Guidelines for the School Business Administrator

Larry James Cole
Western Michigan University

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GUIDELINES FOR THE
SCHOOL BUSINESS ADMINISTRATOR

by

Larry James Cole

A Project Report
Submitted to the
Faculty of The Graduate College
in partial fulfillment
of the
Specialist in Education Degree

Western Michigan University
Kalamazoo, Michigan
April 1974
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Larry James Cole
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INTRODUCTION

This paper is the report of one phase of an internship recently served by the author. The internship consisted of a seven week practicum in the Portage Public Schools, Portage, Michigan working in the following administrative offices under the superintendent:

1. Transportation
2. Community Education
3. Personnel
4. Maintenance and Operation
5. Business

The author is currently superintendent of schools in Schoolcraft, Michigan (a fourth class school district), and is well aware of the need for a study in the area of school business management for either a new superintendent of schools or school business administrator. Some concentration in this area is essential to any superintendent of schools, particularly if he plans to move from a fourth class school district to a third class school district as his next move in the State of Michigan.

The study is divided into chapters dealing with basic school law differentiating between a fourth and third class school district, in addition to basic laws essential to the school business administrator, the history of school business management, the part school business management plays in administration, organizational patterns of administration, the school business administrator, and financial accounting in Michigan schools.
Without a basic understanding of the school business management and accounting phase of school administration the new superintendent of schools and/or school business administrator is courting failure.
CHAPTER I

UNDERSTANDING BASIC LAW

The school business administrator, whether he doubles as the superintendent of schools or is the business manager, must first become familiar with the school code of the state in which he is working. It was necessary for the author to study the basic laws relative to the school business administrator's position while serving the internship. Since there are some differences between a fourth and third class school district, as well as many laws that are applicable to both, the reader will be presented with both.

Classification of School Districts

According to the General School Laws (1970), school districts in the State of Michigan are classified into five general types of school districts based on student number and age as follows:

1. Primary Districts - K-8 districts with 1 - 75 students.
2. Fourth Class District - K-8 and K-12 districts with 76 - 2,400 students between the ages of 5 and 20.
3. Third Class District - K-12 districts with 2,401 - 30,000 students between the ages of 5 and 20.
4. Second Class District - K-12 districts with 30,001 - 119,999 students between the ages of 5 and 20.
5. First Class District - K-12 districts with 120,000 or more students between the ages of 5 and 20.

Before any school district transfers from one classification to another,
the electorate must approve the petition to transfer by a vote of the people.

Fourth Class vs Third Class

Since the internship was served in a third class district, and the intern worked in a fourth class district, it is appropriate to review the General School Laws that show a basic comparison between the two classifications as charted below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fourth Class</th>
<th>Third Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>340.44, Board Election and Term</td>
<td>7 members, 4 year term.</td>
<td>340.107, Same.</td>
</tr>
<tr>
<td>340.55a, School Meetings vs School Elections</td>
<td>A school board may hold a school meeting instead of an election if they have 600 or fewer students.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>340.57, Board Organization</td>
<td>Must meet on the second Monday in July to reorganize. The president, secretary and treasurer must come from their own board.</td>
<td>340.111, Same. Only required to elect a president and vice president from their own board. Other officers may come from outside the board.</td>
</tr>
</tbody>
</table>
| 340.59, Treasurer        | Must be bonded within 30 days of an appointment except if he is | 340.112, Shall bond only those handling money. (treasurer and
<table>
<thead>
<tr>
<th>Category</th>
<th>Fourth Class</th>
<th>Third Class</th>
</tr>
</thead>
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<tr>
<td>340.63, Board Meetings</td>
<td>Must hold one regular meeting per month.</td>
<td>340.111, Must hold regular meetings on second Monday of the month or as set by resolution.</td>
</tr>
<tr>
<td></td>
<td>No notice is necessary if the hour and place has been fixed by resolution.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Special Meetings:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. May be called by the president, or any two members by serving others with written notice of time and place, 24 hours before meeting if delivered in person, and 72 hours if mailed.</td>
<td>a. May be set by by-laws or resolution.</td>
</tr>
<tr>
<td>340.66, Superintendent's Contract</td>
<td>Three year maximum; other administrators also have a three year maximum.</td>
<td>340.119, Five year maximum; other administrators have a three year maximum.</td>
</tr>
<tr>
<td></td>
<td>A 90 day nonrenewal notice is mandatory prior to termination.</td>
<td>Same.</td>
</tr>
<tr>
<td></td>
<td>If no notice is given, there is an automatic</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Fourth Class</td>
<td>Third Class</td>
</tr>
<tr>
<td>----------</td>
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<td>-------------</td>
</tr>
<tr>
<td>340.72, Annual Election</td>
<td>one year renewal of the contract.</td>
<td>340.108, Same.</td>
</tr>
<tr>
<td>340.73, Special Election</td>
<td>May only elect board members at the Annual Election.</td>
<td>340.109, May be called by the board of education up-on the request of 5% or more of the school electors, but not less than 25 electors.</td>
</tr>
<tr>
<td>340.77a Borrowing Power</td>
<td>Allows borrowing for temporary purposes in the form of notes.</td>
<td>340.115, Same.</td>
</tr>
<tr>
<td>Business Manager</td>
<td>There is no provision in the statutes to employ a business manager.</td>
<td>340.118, Statute allows for the employment of a business manager.</td>
</tr>
</tbody>
</table>
The reader will note that the last law listed allows a third class district the necessary language to legally employ a business manager. There is no provision for the employment of a business manager in a fourth class district, and it is still not clear whether a business manager can legally be hired.

**Laws Applicable to All Districts**

Regardless of whether the superintendent of schools is the school business administrator or can legally employ a school business administrator, there are certain laws listed in the *General School Laws* with which the school business administrator must become familiar. Those laws that are applicable to both are briefly summarized below:

- **Law 340.564** - Stipulates that the board of education must certify the tax roll to each city and township clerk on or before September 1 of each year or within 10 days after the annual meeting if held in September.

