

# **Neshaminy School District**

## **Purchasing Review**



**Visitation Conducted November 16, 2015**

**Pennsylvania Association of School Business Officials**

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## **INTRODUCTION**

Under the direction of the Pennsylvania Association of School Business Officials (PASBO), three School Business Officials, recognized as experts in the field of school district business operations, were assembled to conduct a purchasing department for the Neshaminy School District. This review was at the request of the School District.

### **Jeff Ammerman, MBA, PRSBA**

The PASBO Study Team (Study Team) was assembled through the efforts of Jeff Ammerman, PRSBA, Director of Member Assistance for PASBO. Prior to his current position with PASBO, Mr. Ammerman was the Business Administrator at State College Area School District where he also served in a dual role as Director of Human Resources for a period of time. Jeff Ammerman graduated with a BS in Economics in 1988 from Penn State University and an MBA from Penn State University in 2004. Mr. Ammerman also worked as Business Manager at Philipsburg-Osceola Area School District and South Middleton School District. He was a PASBO regional chapter president in 2004 and prior to that Mr. Ammerman served as a Vice President of a regional chapter in the preceding two years. In addition to Mr. Ammerman, the following individuals comprised the Study Team:

### **Wayne McCullough, DBA, PRSBA**

Dr. McCullough served as the Chair of the Study Team. Dr. McCullough is the Chief Financial & Operations Officer and Board Secretary at the Southern York County School District. As Chief Financial & Operations Officer, he is responsible for all business functions, human resources, technology, operations and maintenance, food service, student transportation, public relations and marketing, safety and security, and community education programs.

Dr. McCullough has served as President, Vice-President, and a Director on PASBO's Board, Chair of PASBO's Facilities Committee, and Chair of PASBO's Materials Management (Purchasing) Committee. Dr. McCullough is the author of the "Elements of Facilities Management" and co-author of the "Elements of Student Transportation." He received PASBO's 2003 Award of Achievement in recognition of the outstanding practice: "A Guidance Document for Planning, Design, and Construction of Major Projects Using the Design Team Concept and the 2013 Award of Achievement for the program, "Cooperative Services Agreement between Two Non-Profit Organizations." Dr. McCullough was named the 2013 recipient of PASBO's prestigious Gary Reeser Memorial Award, for the outstanding school business official in Pennsylvania.

Dr. McCullough serves as an adjunct professor for Wilkes University's Master of Business Leadership program - teaching courses related to facilities management, student transportation, technology, and purchasing.

**Brian Pawling, MBA, PRSBA**

Brian Pawling serves the North Penn School District as the Assistant Director of Business Administration. In this position, Mr. Pawling manages the day-to-day responsibilities of the business office including the accounting, accounts payable, payroll, and purchasing functions. Mr. Pawling has served as the chairperson for the PASBO Procurement Committee and was the recipient of the 2013 PASBO Gold Award of Excellence in School Purchasing Operations while at the West Chester Area School District. He is also an instructor for PASBO's Elements of Purchasing course and has presented numerous procurement related seminars for PASBO.

## **BACKGROUND**

### **Neshaminy School District**

The Neshaminy School District covers 27.6 square miles in Bucks County, PA (serving approximately 70,000 residents. Neshaminy has 12 schools educating approximately 8,400 students from the boroughs of Hulmeville, Langhorne, Langhorne Manor, Penndel, and the townships of Lower Southampton and Middletown. The District currently operates 7 elementary schools, 3 middle schools, and 1 high school in a K-4, 5-8, and 9-12 configuration.

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Acting Superintendent of Schools/Assistant Superintendent for Curriculum, Instruction, and Assessment, Dr. Gloria Hancock. The Business Administrator is Barbara Markowitz.

