

LIBRARY
A. & M. COLLEGE OF TEXAS

TEXAS AGRICULTURAL EXPERIMENT STATION

A. B. CONNER, Director
College Station, Texas

BULLETIN NO. 653

JULY 1944

PURCHASING IN TEXAS COUNTIES

H. C. BRADSHAW and E. J. HERVEY

Division of Farm and Ranch Economics



AGRICULTURAL AND MECHANICAL COLLEGE OF TEXAS
GIBB GILCHRIST, President

D-21-744-4500

The use of good purchasing procedures in a number of Texas counties is reducing the cost price of materials, supplies and equipment by 15 to 20 per cent annually. If each of the 254 counties used equally good procedures, the total savings would amount to \$5,000,000 or \$6,000,000 per year. Of this total, approximately \$3,500,000 would be due to reductions in the cost per unit (as per gallon or pound), and the remainder would be attributable to reductions in the total quantities used. On this basis, the savings which are possible approximate 10 per cent of the annual cost of county government in Texas in recent years. The reliability of these findings as to savings is well supported by the fact that numerous studies in other states have revealed substantially the same percentage savings.

The extent to which the total possible saving is being realized, in Texas, is unknown since all counties could not be studied. It is known, however, that various counties in all sections of the state are purchasing materials, supplies, and equipment at good prices. In view of this fact, counties that need to improve their purchasing should be able to locate a reasonably good pattern in one or more of their neighboring counties.

This study also demonstrates that uniformly good results can be secured even though the methods followed vary considerably from one county to another. For example, some counties attempt to purchase all items locally, while other counties do not; some counties take a great many formal bids, while other counties take very few such bids; some counties center controls over purchasing in one official, while other counties exercise similar controls through the Commissioner's Court, as the general governing board. The explanation is that all of these counties having differing systems are nevertheless applying certain essential principles in handling their purchasing of materials, supplies and equipment. In each case, a responsible official—or the governing board—studies the needs of the county, compares the prices paid in various counties for items of comparable quality, checks to determine which products serve their needs to best advantage, listens carefully to the representatives of responsible companies, learns to recognize a good price as soon as it appears, buys only the quantity and quality required for the particular need, and takes delivery in the most economical manner.

Perhaps the manner in which delivery is taken deserves additional attention. For example, this study indicates that all counties taking delivery of gasoline in tank wagon lots, can secure approximately the same price per gallon, despite the fact that the total gallons used during the year may vary widely from one county to another. This is an extremely important point for it means that the quantities used by small counties are large enough to secure almost the same reduction in price per gallon as the largest counties can secure. Of course, this finding does not apply directly to all the items purchased by Texas counties, but it does apply to a great many of them.

Unquestionably, the purchasing done by Texas counties has improved a great deal during the last few years, a result for which the local officials themselves are largely responsible. The fact that improvements have come through a variety of methods is extremely encouraging, for it means that local officials can devise their own procedures and make them work effectively. All this and more too, can be accomplished under existing laws—without any change whatever.

PURCHASING IN TEXAS COUNTIES

by

H. C. Bradshaw¹ and E. J. Hervey¹

The use of a good purchasing system is one of the most effective methods of controlling county expenditures. Experience in Texas and elsewhere indicates that price reductions obtained through the utilization of a good system as compared with a poor system, ordinarily amount to 15 to 20 per cent of the total annual cost of items purchased.² At the same time savings made in purchasing individual items of material, supplies, and equipment often range from 10 to 40 per cent. In terms of dollars the current expenditures of the 254 counties for materials, supplies, and equipment range from \$16,500,000 to \$18,000,000 annually. This amount equals 25 to 30 per cent of the \$55,000,000 to \$60,000,000 which counties have expended annually in recent years.

On the basis of the foregoing figures, it is evident that good purchasing procedures as opposed to poor procedures should have at least \$3,500,000 annually in Texas counties in the form of price reductions alone. In addition, it appears that reductions in quantities used which accompany a good purchasing system may be equally important in terms of dollars. Thus the total possible saving may be estimated on a conservative basis at \$5,000,000 per year. Of course, a good many counties have already installed adequate systems and are therefore securing their proportionate parts of these total savings, but others have hardly begun to study the possibilities involved.