- **Law 340.566** - Stipulates that tax money shall only be used for the purpose for which it was raised and can only be changed by a majority of the school tax electors.

- **Law 340.567a** - Authorizes a school district to borrow money and issue notes for general school operations from state aid revenues, and shall be payable from tax levies in the event sufficient state funds are not available. The interest rate shall not exceed 6% per annum.

- **Law 340.568** - Authorizes by resolution of the board that
they may invest debt retirement funds, building and site funds, building and site sinking funds, or general fund moneys of the district. Moneys in the several funds shall not be commingled for the purpose of making any investment and all earnings on any such investment shall become a part of the fund for which such investment was made.

Law 340.610 - Authorizes school boards to determine a depository or depositories in which the funds of the district shall be deposited. Also authorizes the treasurer to deposit all funds of the district in a manner provided by the board.

Law 340.612 - Makes law, the submission of an annual report to the superintendent of public instruction. This date has been set by the superintendent of public instruction as September 1 of each year. Said annual report shall be made public to the residents of the school district by November 1 of each year.

Law 340.641a - Allows school districts to collect their taxes in the same manner as cities, upon approval of the governing body of the city.

Law 340.643a - Allows school districts to authorize additional millage so voted to be levied and collected not before June 1 or after September 1 each year.

Law 340.681 - Allows school districts to bond their school district for buildings, equipment, athletic fields, playgrounds, other facilities, buses and urban renewal programs. Districts may not bond their district for more than 15% of the
total assessed valuation of the district, and extend the bonds for more than 30 years.

Law 340.788 - Authorizes school boards the right to provide medical care, including costs of hospitalization, and the right to expend school funds for insurance programs, as well as requiring a fee from participants for all or part of the cost of medical care, providing that no student shall be barred from participation in interscholastic athletic activities because of inability to pay the fee.

Law 340.871 - Allows school tax electors the power to vote a tax as they shall deem sufficient to purchase or lease a site or sites, and to build, hire or purchase a home for the use of the superintendent of schools, the teachers, or both, employed in the district, and to vote a tax necessary to furnish said home or homes.

Law 340.901 - Allows for the establishment of libraries in a township or school district by a vote of the people.

Law 340.909 - Allows a vote of the people to set the tax levy for library support.

Law 340.914 - Allows a school board to donate or sell any book or books belonging to said school district library.

Law 388.644 - Stipulates that not more than 5% of a school district's state aid may be expended for capital costs or debt service for debts contracted after December 8, 1932, and requires audits by certified public accountants at least once every three years.
Law 43, 1963 - A law that provides rules and regulations for public hearings on budgets. A public hearing must be held each year and the notice of the hearing must be published in a newspaper of general circulation at least 6 days prior to such hearing. Such notice shall include the time and place of such hearing and shall state the place where a copy of such budget is available for public inspection. Changes made in the budget subsequent to such public hearing shall not affect the validity of such budget.

Law 52, 1929 - Authorizes the attorney general to institute an investigation, examination and/or audit of the books, records and accounts of any township or school district or any public officer, and to provide penalties for the violation of this act.


Law 112, 1961 - A law that provides funds for making loans to school districts for payment of principal and interest on certain school bonds; and to provide for use of moneys repaid to the state by school districts.

Law 136, 1945 - A law to provide for retirement systems for Michigan public school employees.

Law 202, 1943 - A law relative to the borrowing of money by a municipality, and the issuance of bonds, notes and certificates of indebtedness, and to provide for tax levies and sinking funds.

Sec. 134.1 - Allows school districts to borrow money in
anticipation of the current year's taxes or the next fiscal year's taxes.

Sec. 134.3 - Allows school districts to borrow money in anticipation of the current year's taxes for operation, debt service and capital improvements as long as the current year's budget provides for these expenses.

Law 223, 1941 - Authorizes a board of education to create a sinking fund for the purpose of purchasing real estate for sites, and for the construction and repair of school buildings, and to authorize such boards to submit the question of levying a tax to create such sinking fund to the electors of the school district.

Law 317, 1968 - Allows guidelines relating to the conduct of public servants in respect to the conflict of interest of these servants with the body they are serving.

The above is not all inclusive, however, those that are listed are those the author has found most useful for the school business management operation. For those who wish more detailed information on the above laws, may obtain this information from the General School Laws.
CHAPTER II

HISTORY OF SCHOOL BUSINESS MANAGEMENT

The importance of public education in the United States is of the first magnitude. So vital has the business operation of a public school system become that the school business administrator has emerged as a highly important member of the school management team in those school systems where the superintendent does not serve this dual role.

Hill (1970) wrote that school business management has existed since the beginning of public school systems in the United States. In early systems, taxes and/or fees were collected for teachers' salaries, keeping financial records, paying rent, and supplying fuel. The duties were normally performed by municipal officials, and later, by members of local boards or board committees.

The first known full-time business administrator was appointed in 1841 in Cleveland, Ohio according to Hill. The administrator was called an acting manager and had such responsibilities as keeping an accurate record of all money paid out, to provide fuel, and to take charge of buildings and fixtures. A superintendent of schools was not appointed until twelve years later.

Hill further notes that as late as the 1800's and early 1900's many school boards began to hire business administrators who had equal status with the superintendent of schools. This was referred to as "dual control". Later the "unit control" was favored which
places the superintendent of schools at the top. However, the business role became so important that in 1910 the National Association of Public School Business Officials was formed. It later changed its name to the Association of School Business Officials. Since that time, major decisions relating to curriculum, school organization and personnel became interdependent decisions relating to finance, buildings, and equipment and supplies.
CHAPTER III

BUSINESS MANAGEMENT - A PART OF EDUCATIONAL ADMINISTRATION

William H. Roe (1961) defines school business management as follows:

School business management may be simply defined as that phase of school administration dealing with the management of finances, facilities, and noneducational services necessary for the orderly operation of a school system.