### **PASBO**

The PASBO School Business consulting service is dedicated to assisting school entities to continuously improve their school business operations through a peer review process in which an experienced team of school business officials is selected to perform an on-site evaluation and analysis required for each unique school consulting project contracted. PASBO has been conducting School Business Administration Consulting Services since 1994 and to date and has completed staffing and operational reviews of:

- School Business Operations
- Transportation Operations
- Facilities and Custodial Operations and Staffing
- Purchasing Operations
- Technology Operations
- Human Resource Operations
- Child Accounting
- Educational Foundations

## **OBJECTIVES AND METHODOLOGY**

Qualified consultants and team members under the direction of the Pennsylvania Association of School Business Officials conducted a study of the purchasing functions of the Neshaminy School District (NSD).

- A. The Study Team refined the project goals and objectives with the Business Administrator and Superintendent prior to starting this project.
- B. The Study Team analyzed and reviewed current job descriptions and the organizational structure, including job functions, job assignments, and assessment of the level of job skills needed to perform the position responsibilities.
- C. The Study Team conducted on-site interviews with the Acting Superintendent, Business Administrator, and Director of Purchasing.
- D. The Study Team toured the Central Receiving/Warehouse and the Facilities/Operations building.
- E. The Study Team collected and analyzed School District information and data, including:
  - a. NSD 2015-16 Organizational Chart
  - b. Job Description: Director of Purchasing and Receiving
  - c. Job Description: Leader – Purchasing and Receiving Department (M-23)
  - d. Job Description: Shipper - Receiver (M-6)
  - e. Job Description: Secretary - Purchasing (S-5)
  - f. Job Description: Clerk Typing – Purchasing (S-1)
  - g. Agreement between the NSD Board of Directors and the NSD Administrators Association, July 1, 2015 to June 30, 2020
  - h. Collective Bargaining Agreement between the Neshaminy Board of School Directors and the Neshaminy Educational Support Professional Association PSEA-NEA 2014-2018
  - i. Accounting Procedures
  - j. Accounts Payable Procedures
  - k. Act 80 Form
  - l. NSD Budget Process and Calendar
  - m. Budget Transfer Process
  - n. Census Enumeration Process
  - o. Co-curricular Pay Process
  - p. General Rules and Procedures for Administration of Elementary School Petty Cash Accounts
  - q. Procedures for Establishing an Elementary School Petty Cash Account
  - r. Procedures for Closing Elementary School Petty Cash Account
  - s. Request Reimbursement of Petty Cash Account Procedures
  - t. Supplemental Pay for Homebound Instruction Instructions and Form
  - u. Hourly – Overtime Record Instructions and Form

