of cooperative purchasing groups and contact information, information on BOCES procurement services, guidance on procurement innovations (such as procurement cards), model RFPs and bid solicitations, and links to national and state professional organizations that offer training for procurement personnel. Content for the website should be developed and maintained collaboratively by representatives from SED, OSC, OGS, and the School District Procurement Advisory Council (recommended below).

- **An annual procurement conference organized by SED.** These conferences should bring together procurement experts from SED, OSC, OGS, and professional organizations to present emerging issues in procurement practices to school district personnel. Districts could benefit from training on how to use OGS contracts, organize cooperative purchasing groups, and use e-procurement practices. Panels should address needs and concerns of districts of different sizes, recognizing that practices vary based on enrollment. Proceedings and materials from the conferences should be posted on SED's procurement website (discussed above).
- **An advisory council made up of representatives from school districts and professional organizations to inform state agencies (SED, OSC, OGS) about procurement problems and policy issues.** The council and agencies should meet quarterly to address concerns and develop advisory notices for all school districts. Our survey responses suggest an immediate agenda could include:
 - 1) *Consideration to revise GML bidding requirements.* The council should consider GML bidding requirements relative to size of district operating budgets. For example, procurements exceeding \$10,000 or 0.1 percent of operating expenditures in the previous year (whichever is higher), could trigger competitive bidding requirements instead of uniformly requiring districts (regardless of size) to bid for goods exceeding \$10,000 (and \$20,000 for public works contracts).
 - 2) *Clarification on the legal use of procurement cards.* The council should evaluate the use of procurement cards for low value, high volume purchases to reduce transaction costs.
 - 3) *Recommendations on procurement of professional services.* The council should determine if it is desirable to encourage periodic competitive sourcing of most professional services and develop model RFP documents for these services (e.g. auditing).
 - 4) *An investigation into the under-utilization of OGS contracts, especially among small districts.* If under-utilization is due to complexity of or lack of information about OGS contracts, then improvements should be considered in training materials and simplification of the contracting process. If lack of use is due to price, quality, or lack of delivery, then recommendations should be made on how SED can assist OGS in better matching contracts to meet the needs of school districts.
 - 5) *The development of easy-to-use, pre-packaged e-procurement tools* such as a software package that interacts with school districts websites to post procurement information and solicitations for vendors and bidders lists.
 - 6) *Recommendations on how procurement assistance can be provided to small districts with limited procurement staff.* Consideration should be given to expanding the role of BOCES in providing technical procurement services, or assisting small districts in sharing professional procurement staff.
 - 7) *Recommendations on procurement training courses.* The council should evaluate training material available from public procurement organizations, such as the National Institute for Government Procurement (NIGP) and National Association of State Procurement Officials (NASPO), and develop recommendations about courses that are appropriate and useful for school districts.