The function of the school is to educate children, and its main activity is instruction. All other activities are considered facilitating and service functions. One must keep in mind that if these other functions are not performed with precision, the instructional program will suffer. Roe notes that the breakdown in the business management side usually becomes more apparent than a breakdown in the instructional side.

Confidence or lack of confidence is usually developed in an administrator's managerial skills in the business and service areas of the school. When the superintendent of schools begins to fail in these areas, he is likely to delegate his instructional leadership responsibilities to others in order to spend the major portion of his time in the business management of the school. Roe summarized the importance in the balance of managerial skills in the following statements:

Good administration requires a proper balance between the instructional and business management sides.
of the school...The administrator helps to bring about this balance by creating an atmosphere in which the two work together...management (business) is complimentary to instruction; its function is to aid and abet instruction. Only through a wholesome acceptance of this philosophy can a superior school system be built.

As a result of higher costs and an increase in services, boards of education and the public at large have placed greater emphasis on the business affairs of the school. Roe states that this is natural because the average layman knows more about business than instruction. The top administrator, however, must show how business management can be judged only through the educational program.
Various organizational patterns exist in school administration throughout the United States. Business administration as previously mentioned had been placed on a level equal to instructional administration in the early days of public schools. However, it was found that the dual system became a "duel system" and as a result, many internal administrative problems developed. The reason many kinds of organizational patterns exist today is because education has not been nationally oriented. Frost (1968) writes that the Constitution of the United States carefully stipulates certain powers are reserved for the federal government (enumerated powers). He further notes that certain powers are reserved for the state government (residual powers), and certain powers are shared by both (concurrent powers). Frost notes that maintaining school systems is a residual power, and rests with state government. State constitutions further delegate the responsibility of educating children to local communities. As a result, organizational patterns have developed a lot like William H. Newman (1953) describes below:

Like an old New England farmhouse which grew without any general plan. The first two or three rooms were constructed when the family was small and money was scarce. Then as the family grew, a room was added here and a wing there until the house became a sprawling ill-matched structure, with foundations, floors, and walls bearing little relationship to one another except their physical proximity.

A more recent study conducted by the American Association of
School Administrators (AASA) (1971) revealed three basic types of organizational structures in the United States. The three basic patterns are summarized as follows:

1. Centralized Structure - the central office is charged with the primary responsibility for designing educational programs and transmitting the required directives to operational administrators and supervisors at the local level to implement those programs. Approximately 86% of the school systems in the United States are of this nature.

2. Central-Intermediate-Local Structure - the distinguishing characteristic of this type of structure is that an intermediate or district office is charged with the management of a certain number of local units. Central action occurs through an intermediate unit to local school units.

3. Modified (Decentralized) Structure - was intended to mean movement toward decentralization but less than total implementation of the concept.

The Portage Public Schools practices the Centralized Structure with various modifications that emphasize the "cabinet level" approach. The level of cabinet representation consists of those holding the rank of assistant superintendent for two positions and director for the other administrators. The business manager holds the position level of director. (See organizational chart in Appendix A, page 41)
CHAPTER V

THE SCHOOL BUSINESS ADMINISTRATOR

Definition

The author is the superintendent of schools, the school business administrator, special education director, vocational education director, transportation director, buyer, and community-education director in his school district. As school systems grow, the division of labor becomes more necessary in order for the superintendent to function efficiently. The superintendent is then able to name additional personnel to these administrative functions. The school business administrator is also a position with many names, and differing responsibilities. Hill (1970) conducted a study pertaining to titles used for school business officials. The study was conducted in the United States and the Provinces of Canada and revealed the following:

Thirty-one states or provinces used the title of Assistant Superintendent, twenty-seven used Business Manager, seventeen used Administrative Assistant, fourteen used Clerk, twelve used Secretary of the Board of Education, and six used Business Secretary. Other titles occasionally used were Superintendent of Building and Grounds, Clerk-Treasurer, Director of Business Affairs, Business Superintendent, Financial Secretary, and Controller.

Hill further explains that after 1960, representatives of the American School Business Officials and The American Association of School Administrators arrived at this joint definition of titles:

Persons dealing with specific phases of school busi-
ness administration will be referred to as school business officials. Persons dealing with the total area of school business, and with subordinate school business officials, will be designated as school business administrators.

In other words, the school business administrator is assigned to administer the business affairs of the school district. Regardless of the type of organization, the school business administrator is responsible for general business administration.

Responsibility

Hill stated that generally the major areas of responsibility for the school business administrator are as follows:

1. Budgeting and Financial Planning
2. Purchasing and Supply Management
3. Plant Planning and Construction
4. Community-School Relations
5. Personnel Management
6. Inservice Training
7. Operation and Maintenance of Plant
8. Transportation
9. Food Services
10. Accounting and Reporting
11. Data Processing
12. Grantmanship
13. Office Management
14. Educational Resources Management

At the time of the internship, the Portage business manager was functioning directly in all of the above areas, and indirectly in personnel management, inservice training, operation and maintenance of plant, transportation, and food services. Other directors are hired to handle the indirect responsibilities. He would appear to meet the definition of the school business administrator.

The Portage business manager is directly responsible to the superintendent of schools. In his office is a buyer. Also five
clerks handle secretarial duties, internal accounts, inventory control, insurance, payroll, general fund, food services accounting, building and site fund accounting, debt fund accounting, and federal fund accounting. No other personnel are responsible to the business manager. (See organizational chart in Appendix A, page 41)

Job Description

Below is a list of principal activities for the business manager and buyer for the Portage Public Schools. These are listed for the reader who might desire to follow the cabinet level administrative approach:

Business Manager

1. Financial Planning
   a. Develops the budget in coordination with educational planning with the superintendent, other administrators and teaching staff.
   b. Estimates receipts and prepares cash flow projections for borrowing against state aid in accordance with law.
   c. Controls the budget as approved by the board of education with continuous internal auditing.
   d. Develops long term fiscal planning for the operation budget.