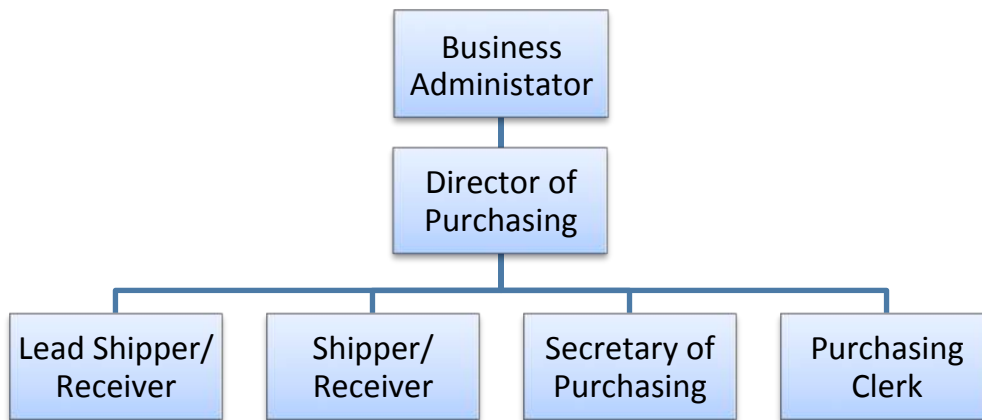
- v. Payroll Deduction Authorization Form
  - w. NSD Payroll Department Overview
  - x. NSD Personal and Per Capita Taxes Information
  - y. Sales Tax Procedures
  - z. School Business Approval Form for Workshops
  - aa. Student Accident Insurance Information
  - bb. Payroll Cycle Information
  - cc. Workers' Compensation Transition Work Information and Time Sheet
  - dd. Workshop Pay Instructions and Form
  - ee. NSD Purchasing Department "State of the Union" February 5, 2010
  - ff. NSD Purchasing Policies & Procedures Handbook for Staff
  - gg. NSD 2005/2006 Spend Analysis
  - hh. NSD Enrollment Data
  - ii. State Audits (January 2013 and February 2015)
  - jj. Board Policies related to Purchasing
- F. The Study Team analyzed human resource utilization and needs related to the purchasing functions of the NSD and provided recommendations for staffing alignment to meet School District needs.
  - G. The Study Team analyzed the receiving/warehouse operations of the NSD and provided recommendations to meet School District needs.
  - H. The Study Team provided an exit conference prior to leaving the School District.
  - I. Upon completion of the review, a draft of the report was delivered and reviewed with the Superintendent and Business Administrator.
  - J. The Study Team prepared a comprehensive report; identifying directors, clerical and other staff support for district business office operations. Included in the report are recommendations in the form of an organizational chart, discussion of major job duties, and specific procedural guidance for purchasing functions.
  - K. The Study Team provided fifteen (15) copies of the approved final written report.
  - L. If requested, a presentation of the final report will be made to the Neshaminy School District Board of School Directors at a date and time mutually acceptable.

## OBERVATIONS AND RECOMMENDATIONS

### Current Purchasing Operations

#### Department Structure

The purchasing department of the Neshaminy School District is comprised of the Director of Purchasing, a Lead Shipper/Receiver, a Shipper/Receiver, a Secretary of Purchasing, and a Purchasing Clerk. The Director of Purchasing reports directly to the Business Administrator and the other positions listed report to the Director of Purchasing.



The purchasing department is responsible for the procurement functions of the School District along with the central warehouse and mailroom operations. The purchasing offices and warehouse are located on the campus of Neshaminy High School at 2001 Old Lincoln Highway, Langhorne, PA 19047.

#### Department Responsibilities

The purchasing department is responsible for the following overall duties:

1. Processing approximately 2,300 purchase orders annually.
2. Procuring goods and services for the District through 2,200 non-purchase order purchases.
3. Conducting 20 sealed bids covering approximately 8,000 annually.
4. Receiving about 16,000 items in the central warehouse and deliver those items throughout the District.
5. Processing 1,000 intra-district move requests annually.
6. Administering the procurement card program for the District.
7. Picking up and delivering mail to 28 stops District-wide.



8. Managing the Warehouse Inventory System (WIS) and process warehouse orders for approximately 15,000 items that are requisitioned annually.
9. Keeping a detailed fixed asset system and dispose of obsolete equipment as necessary.
10. Overseeing the copier functions for the district and solicit proposals for new equipment at the end of a lease cycle.

### **Individual Job Responsibilities**

#### ***Director of Purchasing***

1. Develops, organizes, and directs the purchasing department including the warehouse and mailroom activities.
2. Trains department personnel to ensure effective procurement and inventory control.
3. Establishes necessary communications with vendors to ensure the best possible solutions for the district.
4. Maintains records including fixed assets, vendor data, and bidding results.
5. Obtains bids and orders materials to ensure best price and quality.
6. Establishes a general supply inventory for the warehouse.
7. Works with each school to establish a District-wide standardization of items.

#### ***Purchasing Secretary***

1. Performs general clerical duties such as typing correspondence, answering the telephone, and maintaining filing systems.
2. Receives and distributes incoming purchasing department mail to appropriate locations.
3. Types reports, memos, bids, and purchase orders as necessary.
4. Maintains inventory control records.
5. Assists District personnel with purchasing related questions.
6. Places online orders for district commodities.
7. Maintains district vendor database.