Sources of Information and Method of Handling

In collecting these data, the purchasing records in the four counties of McLennan, Grayson, Brazos, and Young were examined in detail. In these counties an exhaustive analysis was made of bids taken for road and bridge and general county purchases. In addition, the use of specifications, and the practices followed in checking compliance with such specifications were carefully studied.

Following this detailed examination in four counties, purchasing procedures were studied in considerably less detail in the following counties: Wharton, Waller, Liberty, Milam, Anderson, Harrison, Kaufman, Dallas, Tarrant, and Eastland. By this means a sample representing a large part of the state was finally derived.

In addition, the laws relating to county purchasing were examined in order to determine which officials are responsible for the purchasing of materials, supplies, and equipment. In general the responsibility may be said to rest upon the Commissioners' Court, as the governing board of the county. But in carrying out this responsibility, the Court may delegate authority to the county judge, the county auditor, the county engineer, or to all such officials. Although opinions differ as to the exact meaning of

¹Economist in Farm Taxation, Texas Agricultural Experiment Station, A. & M. College of Texas. Mr. Hervey served in this position while Mr. Bradshaw was on leave in 1941 and 1942.

²County Purchasing, James W. Nicholson, National Association of Purchasing Agents, 11 Park Place, New York City, 1940.

the law insofar as specific procedures are concerned, there is no doubt that the law will permit the use of the best methods that can be devised. For this reason, no attempt is made to present a detailed analysis of the law.

The exact organization for purchasing varies a great deal from one county to another. This variation is partially explained by the organization of the county government itself, but other factors influence the situation materially. In four counties, namely, Dallas, Tarrant, Harris, and Jefferson, a purchasing agent is appointed in accordance with the laws applying to these counties. In the 90 counties having county auditors, the auditor is frequently responsible for purchasing, or a substantial portion of it, in accordance with the will of the Commissioners' Court. This leaves 168 counties in which the Commissioners' Court must be directly responsible for purchasing procedures through its duty of approving the expenses of each county office each month.

Good Purchasing Procedures Defined

A good purchasing system is one that is simple enough to be understood, flexible enough to be used under varying conditions, and good enough to accomplish the major objectives. A system of this kind recognizes that some one person or board should be responsible for a high percentage of the purchasing. Otherwise each employee must become an expert in order to secure good prices. Further, such a system recognizes that bids must be secured in one way or another if competition, so necessary to a realization of reasonable prices, is to be secured. At the same time it is granted that bids may be taken by personal contact and by telephone, as well as the more formal methods involving advertising. Finally, such a system recognizes that emergencies do occur and that some leeway must be allowed in order that responsible employees may keep equipment moving. The provision for emergency purchases is, therefore, a part of all good systems.

The major objectives of a good purchasing system are three in number, (1) to secure only the materials, supplies, and equipment needed; (2) to secure only the quality necessary to satisfy the particular need; and, (3) to secure the lowest possible unit prices. In accomplishing these objectives it is necessary to carry out a number of procedures which follow each other in chronological order:

1. It must be determined that the item requested is actually needed, and that it cannot be supplied from any stock on hand. Then the product desired must be described in such exact terms that misunderstandings will not arise. Specifications on many commodities are now available from the U. S. Government, from a number of companies and associations of companies, and from state and local governments.

2. The budget accounts should be checked to see if the money is available. One of the most convenient methods is to require the submission of a requisition which must be approved by the county judge, or the county auditor before the purchase is made. Unless some such procedure is followed, the budget officer will never know exactly how much of the cash an hand has already been encumbered.

3. Next in order is the job of bringing your wants to the attention of the companies which can supply them. This may be accomplished through

personal contacts, telephone calls, newspaper advertisements, or by personal letters—depending on the circumstances involved. On some occasions it may be necessary to take a second set of bids in order to secure actual competition.