2. Supervises the accounting of the school district's eleven major funds to insure conformity with law and the following of sound accounting principles. The business manager directs the completion of all routine monthly reports but develops other special reports requested by the board of education or superintendent of schools. This includes the supervision of five women working in various capacities in the accounting section.

3. Purchasing and Supply Management
   a. Supervises the buyer and purchasing clerk in the preparation of specifications for bids and the making of purchasing decisions. Works with the superintendent in making the final decision on major purchases.

4. Insurance
a. Prepares the specifications for insuring the buildings and their contents.
b. Reports and follows up on all claims.

5. Bonding, Investments, Debt Service and Capital Fund Management
   a. Manages the school district's investment portfolio in a manner which assures maximum earnings from idle funds.
   b. Arranges long term financing for capital construction projects which includes developing the necessary financial prospectus.
   c. Schedules the proper debt service payment procedures and files the required reports with the State Municipal Finance Commission.

6. Reporting
   a. Prepares the many financial and statistical reports required by local government units, the State Department of Education, other state department agencies, and finally the federal governmental agencies.

7. The business manager is responsible for the certification and collection of the proper taxes for the general fund, building and site fund, and the debt retirement funds.

8. The business manager shall serve on the board of education's negotiation team. (See job description in Appendix B, page 43)

Ovsiew and Castetter (1960) state that the school business administrator has two general functions which are as follows:

1. Line officer for certain of the non-professional employees in the system, such as custodians, office personnel, bus drivers, etc.

2. Business services such as preparing specifications, maintaining records of business transactions, computations associated with budget, etc.

The reader will note that function number one does not directly apply to the business manager in the Portage Public Schools due to the demand for a greater division of labor. (See organizational chart in Appendix A, page 41)
Buyer

The buyer is directly responsible to the business manager. His principal activities are as follows.

1. Reviews requisitions.
2. Gathers data for determining supply and equipment needs.
3. Assists administrative staff, principals, and department heads in the selection of materials or equipment for specific use in educational programs.
4. Writes specifications for equipment and supply bids.
5. Prepares bid forms, secures bids or quotations and negotiates prices on goods and services when necessary.
6. Reviews bids and/or quotations and makes recommendations for purchases.
7. Prepares purchase orders.
8. Coordinates all aspects of the purchasing process up to the point where payment of invoice is ready to be made.
9. Meets and discusses products with salesmen and manufacturers' representatives.
10. Acts as property clerk for the school district. He is responsible for planning and implementing a program of identification and accounting of equipment throughout the school system.
11. Assists auditors and appraisers where necessary.
12. Supervises a purchasing clerk (secretary) and such personnel that may at a later date become involved with a central delivery system.
13. Evaluates and tests products. Maintains experience reports for same.
14. Performs other duties as may be assigned. (See job description in Appendix C, page 49)

Whatever definition a superintendent designs for school business administrative personnel, one thing is certain, that he be in-
fused with the educational point of view. Ovview and Castetter (1960) elaborated on this concept as follows:

There must be on the part of the school business official a constant awareness of the accepted educational aims, for every component of the school program has its counterpart in the budget. It follows, also, that since the end product is largely human rather than material and since the development of the end product flows largely from the interaction of pupils with other human beings—the professional and non-professional staff members—in an environment created by existing plant facilities, all fiscal policies and decisions must be seen by the business manager in light of their effect on the educational program, from both the short and long-range points of view.
CHAPTER VI

FINANCIAL ACCOUNTING IN
MICHIGAN SCHOOLS

Definition

This final chapter deals with basic accounting principles required of public schools in the State of Michigan. The author received little academic training in accounting prior to his appointment to the superintendency. In contrast, the Portage business manager has a major in accounting and finance. Such training is not at all typical for fourth class level superintendents who serve the role as the school business administrator.

Jarvis, Gentry, and Stephens (1967) distinguish between accounting and bookkeeping in the following statement:

Accounting is more than bookkeeping: the former is the system whereby school officials analyze and interpret receipts, expenditures, assets, and liabilities by different budgetary and accounting classifications and report the fiscal affairs of the system to interested local, state and national groups, whereas the latter is simply the process by which financial transactions are entered and posted in the schools' record of accounts.

Once the accounting system is set up properly, the school business administrator will be able to provide the necessary effective means of financial control and management.

Sreboth (1971) points out that there are certain documents the school business administrator must become familiar with in order to assess his accounting system. Among them are:

1. Budget for current year.
2. Latest financial report showing total expenditures and encumbrances.
3. Preceding year's official audit report.
4. Chart of accounts presently in use.
5. Statement of current bank account balances.
7. Latest copies of any other financial reports.

Purposes

Jarvis, Gentry, and Stephens (1967) state that once the school business administrator has assessed and realigned the district's accounting system, it should meet the following five major purposes of an accounting system:

1. To see that funds are spent within the approved budget.
2. To meet legal requirements.
3. To provide information for annual and long-range planning.
4. To provide data for cost studies.
5. To provide data about the fiscal status of the district to interested residents.

Funds

The basic accounting principles for the State of Michigan are relatively simple. The school accounting system is divided into six basic funds which allows the school business administrator a routine work pattern for accuracy, completeness, and consistency. The United States Department of Health, Education and Welfare (1966) defines a fund as follows:

A fund is a sum of money or other resources set aside

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for specific activities of a school district. The fund accounts constitute a complete entity and all of the financial transactions for the particular fund are recorded in them.