#### ***Purchasing Clerk***

1. Assists the Purchasing Secretary with all clerical functions of the purchasing department.

#### ***Lead Shipper/Receiver***

1. Drives District vehicle to multiple locations to deliver mail, supplies, and equipment as necessary.
2. Assigns and distributes work to the Shipper/Receiver.
3. Unloads delivery trucks and checks in items for the warehouse and other locations before delivery.

4. Takes mail to and from the post office for distribution.
5. Responsible for the upkeep and care of District delivery vehicles.
6. Performs other warehouse duties as necessary.
7. Assists in bid tabulation and evaluation.
8. Directs all US mail distribution and postage meter usage.

### ***Shipper/Receiver***

1. Receives and records all materials delivered to the central warehouse.
2. Follows standard procedures in checking and routing all equipment and parcels to their proper destination.
3. Sorts and separates all US and interdepartmental mail for delivery
4. Helps load and unload trucks at the central warehouse.
5. Informs school personnel of the arrival of materials and equipment ordered and obtains instruction on proper distribution of items.
6. Operates mechanical equipment as required including delivery truck and forklift.
7. Assists in the normal operation of the central warehouse as required.

### **Department Accomplishments**

Since 2005, the purchasing department was able to identify cost and time savings to the district. Some of those accomplishments include:

1. Successfully received a Mandate Waiver from the Pennsylvania Department of Education in 2007 which raised the district quotation and bidding thresholds from \$4,000 and \$10,000 to \$6,100 and \$15,200 respectively. This resulted in savings in advertising costs and time spent bidding lower priced commodities and services. In 2011, the state increased these thresholds statewide and included an inflationary increase each year. The current quotation and bidding thresholds for Pennsylvania in 2015 are \$10,500 and \$19,400 respectively.
2. Instituted a procurement card program in January, 2010 which allowed for quicker procurement of time sensitive items. The district also realizes a rebate on the amount spent through the procurement card program and receives a rebate check each summer for a percentage of the District's purchases.
3. From 2007 to 2009, the department purchased furnishings for the High School and was able to save over \$300,000 for the district by negotiating lower pricing through vendors.
4. In 2010, over 3,836 pieces of elementary furniture were purchased with a savings of over \$44,000 through vendor negotiation.
5. Negotiated a new 5 year copier lease with a \$250,000 annual savings (\$1.25 million savings over the 5 year lease contract term.)

6. Implemented a managed print service program and a printer cartridge cost reduction program through an outside vendor with a \$20,000 annual savings.
7. Added revenue to the District's general fund through the sale of obsolete assets of over \$65,000.
8. Explored and utilized multiple joint purchasing cooperatives including the Bucks County IU, Chester County IU, COSTARS, PEPPM, and US Communities to save the District money through combined purchasing strength with other member entities.
9. Established an E-procurement system via ESM Solutions (E School Mall) which allows District users to electronically requisition supplies and services from the District warehouse and outside vendors. E School Mall is also used to process and award District supply bids.
10. Realized freight savings by use of a third party shipping company for textbooks for an \$11,000 savings in the first year.
11. Executed an electronic reverse auction on copy paper that was able to save the District 11% versus the prior year costs. Due to the availability of lower costs from other sources, the purchasing department no longer conducts reverse auctions for this commodity.
12. The Department's purchasing manual is considered a best practice for school districts in Pennsylvania.

### **Observations and Recommendations**

It is the overall observation of the Study Team that NSD currently has a purchasing program that is committed to following professional standards and best practices in the acquisition of goods and services for the School District.

### **Organizational Structure and Staffing Levels**

The Study Team reviewed the current organizational structure related to the purchasing program, including the relationship with the business office and operations. The Study Team has concluded the following:

- The structure is appropriate for the size of the School District and scope of work needed to perform purchasing and warehousing activities.
- NSD staff involved in the purchasing process have adequate knowledge, skills, and experience to perform their jobs successfully.
- Formal job descriptions exist that define tasks that comprise particular jobs, however many need to be updated.