4. Granting that these procedures have been followed and the materials have been received, someone must be responsible for examining them and certifying that they meet the specifications agreed upon. Otherwise the value of specifications may be lost. In this process the use of testing laboratories may assist a county greatly. For example, McLennan County uses the services of testing laboratories in purchasing such products as asphalt and creosoted timber. The prices of such services are quite reasonable and they offer a great deal of protection to the county. An additional advantage is that experienced salesmen do not argue the case when confronted with a report from a recognized testing laboratory.

5. The claim which is submitted should be itemized in detail so as to show the person for whom the purchase was made, the date of the transaction, and the description of the item. All this is necessary in order to avoid confusion and overpayment of claims. For the same reasons it is absolutely essential that claims be compared with the contract prices agreed upon. For example, a good many years ago McLennan County paid a claim for \$2335 which was \$942 in excess of the amount which should have been paid under the contract price. Needless to say, this could not occur under the system which has since been established in McLennan County.

6. Insofar as possible all purchases should be paid in cash and advantage should be taken of all cash discounts. In McLennan County these discounts range from \$60 to \$100 per month. In Harris County, the county auditor reports that cash discounts taken are sufficient to pay all operating costs of the purchasing department. These items amount to between \$8,000 and \$10,000 per year.

7. All exemptions from federal taxes should be claimed. The procedure by which these exemptions are secured varies somewhat but information can be secured from county auditors, county judges, and purchasing agents.

"Most of the federal excise statutes provide means whereby governments and government agencies may establish their exemption status and at the same time relieve the manufacturer or seller of the tax liability, or let him recover the amount of the tax if he has already paid it.

"Purchases by the municipality are exempt from all the manufacturers' excise (federal taxes on vehicles, gasoline and oil, tires and inner tubes, radios, electric energy, firearms and ammunition, etc.), from the retailers' excises (on furs, jewelry including clocks and toilet preparations), and from most of the miscellaneous excises on telephone and telegraph services, transportation of persons and property, automobile use, etc."³

³Municipal Exemption from Federal Excises, by Donah Hanks, American Municipal Association, Washington, D. C. (Published in the Supplement to The Borough Bulletin, Pennsylvania Government Administration Service, November, 1943. Publication office at 3437 Woodland Avenue, Philadelphia, Pennsylvania.)

In this connection it is a good idea to require that the federal tax be stated separately on bids and invoices, but if that is not done, the buyer can compute the tax if he has a schedule of the rates which apply.

Along with the foregoing points it hardly needs emphasis that purchasing officials should always be fair and square in their dealings with the companies which supply the county's needs. In many instances the representatives of reputable companies provide information which protects the county and conserves its money. One desirable policy which is followed in McLennan County is to furnish each company with a tabulation of the bids received which indicates the successful bidder. This is more than a courtesy for it assists in securing reasonable prices in the future by keeping the companies informed.

Purchasing in McLennan County, Texas

In view of the fact that the analysis in McLennan County was more complete than that in other counties, and in view of the further fact that McLennan County has an excellent system, considerable attention will be devoted to this one county.

In the first place, the system followed is nothing more than the system outlined in the general laws of Texas. These laws make the Commissioners' Court responsible for all county purchasing. In exercising this authority, the Commissioners' Court of McLennan County utilizes the services of the county engineer in preparing specifications for road and bridge purchases as well as general county supplies of an engineering nature. Further the court depends upon the county auditor to prepare specifications for general county purchases and to handle the small stock of supplies which are kept on hand. In addition, the county auditor is responsible for preparing and publishing advertisements for bids, and for keeping the accounts and records required by the purchasing process.

The second feature of the McLennan County system which deserves special attention is that it is a "complete" system which is applied to all purchases required for general county and road and bridge work. This aspect of completeness is a decided contrast to the situation in many counties in which good procedures are applied to some purchases but not to all. (Of course the fact that good procedures exist with respect to certain purchases is an indication that officials are making efforts to develop improved practices. It is to be hoped that the good results obtained in one type of purchasing will call attention to defects which may exist in the purchase of other supplies and thereby encourage expansion in the use of good procedures.)