The Michigan School Accounting Manual (1964) defines six funds the school business administrator must become familiar with in Michigan. These funds are briefly described below:

1. General Fund - funds specifically earmarked for general operation.
2. Revolving Funds - fund transactions auxiliary to the main operation of the district such as hot lunch.
3. Debt Retirement Funds - tax revenue used specifically for retiring principal and interest on outstanding debt.
4. Building and Site Fund - tax revenues or other funds specifically designated for acquiring new school sites, buildings, and equipment. Also this fund houses money for transactions involving temporary investment of such funds and their ultimate expenditure for capital assets.
5. Property Fund - record of the investment of the district in school sites, buildings, and equipment in service.

Fund Accounting

Within the various funds, there are various accounts that are to be used in recording transactions. The United States Department of Health, Education and Welfare (1973) defines an account as follows:

An account is a descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference, such as purpose, object, or resource.

Included in this paper are charts and descriptions of accounts within each fund which are to be used to record the transactions of that
fund. The accounts are designed to accommodate the needs of both small and large school districts. Minimum essentials for all school districts are shown. Those districts who wish to go beyond the minimum may make further subdivisions within the framework of these accounts.

The *Michigan School Accounting Manual* (1964) recommends the modified accrual basis of accounting which is a procedure of accounting falling between a cash basis and an accrual basis. Some items are handled on a cash basis, and some on an accrual basis. An example of an accrual basis would be teachers' salaries paid on a twelve month basis for services completed before June 30 of any fiscal year. These salaries are to be charged to the fiscal year in which the service was rendered or the material used. Therefore, some accounts will be handled on a cash accounting basis, and some will be accrued for that year. This is why a school business administrator must use the modified accrual system.

**Account Numbers**

The various funds in the manual are assigned account numbers that are used primarily for identification purposes. They are also used as an accounting code with either machine methods of accounting or pen-and-ink methods. The numbering system may be expanded by the addition of an additional digit or letter to the account. For example under Instruction, Account 1203 - Salaries of Regular Teachers - Secondary Grades, could be expanded as follows:

1203.1 Regular Classroom
1203.2 Student Driver Education
General Fund Revenues

Revenues received in addition to general fund assets are monies the Michigan School Accounting Manual classifies as general fund revenue. They result in funds or assets available for expenditure or use for current operating purposes by the school board.

The following chart sets forth the revenue accounts to be used by the school business administrator in Michigan:

0100 Revenue From Local Sources
   0110 Property Taxes
      0111 Current General Property Tax Levy
      0113 Interest and Penalties on Delinquent Taxes
      0114 Taxes Other Than Property Taxes
   0120 Appropriations From Local Government Units
      Other Than School Districts
   0130 Tuition From Patrons
      0131 Elementary Grades
      0132 Secondary Grades
      0133 Special Education
      0134 Summer Schools
      0135 Adult Education
      0136 Community College
      0139 Unclassified
   0140 Transportation Fees From Patrons
   0150 Revenue From Current Deposits and Investment Securities
   0160 Net Revenue From Revolving Funds
   0170 Revenue From Permanent Funds and Endowments
   0190 Miscellaneous Revenues
      0191 Proceeds From Sale of School Properties
      0192 Net Proceeds From Insurance on School Properties Available for Operating Purposes
      0193 Rent From School Facilities
      0194 Rent From Property Other Than School Facilities
      0199 Miscellaneous

0200 Revenue From Intermediate Sources
   0220 Grants for Library Fund
   0270 Revenue From Permanent Funds and Endowments
   0290 Miscellaneous Revenues

0300 Revenue From State Sources
   0310 Direct Appropriations From State
      0311 State Primary Fund
      0312 State School Aid - Current
General Fund Expenditure Accounts
(By Function)

The Michigan School Accounting Manual sets forth the general
categories for recording general fund expenditures by function.
Each transaction is placed into a general category as to its func-
tion, such as the superintendent's salary is an administration func-
tion, and is to be recorded under the 2100 series. Below is the
chart for general fund expenditures (by function) and will be fur-
ther subdivided by objects in a later chart:

1000 Instruction:
1100 Elementary Grades
1200 Secondary Grades
1300 Special Education
1400 Summer Schools
1500 Adult Education
1600 Community College
1900 Unclassified
2100 Administration
2200 Attendance
2300 Health Services
2400 Pupil Transportation Services
2500 Operation of Plant
2600 Maintenance of Plant
2700 Fixed Charges
2800 Capital Outlay
2900 Community Services
   Student Services
3000 Food Services
3100 Bookstores
3200 Student-body Activities
3300 Outgoing Transfer Accounts - Other School Districts
3400 Outgoing Transfer Accounts - Other Funds

General Fund Expenditure Accounts
(By Object)

The following two digits represent the third and fourth digit of the preceding expenditure accounts shown by function. These two digits will allow further subdivisions under each function. School districts may use the following classifications as they apply to their activities:

**SALARY ACCOUNTS**

01 Principals
02 Consultants and Supervisors
03 Regular Teachers
04 Substitute Teachers
05 School Librarians
06 Audio-visual Personnel
07 Guidance Personnel
08 Psychological Personnel
09 TV Instructional Personnel
11 Board of Education
12 Superintendent and Assistants
13 Business Administration

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14 Personnel Office
15 Centralized Research
16 Attendance Personnel
17 Professional and Technical Health Personnel (physicians, dentists, nurses, optometrists, etc.)
18 Transportation Personnel
19 Plant Engineers
21 Custodians
22 General Maintenance
23 Salaries for Food Service
24 Salaries for Student-body Activities
25 Salaries for Public Libraries Operated by Local School Boards
26 Salaries for Other Community Activities
27 Secretarial and Clerical
29 Other Salaries

CONTRACTED SERVICES

31 Professional Services
32 Contracted Pupil Transportation
33 Allowances to Pupils for Transportation
34 Contracted Plant Operation
35 Contracted Plant Maintenance