- It was the observation of the Study Team that dealings with School District employees and suppliers is conducted in a highly ethical manner and operational procedures follow related laws, regulations, board policies.

### ***Recommendations***

- The Study Team recommends the Director of Purchasing position be retained. Through attrition there may be an opportunity to reshape this position into a “supervisor” or “manager,” which may slightly reduce the salary. The Study Team does not recommend converting this position to a “purchasing agent” non-managerial position.
- There may be an opportunity to reduce or reassign one part-time clerical staff member. It is important to note, however, that there would not be redundancy of clerical duties during absences for vacation and/or leave. In addition, the director would need to pick-up additional work in the process to cover for the loss of redundancy and during busy periods of the year.
- There may be an opportunity to reduce or reassign one delivery/warehouse position. It is important to note, however, that there would be reduced services as a result of this reduction, including, but not limited to: (a) having only one mail pick-up location at each building, (b) only one mail pick-up/delivery per day at each building, and (c) then response time for meeting supply requests would usually be longer than 24 hours.
- The Study Team does not recommend assigning additional responsibilities to the business office. The business office is already minimally staffed for the amount of work required.

The Study Team reviewed the staffing levels of Council Rock School District and Pennridge School District due to similarities of the school districts with NSD. While similar in many ways, Council Rock’s annual budget is approximately \$220 million and Pennridge School District has an annual budget of approximately \$121 million. NSD’s annual budget is approximately \$175 million.

While Council Rock School District has two members in the purchasing department, the entire business office employees a total of 12 employees, not including purchasing.

In contrast, Neshaminy School District employees a total of 8.5 employees in the business office, not including purchasing.

At a smaller scale, Pennridge School District has decentralized purchasing and warehouse operations and has a total of seven employees in the business office. In this model, Pennridge School District allows building administrators to purchase supplies and have them delivered directly to the specified building. This

organizational structure does not provide efficiency in volume ordering and central warehousing for items such as paper, custodial, and classroom supplies.

Again, while there are many ways for school districts to organize overall business office operations, including purchasing functions, consideration needs to be given to the total number of employees required to function in a professional manner and in compliance with all regulations.

### **National Association of State Procurement Officials**

The National Association of State Procurement Officials (2008) recommends that the procurement office be headed by a “Chief Procurement Officer whose sole and full-time responsibility is the jurisdiction’s procurement system.” The centralized approach recommended by the National Association of State Procurement Officials is important for a large school district due to the volume and variety of procurement needs.

Smaller school districts will often split among several administrators or add to one administrative position the authority and duties of the Central Procurement Officer. Often, splitting or adding the procurement responsibility is not as efficient or effective because there are many other responsibilities that vie for attention on a daily basis.

Advantages of a centralized approach, with a dedicated Procurement Officer, include the knowledge and experience of procurement regulations, best practices, combined purchasing to achieve volume discounts, tracking of suspended and debarred contractors, and control over and safeguarding of resources that a dedicated official expert brings to the organization.

Additionally, centralized purchasing and warehousing provides for a financial savings from volume discounts and fewer shipping charges, along with monitoring of the quality of services and supplies provided by vendors. A central warehouse for commonly ordered goods also prevents one building from accumulating a surplus, while another building orders the same item due to a shortage. Although the financial limitations of a small entity often preclude the presence of a Procurement Officer, there are efficiencies to be gained by centralizing procurement and warehousing.

### **Warehousing**

#### ***Observations***

NSD operates a centralized warehouse under the supervision of the purchasing function that follows detailing operating procedures including services provided, procedures for requisitioning supplies, return procedures and delivery schedule. An inventory report is maintained showing the types and quantities of supplies maintained along with information about the number of orders filled.

The location of the warehouse is in close proximity to the administrative offices, garage, and maintenance shops. The receiving area is accessible to large motor trucks to permit direct unloading. There is adequate equipment to safely handle supplies.