A third feature of the McLennan County system is the extensive use of contracts. In the case of road and bridge work, annual contracts are made for the purchase of the following commodities: gasoline, oil, kerosene, Diesel fuel, and asphalt. In addition, contracts were formerly made for the washing and greasing and repair of automotive equipment, but the majority of this work is now being handled by county employees at the new county garage. In addition to these annual contracts, quarterly contracts have been made for the purchase of tires and tubes, and grader blades. In the case of all these contracts delivery has been taken as needed throughout the year.

Extensive use has also been made of contracts in general county purchasing. Annual contracts are made for the purchase of record books, letterheads, miscellaneous stationery items, drugs, laundry work, electric light bulbs, and milk. Quarterly contracts are made for the purchase of bread for the county farm and jail, and monthly contracts are made for the purchase of groceries and meat for these two institutions.

The use of contracts has a number of possibilities which probably need little explanation. Certainly any savings which can be secured through increased volume is made possible through the contract system. Secondly, the use of contracts encourages officials to prepare definite specifications which protect both the buyer and the seller. In the third place, the paper work involved in purchasing is reduced by a tremendous percentage. One example will explain this situation rather completely. In McLennan County one company is paid once each month for the 20,000 to 25,000 gallons of gasoline on which delivery is taken. In contrast to this procedure the gasoline purchased by a county of similar size in North Texas is paid for by approximately 20 warrants each month or a total of more than 240 warrants per year. The difference in the amount of work involved is even larger than one might at first suppose because of the large number of prices involved. For example, one company which sold gasoline to three of the four precincts in this county used 17 different prices during the year 1940. In many instances these prices varied only by $\frac{1}{8}$ or $\frac{1}{4}$ of a cent. The point is that the auditing, warrant writing and record keeping requires just as much time for a 10-gallon purchase as for a 10,000-gallon purchase of gasoline.

One other aspect of the purchasing problem which is well illustrated by experience in McLennan County is that both the physical and cash volume of purchasing can be reduced appreciably by good administrative methods. In the case of road and bridge purchasing the amount of machinery required for maintenance has decreased considerably as the mileage of all-weather surfaced roads has increased. Furthermore, the practice of keeping machinery oiled, painted, and repaired has reduced demands for new machinery because employees remain satisfied with well-kept equipment.

In the second place, McLennan County has not hesitated to purchase second-hand equipment when the price was right. County Engineer Hannah's detailed budget reveals that several items of equipment purchased second-hand a number of years ago are still in use.

As another instance of the same fact, it may be pointed out that the use of creosoted timber has reduced the total expenditures for bridge lumber a great deal. According to the engineer's records of performance, creosoted timber will last at least four times as long as untreated timber. For example, assuming a purchase price of \$60 per thousand board feet of treated timber and a price of \$45 per thousand for untreated timber, and further assuming a labor cost of \$10 per thousand board feet, the cost of bridge work per thousand feet of lumber would be \$70 in the case of treated lumber and \$220 in the case of untreated lumber. These figures apply to a period of time measured by the life of a treated lumber structure.

In tabular form these figures appear as follows:

Item	Treated Lumber Bridge	Untreated Lumber Bridge
Lumber—original construction	\$60.00 M.B.F.	\$45.00 M.B.F.
Labor Cost per M.B.F.	10.00	10.00
Lumber—First rebuilding		45.00
Labor—First rebuilding		10.00
Lumber—Second rebuilding		45.00
Labor—Second rebuilding		10.00
Lumber—Third rebuilding		45.00
Labor—Third rebuilding		10.00
Totals	\$70.00	\$220.00

In passing it should be emphasized that the progressive practices which have been described must to a considerable degree account for the fact that more than 85 per cent of the county roads in McLennan County are all-weather surfaced.

Purchasing in Other Texas Counties

Some of the experiences of counties other than McLennan in purchasing various types of materials, supplies and equipment are briefly presented in the following pages. The list is not exhaustive for any county, since the space available allows only a few items to be mentioned in each county.