SUPPLIES

41 Textbooks
42 Teaching Supplies
43 Library Books
44 Library Periodicals and Newspapers
45 Audio-visual Materials
46 Medicine and Drugs
47 Gasoline, Oil, and Grease
48 Tires, Tubes and Batteries
49 Vehicle Repair Parts
51 Supplies and Expenses of Pupil Transportation Garage Operation
52 Heating Fuel
53 Utilities, Except Heat for Buildings
54 Custodial Supplies
55 Supplies for Care of Grounds
56 Food for Food Services
58 Office Supplies
59 Miscellaneous Supplies

OTHER EXPENSES

61 Travel Expenses and Mileage Allowances
62 Rental of Equipment
63 Printing and Publishing Reports
32

64 Replacement of Vehicles
65 Pupil Transportation Insurance
66 Replacement of Equipment
67 Expenses for Food Services
68 Expenses for Student-body Activities
69 Miscellaneous Expenses
71 Expenditure to Cover Deficit of Revolving Funds for Community Services
72 Expenditure to Cover Deficit of Revolving Funds for Student Services
73 Expenses for Other Community Services
74 Expenditures to Other School Districts or Administrative Units in the State
75 Expenditures to School Districts or Administrative Units in Another State

FIXED CHARGES

81 Contributions to State, County, or Local Funds for Employee Retirement
82 Payments for Social Security
83 Insurance and Judgements
84 Rental of Land and Buildings
85 Interest on Short-Term Loans
86 Other Fixed Charges
87 Rental of Data Processing Equipment

CAPITAL OUTLAY

91 Site Acquisition and Improvements
92 New Buildings and Additions to Buildings
93 Remodeling and Improvements to Buildings
94 Furniture and Equipment

Revolving Funds

Certain financial transactions involve a double handling of money. That is, money is received from the operation of an activity and spent again for the same activity in a cycle of operations. If these transactions were recorded in the regular revenue and expenditure accounts, it would greatly distort the financial picture with respect to money available for expenditure, and money expended during the year. Therefore, the Michigan School Accounting Manual has
set up the following revolving fund accounts:

**6100 Food Services:**
- **6110 Revenues From Food Services**
  - **6111 Sales of Student Lunches Including Special Milk**
  - **6112 Sales of Adult Lunches**
  - **6113 Other Revenues From Sale of Food Other Than Lunches**
  - **6115 Federal Aid**
  - **6119 Miscellaneous Revenues**
- **6120 Expenditures for Food Services**
  - **6121 Salaries**
  - **6122 Food**
  - **6123 Other Expenses**
- **6150 Fund Balance of Food Services Revolving Fund**

**6200 Bookstores:**
- **6210 Revenues From Bookstores**
  - **6211 Sales of Books**
  - **6212 Rental of Books**
  - **6219 Miscellaneous Revenues**
- **6220 Expenditures for Bookstores**
  - **6221 Salaries**
  - **6222 Books**
  - **6223 Other Expenditures**
- **6250 Fund Balance of Bookstores Revolving Fund**

**6300 - 6500 Student-Body Activities - Note A:**
- **6300 Revenues**
- **6400 Expenditures**
- **6500 Balances of Activity Funds**

**6600 Community Services - Note A**

**6700 Other Revolving Funds - Note A**

**Note A** - Individual school districts will assign account numbers under these series of account numbers depending on their needs. See text under DESCRIPTION OF ACCOUNTS FOR REVOLVING FUNDS as a guide to assignment of account numbers.

**Debt Retirement Fund**

According to the *Michigan School Accounting Manual* the debt retirement fund is used to record transactions earmarked for use in payment of principal and interest on long-term debt of the district. Below is the debt retirement fund chart that sets forth the accounts that are generally used in accounting for the transactions on a mod-
An identified accrual system:

<table>
<thead>
<tr>
<th>7100 Revenue Accounts:</th>
<th>7110 Current Tax Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>7120 Interest and Penalties on Tax Collections</td>
<td>7140 Revenue From Investments</td>
</tr>
<tr>
<td>7150 Other Revenue</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7200 Expenditure Accounts:</th>
<th>7210 Redemption of Serial Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>7220 Redemption of Term Bonds</td>
<td>7230 Interest on Bonded Debt</td>
</tr>
<tr>
<td>7240 Premiums on Retirement of Bonds</td>
<td>7250 Other Debt Retirement Expenses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7300 Incoming Transfers and Other Receipts:</th>
<th>7310 Transfers From General Fund or Building and Site Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>7320 Proceeds From Sale of Refunding Bonds</td>
<td>7350 Miscellaneous Receipts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7400 Outgoing Transfers and Other Disbursements:</th>
<th>7410 Transfers to General Fund or Building and Site Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>7420 Redemption of Bonds From Proceeds of Refunding Bonds</td>
<td>7450 Miscellaneous Disbursements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7500 Asset Accounts:</th>
<th>7520 Cash in Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>7530 Investment Securities</td>
<td>7540 Accounts Receivable</td>
</tr>
<tr>
<td>7550 Unpaid Taxes Receivable</td>
<td>7570 Due From Other Funds</td>
</tr>
<tr>
<td>7590 Accrued Interest Receivable</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7600 Liability Accounts:</th>
<th>7610 Tax Anticipation Notes and Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>7630 Due on Matured Bonds and Coupons</td>
<td>7640 Accounts Payable</td>
</tr>
<tr>
<td>7660 Accrued Expenses</td>
<td>7670 Due to Other Funds</td>
</tr>
<tr>
<td>7680 Reserve for Unpaid Taxes</td>
<td>7690 Debt Retirement Fund Balance</td>
</tr>
</tbody>
</table>

Building and Site Fund

The Michigan School Accounting Manual states that the chart of accounts for the building and site fund are used to record transactions earmarked for use in acquiring new school sites, buildings, equipment for new buildings, and major equipment additions. This
account is also used to record major remodeling of or additions to existing facilities. If more than one building and site fund is required, the chart below must be subdivided for each fund:

8100 Revenue Accounts:
  8110 Revenue From Local Sources
    8111 Current Tax Levy
    8113 Interest and Penalties on Tax Collections
    8114 Revenue From Investments
    8115 Sale of Property and Insurance Adjustments
    8119 Other Revenue From Local Sources
  8120 Revenue From Intermediate Sources
  8130 Revenue From State Sources
  8140 Revenue From Federal Sources
  8150 Gifts and Grants From Private Sources
  8160 Miscellaneous Revenue From Non-Local Sources

8200 Expenditure Accounts:
  8210 Site Acquisition and Improvement
  8220 New Buildings and Additions to Buildings
  8230 Remodeling and Improvement of Buildings
  8240 Furniture and Equipment
  8250 Library Books for New Libraries
  8260 Special Assessments for Non-School Improvements
  8290 Other Building and Site Expenses

8300 Incoming Transfers and Other Receipts:
  8310 Transfers From General Fund or Debt Retirement Fund
  8320 Proceeds From Sale of Bonds
  8350 Miscellaneous Receipts

8400 Outgoing Transfers and Other Disbursements:
  8410 Transfers to General Fund or Debt Retirement Fund
  8450 Miscellaneous Disbursements

8500 Asset Accounts:
  8520 Cash in Banks
  8530 Investment Securities
  8540 Accounts Receivable
  8550 Taxes Receivable
  8570 Due From Other Funds
  8590 Accrued Interest Receivable

8600 Liability Accounts:
  8610 Tax Anticipation Notes and Loans
  8630 Accounts Payable
  8660 Accrued Expenses
  8670 Due to Other Funds
  8690 Building and Site Fund Balance
Property Fund

Fund accounting of property owned by a school district is equally as important as fund accounting for recording financial transactions. The school business administrator must maintain a property fund for the purposes of insurance, maintenance of physical control over items subject to misappropriation, and planning an orderly repair and maintenance program. Even from a historical standpoint, it may be desirable to have a record of the amount the district has expended for sites, buildings, and equipment over a period of years. Below is a chart of accounts from the Michigan School Accounting Manual that might help in improving control:

- 9100 Sites, Including Improvements
- 9200 Buildings
- 9300 Furniture and Equipment
- 9400 Construction in Progress
- 9500 Total Investment in Physical Properties

Bonded Debt Fund

As explained in the Michigan School Accounting Manual, a bonded debt fund is set up for the purposes of setting tax levies for debt retirement and interest, calculating bond principal and interest maturities, making temporary investment of debt retirement funds, and planning maturity dates on new bonds. The chart below is very general, and the third and fourth digits may be further subdivided to provide detailed accounting for the particular issues of outstanding bonds:

- 9600 Serial Bonds Payable
- 9700 Term Bonds Payable
- 9900 Total Bonded Indebtedness
CHAPTER VII

CONCLUSION

The road ahead for the school business administrator will prove to be challenging. Sreboth (1971) states that planned program Budgeting Evaluation Systems (PPBES) will be one of many items the school business administrator must deal with in the near future. He notes that now we are hearing the term Educational Resources Management (ERM), used to describe what was termed PPBES just a few years ago.

Recent court decisions in Michigan will have a definite impact on school finance and budgeting. The concept of free public education, particularly textbooks and supplies will have a direct bearing on the school business administrator's expertise, as well as legislation that permits aid and/or services to non-public schools.

The current inflation problems will have an effect on the day-to-day operations, especially as school employees move toward more formal organization that leads to collective bargaining universally.

The influence of the federal government will prove to be greater as more legislation is passed that applies uniformly to the general operations of local school districts. It is currently evidenced by the number of reports and other school data that is required to be submitted if the local district is participating in a federal program.

As the school business administrator's position grows more com-
plex, it is essential that one does not lose sight of the effect of his services on the overall educational program of the school district.
APPENDICES

Appendix A shows the organizational chart of the Portage Public Schools' administrative structure. This chart illustrates the various levels directly below the superintendent of schools.

Appendix B is the job description of the business manager for the Portage Public Schools.

Appendix C is the job description of the buyer for the Portage Public Schools.
APPENDIX B

Job Description - Business Manager
POSITION DESCRIPTION

Written by: Paul Wartner Title: Business Manager

Date: January 1970 Incumbent: Paul Wartner

Approved by: Varl Wilkinson Department: Central Administration

A. Accountability Objective:

Under the direction of the superintendent of schools, this administrator shall be responsible for the business affairs and total financial management of the school district. This includes compilation and control of an $11,000,000 budget. The business manager works closely with other administrative and teaching staff in making use of available financial resources to develop the best educational plan possible.

B. Nature of Position:

The business manager shall supervise all office personnel in the business office performing duties in finance, accounting, budgeting, purchasing and maintenance of the insurance portfolio. This includes daily supervision of the business management affairs as well as the responsibility for the preparation of all monthly and annual financial and statistical reports for the local board of education, the Kalamazoo Valley Intermediate School District, the Michigan Department of Education, and the United States Office of Education.

In carrying out the responsibility for the purchase of equipment and supplies the business manager must consider the educational implications associated with each purchasing decision.
and work with the buyer in preparing suitable specifications and standards and utilize good purchasing principles and procedures. In this capacity, he is also responsible for warehousing, storing and inventory control.

In supervising the accounting system the business manager must establish the reporting which is necessary to provide the school board and administration with the accurate financial facts necessary for them to formulate policies and decisions. The business manager must provide the necessary internal controls in order to safeguard the public school funds and the integrity of the public school employees. Utilizing these accounting records he must make application and direct the completion of financial cost reports in order to qualify for all basic state aid and categorical aid as well as federal and intermediate aid.