Upon receipt, each delivery is checked for the following:

1. Correct number of packages shipped.
2. Condition of packages received. Freight companies are only responsible for the number of packages delivered in good condition. Each shipment is checked for any visible damage, such as leaking cartons, broken cartons, rattling sounds (broken glass, etc.) Such visible damage is noted on the delivery receipt.
3. When damage is apparent, a claim is filed with the freight company.
4. All packages are opened and then checked for correctness of items as ordered on the District purchase order and as indicated on the packing slip. Quantity, size, color, brand name, etc. must all comply

There are many advantages of a centralized warehouse operation including:

1. Savings in supply expenditures achieved through infrequent, large volume orders.
2. An adequate and continuous supply of needed materials can be assured with a minimum of storage space required in schools and departments.
3. Buying in advance of use, thus improving delivery by avoiding vendor's rush season and minimizing back orders, can eliminate peak purchasing loads.
4. By taking delivery at a central warehouse, adequate inspection of delivered goods can be maintained on a systemized basis.
5. Adequate supply inventory records can be maintained to facilitate studies of consumption, standardization, and price trends, to serve as a basis for scheduling and timing purchases.
6. Centralized storage of frequently used supplies and maintenance materials together with prompt distribution can eliminate the need for stockpiling in schools.
7. Ability to standardize equipment within the district for ease of repair and replacement.
8. Inventory control promotes effective buying. A good inventory control system helps maintain a continuous supply of material and minimizes the loss and disappearance of supplies.
9. Better customer service to buildings and staff. In addition to providing adequate and timely supplies to buildings the daily mail run is also able to include small emergency items for supplies and mail deliveries.

There are also advantages related to decentralized receiving and storage including:

1. Decentralized storage has the advantage of reducing the costs associated with upkeep of a central warehouse.
2. Decentralized storage eliminates the clerical and administrative duties associated with the operation of a central warehouse. It is important to note, however, that this cost in time and labor is transferred in part or in total to the schools and the central office.

3. Due to lack of storage facilities in most schools, housing of a year's supply of instructional and operating supplies is often not possible. Most agree it is cheaper to have a warehouse than to build and maintain storage space in schools.
4. The practice of making frequent purchases of materials to be delivered directly to the user reduces obsolescence, since merchandise is consumed rapidly and newer items can be promptly ordered. Changes in the instructional program requiring different materials are not impeded by the requirement of first using up old supplies.

### ***Recommendations***

While there is no one size fits all solution to centralized verses decentralized warehousing, the Study Team offers the following recommendations for NSD:

- The Study Team recommends maintaining the current centralized warehouse due to the advantages noted above. A shift to a decentralized warehouse would take a minimum of a few years of transitional work, including a study of the impact of staffing and storage available at each building. If the District's goal is to decentralize warehouse operations, the Study Team recommends a pilot program with one building to study the impact and to adequately train staff on purchasing, receiving, inventory control, and distributions procedures.

While the potential cost savings of a decentralized warehouse system may seem desirable, the Study Team warns of several potential consequences, including the following: (a) additional work for office staff that is currently not part of their job description, (b) inadequate storage space in buildings, (c) loss of internal controls, which sometimes leads to theft and misuse of supplies, (d) lack of parity between buildings with types and amounts of supplies, and (e) increased risk of noncompliance with quoting/bidding thresholds.

- The Study Team has extensive experience in school district operations and does not recommend the responsibility of a centralized warehouse be moved to facilities and transportation. Both facilities and transportation are full time responsibilities. Existing leadership do not have time to add this function and perform their current responsibilities to achieve the desired outcomes of any of these functions. In addition, in order to maintain proper internal controls, the Study Team recommends the warehousing function remains independent of facilities and transportation.

### **Reference:**

National Association of State Procurement Officials (2008). *State & Local Government Procurement: A Practical Guide*. Lexington, KY: The National Association of State Procurement Officials.