Kaufman County

In Kaufman, Texas, the county auditor purchases stencils and similar supplies from the Burroughs Company at a discount of 40 per cent from list price. This discount is secured on the grounds that the company makes the same price to the U. S. Government. The auditor purchases all small printing and stationery supplies from local firms at cost plus 10 per cent. Under this arrangement all such items are purchased locally, whereas, in the past, much of this business has gone to firms outside the county. The effectiveness of this system is evidenced by the fact that he has been asked to purchase similar supplies for several of the banks in that area.

The principle of substitution was also emphasized by the auditor when he pointed out that a commercially made flexible cover for an office desk cost \$10 or \$11, whereas, a cover made from battleship linoleum secured from a local dealer and having almost identical appearance and serviceability, cost only \$3.50 per desk.

Anderson County

In Palestine, the county auditor emphasizes the desirability of standardizing certain supplies. For example all officers use the same brand of stencils—which, incidentally, are purchased from the Steck Company at a discount of 33 $\frac{1}{3}$ per cent. Similarly the Royal typewriter is used in all offices. Just a few weeks before the freeze orders were issued, Anderson County purchased six new Royal typewriters at the discounted price allowed governmental agencies. In addition the company rebuilt the six old machines free of charge. The auditor says that standardization simplifies handling and aids in securing first class maintenance service on the part of the company.

In common with several other counties, Anderson County has begun the practice of printing some of the instruments most frequently recorded. In one recent case which involved a large number of instruments executed by the same company, the substitution of printing for typing saved approximately \$100.

Foreseeing the possibility of rationing and freezing automobiles, the county was able to buy 10 trucks from one dealer at a cost of \$25 per truck above the delivery cost to the dealer. In the same manner a sufficient supply of tires to completely re-tire all equipment was secured before the supply was cut off. The dealer from whom these tires were purchased has since offered the county a profit of \$800 to return the tires to him.

Milam County

In Cameron, Texas, the county auditor reports that careful attention to purchasing has appreciably reduced the quantity of supplies used. Since he has been county auditor, excess supplies or forms which are apt to become out of date have not accumulated. His experience further emphasizes the fact that additional printing requirements on standard forms causes a large percentage increase in cost. For example, a standard volume for the District Clerk in which a few additional words were to be printed at the top of each page was quoted to the county at prices ranging from \$66.50 to \$85.00. The problem was solved by purchasing the standard book and cover for \$35 and paying a local printer \$7.50 to insert the additional printing.

Grayson County

Until recently Grayson County followed the practice of purchasing general county supplies by the billboard method. Under this system, requirements were posted weekly and those wishing to bid placed their quotations in sealed envelopes and dropped them in a box beneath the bulletin board. This system has some real possibilities for it is both simple and flexible. It worked well in Grayson County for a former county auditor used to report annual savings of \$15,000 to \$20,000 on purchases handled in this manner. This saving is equal to a reduction of 3 to 5 per cent in the total expenditures of Grayson County.

Brazos County

In 1939 Brazos County refused to accept the bids received for the purchase of four maintainers, but the new bids secured and accepted compared very favorably with prices paid by the State Highway Department on much larger purchases. Furthermore, during his first year in office, County Judge A. S. Ware was able to reduce the total costs of gasoline, oil and grease by approximately 50 per cent. In dollars this reduction was from \$15,620 in 1938 to \$7,872 in 1939. Since that time the total expended for these items has remained at the 1939 level despite the fact that the use of equipment has increased.

Dallas County

In Dallas County the county auditor reports that the installation of a postage meter machine reduced the annual cost of postage by at least 20 to 25 per cent.

Eastland County

In Eastland County the development of a program of permanent roads and bridges has resulted in significant savings. Under a W.P.A. program, Eastland County built more than 1,000 rock and concrete drainage structures and graveled more than 300 miles of road. As a result the annual cost of road and bridge "materials" has declined more than 50 per cent. Here are the figures for all four precincts combined:

5 years—1930-1934—average annual cost (Before the W.P.A. program)	\$17,600
5 years—1935-1939—average annual cost (During the W.P.A. program)	8,600
3 years—1940-1942—average annual cost (After the program)	7,667

If the program had included a larger portion of the county road system, the saving would undoubtedly have been larger.⁴

Harrison County

In Harrison County in 1941, second grade (regular) gasoline was purchased in lots of 10,000 gallons at a price varying from 10¾ to 11 cents per gallon. During the same year third grade gasoline was purchased in the same quantities for 9 cents per gallon. Diesel fuel was costing 4.5 cents during the same period. Motor oil in 55-gallon barrels purchased in lots of 50 barrels was costing 30 to 40 cents per gallon in 1941.