In the financial area the business manager must schedule and maintain a sound investment program for idle funds in order to maximize the interest earnings for the school district's eleven major funds. He must also prepare and file the necessary financial documents with the State Department of Education and various financial institutions in order to borrow against state aid or taxes until sufficient funds are available in the various fiscal periods. The business manager must also prepare the prospectus for any major bonding program for capital construction.

The business manager must assume the basic responsibility for the
formulation of the budget document. He must coordinate the views of the administrators, teachers and citizens in translating the educational needs and aspirations of the community into a composite financial plan. He must make sure that all disbursements are made in accordance with law and school board policy and within the framework of the budget approved by the board.

Another responsibility of this position is the maintenance of the insurance portfolio which includes administering an adequate insurance program for buildings, equipment and personnel including the bidding of the insurance package and the filing of all the necessary claims.

The person in this position must also develop policies and regulations for school business affairs to be recommended to the board of education by the superintendent of schools. The business manager will also attend all regular central staff and principals' meetings or special meetings called by the superintendent.

C. Dimensions:

The financial dimension would be the amount of the yearly budget since the control of the budget is the responsibility of the business manager.

D. Principal Activities:

1. Financial Planning
   a. Develops the budget in coordination with educational planning with the superintendent, other administrators and teaching staff.
   b. Estimates receipts and prepares cash flow projections for borrowing against state aid in accordance with law.
c. Controls the budget as approved by the board of education with continuous internal auditing.

d. Develops long term fiscal planning for the operation budget.

2. Supervises the accounting of the school district's eleven major funds to insure conformity with law and the following of sound accounting principles. The business manager directs the completion of all routine monthly reports but develops other special reports requested by the board of education or superintendent of schools. This includes the supervision of five women working in various capacities in the accounting section.

3. Purchasing and Supply Management

   a. Supervises the buyer and purchasing clerk in the preparation of specifications for bids and the making of purchasing decisions. Works with the superintendent in making the final decision on major purchases.

4. Insurance

   a. Prepares the specifications for insuring the buildings and their contents.
   b. Reports and follows up on all claims.

5. Bonding, Investments, Debt Service and Capital Fund Management

   a. Manages the school district's investment portfolio in a manner which assures maximum earnings from idle funds.
   b. Arranges long term financing for capital construction projects which includes developing the necessary financial prospectus.
   c. Schedules the proper debt service payment procedures and files the required reports with the State Municipal Finance Commission.

6. Reporting

   a. Prepares the many financial and statistical reports required by local government units, the State Department of Education, other state department agencies, and finally the federal governmental agencies.

7. The business manager is responsible for the certification and collection of the proper taxes for the general fund, building and site fund, and the debt retirement funds.

8. The business manager shall serve on the board of education's
negotiation team.
APPENDIX C

Job Description - Buyer
POSITION DESCRIPTION

Written by: Jeffrey Brown  Title: Buyer
Date: March 26, 1973  Incumbent: Jeffrey Brown
Approved by: George Conti  Department: Central Administration
            Paul Wartner  Reports To: Business Manager

A. Accountability Objective:
Under the direction of the business manager, the buyer is responsible for all purchasing for the school system with the exception of insurance, buses, and major remodeling. The buyer is responsible for coordinating the activities from the point of requisitioning to the time the vendor's invoice is ready for payment. He is responsible for maintaining and controlling central receiving, (approximately 2,000 items) maintaining stock records through the use of data processing. Inventories are taken periodically and audited yearly. The buyer is also responsible for maintaining data processing system for equipment inventory control.

B. Nature of Position:
The buyer works closely with the assistant superintendent for non-instructional services, the business manager, and the supervisor of buildings, grounds and maintenance, accounting clerks and principals of all buildings to assure that they are supplied with the required information, supplies and equipment. While the buyer functions within the scope of approved budgetary appropriations, he exercises judgment concerning quantity, quality and function of materials, supplies and equipment. He makes

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evaluations on materials, supplies and equipment to determine duplication and/or replacement practices. He meets salesmen and manufacturers' representatives to obtain product information and prices.

The buyer is responsible for coordinating the complete process of purchasing, i.e. secures requisitions, issues purchase orders, verifies receipt of merchandise or services and verifies vendor's invoice for payment by the accounting clerks. He is responsible for administering a program of central receiving, a distribution system for the sixteen buildings and maintaining consistent inventory control to enable most routine requisitions to be filled from stock. He supervises a purchasing clerk and such other personnel as may be required with a central warehouse and delivery system.

C. Dimension:
The buyer is responsible for the placing of approximately 7,000 orders for purchases on the general fund per year. These orders consist of products and services amounting to $600,000 annually. Building and site purchase orders amount to $200,000 per year and could go as high as $400,000 in the event of a building program.

The buyer's ability to coordinate the timing of this volume of purchasing is of utmost importance to the efficient operation of the school system.

D. Principal Activities:
1. Reviews requisitions.
2. Gathers data for determining supply and equipment needs.

3. Assists administrative staff, principals, and department heads in the selection of materials or equipment for specific use in educational programs.

4. Writes specifications for equipment and supply bids.

5. Prepares bid forms, secures bids or quotations and negotiates prices on goods and services when necessary.

6. Reviews bids and/or quotations and makes recommendations for purchases.

7. Prepares purchase orders.

8. Coordinates all aspects of the purchasing process up to the point where payment of invoice is ready to be made.

9. Meets and discusses products with salesmen and manufacturers' representatives.

10. Acts as property clerk for the school district. He is responsible for planning and implementing a program of identification and accounting of equipment throughout the school system.

11. Assists auditors and appraisers where necessary.

12. Supervises a purchasing clerk (secretary) and such personnel that may at a later date become involved with a central delivery system.

13. Evaluates and tests products. Maintains experience reports for same.

14. Performs other duties as may be assigned.
REFERENCES


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