Liberty County

In Liberty County the county auditor reported in 1942 that the use of a duplicating machine to print letterheads and office forms had saved many times the cost of the machine which was \$335.

Tarrant County

In Tarrant County, the purchasing agent reported the following prices in effect in 1943:

Motor oil S. A. E. 10, 20 and 30 at	25.25 cents per gallon
Transmission grease in 200 pound drums	4.50 cents per pound
Gasoline (regular grade)	9.80 cents per gallon

All three items are purchased under annual contracts and delivery is taken as needed.

Roller, track and other greases are purchased as needed from various dealers at prices ranging from six to eleven cents per pound.

Diesel fuel was costing 5.5 cents per gallon from an independent company. The major companies had placed bids at six cents per gallon.

In addition, the county auditor reported that the use of a postage meter machine had reduced the annual cost of postage by 25 to 30 per cent more.

Wharton County

In Wharton County the county auditor reports that in 1942 second grade (regular) gasoline was costing 12.5 cents per gallon. Motor oil in various weights was costing approximately 40 cents per gallon. Diesel fuel was costing 5.5 cents per gallon. (In 1940, however, Diesel fuel was

⁴Possible Savings in Young County Government, by H. C. Bradshaw, September 1943, Page 24.

costing only 4.75 cents per gallon). This Diesel fuel is tested and approved from time to time by a commercial testing laboratory.

In purchasing for the county jail and the poor farm the county buys from 12 grocery stores. Under the procedure followed, each store is given the entire business for a single month. Although regular retail prices are paid on ordinary quantities, the stores make a reduced unit price on any unusually large quantity. Each store makes such reductions as it sees fit in accordance with an informal understanding to that effect. Judging by an inspection of the bills for a period of several months, it appears that the reductions on items purchased in quantities of a case or more would amount to 10 per cent or more of the total monthly bills involved. In addition, a large proportion of the meat for the county jail and poor farm is purchased at wholesale prices.

In the case of the county hospital at El Campo, all purchasing of food stuffs is done at wholesale price levels.

The use of a prefabricated concrete culvert in two precincts has also saved large amounts, according to the county auditor. The cost of these culverts is approximately the same as the cost of creosoted timber culverts, according to the county records. Since 1938, approximately 800 of these culverts have been installed in two of the four precincts. In addition, these two precincts have between 300 and 400 creosoted timber culverts.

Waller County

Although no figures on unit costs are presented for this county, a study of the county finances over a period of years indicates that the installation of sound purchasing procedures has made a considerable saving of money. In round numbers this county has a population of 10,000 persons and an assessed valuation of \$10,000,000. These figures have changed little since 1920, except for the important fact that the assessed valuation increased from \$6,620,000 in 1942 to \$10,000,000 in 1943. On December 31, 1939, the county had overdrafts in 5 current funds, many claims were long overdue, road and bridge warrants were discounted 8 per cent or more, and firms increased their prices in order to compensate for the discount. In December 1939, the District Judge appointed a county auditor at the request of the Commissioners' Court. Since that date, the financial condition of the county has steadily improved as the Commissioners' Court has acted upon the facts reported through the accounting system developed by the county auditor. At the end of 1943 all overdrafts had been eliminated and substantial cash balances had been achieved.

While no single factor accounts for all the improvement, it would be difficult to overestimate the part played by the installation of an adequate purchasing system. The Commissioners' Court is the purchasing agent for the county, but no purchase is made until a requisition is approved by the county auditor. This makes possible the maintenance of budgetary control. Finally, all claims are required to be itemized in detail and each claim is carefully audited before it is paid. (The change from poor to good procedures is quite recent in this county and the officials bore the picture clearly in mind. For this reason Waller County would be a good one for other local officials to study.)

Young County

On the basis of a detailed examination in Young County, it is conservatively estimated that the same quantities of material and supplies purchased in 1942 could have been purchased for \$8,225 less money. In addition it was found that possible reductions in the quantities purchased would more than equal the reductions possible through lowered costs per unit.

In summing up the total savings which might be made without altering the number of services or the organization of county government, it was found that purchasing procedures affected virtually all items. Directly or indirectly purchasing accounted for more than \$16,000 of the \$35,073 which could be saved annually. Since this total saving approximated 13 per cent of the total county disbursements in 1942, it is evident that improved purchasing alone could reduce the annual disbursements about 5 per cent. Here is how the \$8,225, which could have been saved by reductions in unit costs, is derived:

	Annual Saving
1. Savings in purchasing general county materials and supplies	\$2,000
2. Savings in Road and Bridge purchasing:	
(a) Paying cash for machinery.....	\$1,000
(b) Reduced unit costs:	
Gasoline	\$225
Oil	500
Grease	200
Diesel fuel	200 1,125
(c) Parts and repairs	4,000
Total Savings in Road and Bridge Purchasing	6,125
Total Savings in Young County Purchasing	\$8,225 ^a

Purchasing in Small Counties

The foregoing remarks have dealt largely with counties of average size or larger as measured by population and assessed valuation. The majority of these counties have auditors who have done much of the purchasing themselves, or have exerted a wholesome influence through the processes of budgetary control.

The situation in the smaller counties which do not have auditors is considerably different and even more difficult than in the larger counties. Nevertheless, the general purchasing laws can be administered effectively in the smaller counties just as they are in McLennan and other counties which have been mentioned. The Commissioners' Court, through the county judge as presiding officer, should accept its legal responsibility and become the purchasing authority in fact, as well as in name. In carrying out this responsibility, it is necessary for the Commissioners' Court to exercise a high degree of control over the budget. If necessary, arrangements should be made to employ a county auditor, or at least to employ an accountant or a bookkeeper who will keep the Court fully and accurately informed as to finances. The members of the Commissioners' Court can hardly be expected to do a reasonably good job unless they have the facts before them.

^aPossible Savings in Young County Government, by H. C. Bradshaw, September 1943, Page 42.

If the county has registered script outstanding, every possibility of eliminating the script and reaching a cash basis should be investigated. The continuation of the script basis is costly from every standpoint. As long as it continues, the purchasing power of the county dollar is substantially reduced, for each company and individual must discount the county's warrants. In these counties, the necessity of developing and maintaining a good accounting system is especially important. Without adequate accounts it is almost impossible to execute any plan through which a cash basis can be achieved. Furthermore, in the absence of good accounts, individuals and companies may be unable to determine the approximate date on which warrants will be cashable at face value, and therefore, penalize the county an additional amount in return for the risk they are taking.

In connection with the purchasing of stationery, printed forms and bound books, the stationery and printing companies have been forced to raise prices in counties having floating warrants outstanding. The sales manager of one large company reports that his company had never increased prices more than 10 to 20 per cent although he understands that some companies have increased their prices as much as 30 per cent in the case of counties in especially bad financial condition.

In March, 1943, this company was applying the following special terms to 21 counties over the state.

- (a) In five counties salesmen were instructed to increase the price 10 per cent.
- (b) In five counties salesmen were instructed to obtain cash with the order.
- (c) In eleven counties salesmen were instructed not to accept general fund warrants under any conditions. In these counties no sales were to be made unless cash available in special funds, if any, was definitely obligated for the payment.

In 1942, this company attempted to bring its accounts up to date, and in doing so, made substantial discounts to several counties—thereby enabling them to pay outstanding claims. The sales manager feels that in several instances the stationery companies have probably exerted a wholesome influence on county finances.⁶ This is undoubtedly true in the case of this company, as well as several others.

In view of the fact that the major stationery and printing companies use substantially the same increases in prices in dealing with counties in poor financial condition, it must be evident that in these counties, the achievement of a cash basis would save at least 10 per cent in purchasing stationery and similar supplies.

⁶Information obtained through interviews.

SUMMARY AND CONCLUSIONS

In recent years the 254 counties in Texas have expended amounts ranging from \$55,000,000 to \$60,000,000 annually. Of this total, something like 25 to 30 per cent has been expended for the purchase of materials, supplies and equipment.

On the basis of this study it is evident that the use of good purchasing procedures as opposed to poor procedures will reduce the total cost of items purchased by at least 15 to 20 per cent. In terms of dollars these savings should amount to at least \$3,500,000 annually. In addition, the evidence indicates that the reductions in quantities used which accompany a good purchasing system may be equally important. At any rate it is not too much to say that the total saving possible is at least \$5,000,000 annually.

This study also presents evidence that a good many counties are already securing their proportionate parts of the savings which can be made. On the other hand, it is known that numerous other counties are still purchasing in a haphazard manner which results in high prices and excessive use of materials, supplies and equipment.

In general it seems that counties secure substantially the same unit prices on various commonly used items, provided they follow the same or similar practices. In this connection it appears that the price per unit is largely dependent upon the volume in which delivery is taken, and that the total quantity used during the entire year has relatively little effect. Hence, the officials of each county should compare notes with other counties in order to determine the quantities in which deliveries should be taken in order to secure reasonably good competitive prices.

The manner in which this principle operates is illustrated rather well by the fact that counties purchasing gasoline in tank wagon or larger lots pay approximately 12 cents per gallon for the regular or second grade. This is the same gasoline for which the individual pays 18 cents or more at the filling station. Similarly, the price of diesel fuel in quantities of one barrel or more is approximately five cents per gallon.

Much the same thing seems to apply in the case of oils and greases inasmuch as purchases of reasonable quantities from standard companies always result in considerable reductions in cost. But the amount of the reduction varies considerably and the indications are that volume does not entirely control the situation. That is, the purchasing procedures followed must have affected the cost of oil about as much as the volume purchased. Figures from six counties for 1940 indicate that the following prices per gallon were paid for the best motor oil used: 32 to 35 cents; 34 cents; 43 cents; 45 cents; 64 cents; and 67 cents respectively. The lowest price was under the annual wholesale contract in McLennan County, but Wharton County secured approximately the same prices without the use of an annual contract. It should be noted, however, that the individual purchases in Wharton County approximated the quantities in which deliveries were taken—under the annual contract in McLennan County.

In addition to purchasing the proper quantities, the best managed counties also follow several other principles.

In these counties, officials responsible for purchasing study the needs of the various departments and keep up with the quantities used in prior periods. This practice assists in keeping the volume of purchases as low as possible by purchasing only the amounts needed for a reasonable period of time.

By keeping themselves informed regarding the trend of prices, officials learn to recognize a reasonable bid, whether it be made verbally or in writing.

Through the use of specifications describing the product desired, and through the employment of commercial testing laboratories, officials know that they are actually obtaining the quality necessary to meet the particular need.

The quantities received as a result of particular orders are carefully verified before payment is made, thereby avoiding trouble and the possibility of loss.

Furthermore, the price at which the purchase is invoiced is compared with the purchase order thereby eliminating the possibility of paying an incorrect amount. In this connection, officials are careful to claim all Federal tax exemptions to which the county is entitled, and they take advantage of all discounts allowed for prompt payment.

CONTENTS

	Page
Introduction.....	3
Sources of Information and Method of Handling.....	3
Good Purchasing Procedures Defined.....	4
Purchasing in McLennan County, Texas.....	6
Purchasing in Other Texas Counties—Kaufman, Anderson, Milam, Grayson, Brazos, Dallas, Eastland, Harrison, Liberty, Tarrant, Wharton, Waller, and Young.....	8
Purchasing in Small Counties.....	12
Summary and Conclusions.....	14

LIBRARY,
A & M COLLEGE,
CAMPUS.