

CHAPTER 17
PURCHASING STANDARDS AND PROCEDURES

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17.01 PURPOSE

The purpose of this Chapter 17 is to establish uniform standards and procedures to be followed by all City departments, the City Council and commissions in the purchase of all commodities.

17.02 POLICIES

The purchasing standards and procedures set forth herein are designed to:

1. Attain maximum economy in municipal operations to the ultimate advantage of local taxpayers and residents; and
2. Provide equal opportunity for qualified vendors to serve City needs.

17.03 PURCHASE AUTHORITY

In general, all supplies, materials, equipment and contractual/professional services required for operational efficiency shall be included in the annual budget. Purchase of same as required during the fiscal year shall proceed in accordance with these procedures upon approval of the annual budget by the City Council. When approval of the Administrator is specified, this does not pertain to the Police Department. Approval for Police Department expenditures is authorized in the manner prescribed by the Police Chief.

Although included in the annual budget, certain equipment, projects or services may be placed in a contingency status by the City Council as part of its approval process. When action on such contingency items is desired by the administrative staff, detailed justification of each item must be presented to the Administrator for review and approval consistent with the City Council's budget/fiscal policies.

Department heads may authorize purchases, as identified in the operating budget, up to \$2,000. The Administrator, or designee, must also approve all purchases between \$2,000 and \$9,999.99. Purchases in excess of \$10,000 require City Council approval.

Each department head of the City shall be responsible for its own department's purchasing needs in strict compliance with the procedures set forth herein. No department may make charges against budget accounts of other departments.

The Finance Department is responsible for determining if an item is budgeted, adequate funds are

available and proper purchasing procedures are followed.

17.04 PURCHASE ORDERS

A purchase order must be prepared for the following purchases:

1. Any purchase of goods or services in excess of \$500.
2. Any purchase from a source determined by a formal bid, bid waiver or formal quotation.
3. Any capital outlay item.
4. Any case where the vendor requires a purchase order.

Exclusive of the above requirements, a department head may request that a purchase order be prepared at any time they feel it is best or prudent to do so. Department heads must approve all purchase orders. Purchase orders over \$2,000 also require approval by the Administrator before a purchase is initiated.

The purchase order is prepared in three parts with distribution as follows:

White Copy: Mailed or delivered to vendor.

Yellow Copy: Retained by requesting department.

Pink Copy: Ultimately routed to the Finance Department for payment after receipt of goods/services and vendor invoice.

Purchase orders shall be issued in numerical sequence by the Finance Department. The Finance Department shall keep a log of purchase order numbers that have been distributed on a department by department basis.

All purchase requisitions and purchase orders must have the price of the goods stated. If it is absolutely impossible to list the exact price, an estimated price may be used with the letters "EST" placed above the price. Freight charges should be included on a requisition if possible. If not known, the requisition must state "Plus Freight."

It must be remembered that a purchase order is actually a contract between a vendor and the City. The purchase order must be prepared with this in mind. All purchase orders must bear, as near as possible, delivered price to avoid any problems in billing. A purchase order with no price shown is actually not a purchase order.

17.05 OPEN PURCHASE ORDERS

In certain circumstances where vendors are used frequently, an open purchase order may be set up at the beginning of the year as approved by the Treasurer. A purchase order must be approved by the department head (and Administrator if over \$2,000) before initiating the purchase. The white copy of the purchase requisition is mailed or delivered to the vendor. The yellow copy is retained by the requesting department and the pink copy, or photocopy if purchase order amount is not satisfied, is ultimately forwarded to the Finance Department after receipt of the goods/services and vendor invoice.

17.06 VENDOR PAYMENTS

The department ordering the goods or services is responsible for the accuracy of expense accounts used and that purchases fall within budget parameters.

Upon receipt of ordered items, the department must indicate the quantity received complete with the initials of the employee receiving the delivery and the date received. In the event of a back order or incomplete delivery, notation of the applicable situation will be entered on the purchase order. When such items are later received, a photocopy of the original purchase order showing the partial shipment detail will be completed.

Unless otherwise noted on receiving documents, it will be assumed by the Finance Department that the ordering department is completely satisfied with the quality and condition of items received.

All applicable quotation forms, vendor invoices, purchase requisitions and purchase orders, approved for payment by the department head or designee, and the initialed receiving report must be forwarded to the Finance Department for payment processing. These documents must be accompanied by a check authorization request form. All other data, including material data sheets shall be kept by the ordering department.

A check authorization request form, found at the end of this Chapter 17, authorizes payment for completed purchases and should include the following information: name and address of vendor, purchase order number if applicable, invoice date, invoice number, total invoice amount, account number(s), amount charged to each account, indicated full or partial payment and signature of department head. The Finance Department will assign the voucher number (if no purchase order is required) and vendor number and ensure an IRS Form W-9 is on file.

Check authorization request forms delineate the payment of bills as either interim (prior to City Council approval) or City Council bills (semi-monthly, after City Council approval).

Generally, the only interim check request which will be approved are payments which take advantage of "early payment" discounts or for other extenuating circumstances as may be described by the department head. The check authorization request form should distinguish between partial and full payment. Extra care should be given to insure that each expense has been properly coded to the appropriate line item.

Check authorization requests will not be approved without an invoice and, if applicable, signed purchase order except under extraordinary circumstances communicated to and approved by the Administrator.

17.07 PURCHASING PROCEDURES

A. PURCHASE IN EXCESS OF \$10,000: City ordinance requires that all purchases made from one vendor for a particular item or like types of items exceeding a cost of \$10,000 must be accomplished through formal bidding procedures or by a bid waiver approved by the City Council. If doubt exists as to whether formal bidding is required, the Treasurer shall be contacted before any purchase is initiated. The splitting of a purchase into two or more purchase orders for the purpose of avoiding the bidding process is prohibited.

In certain circumstances it may be felt by the department head or the Administrator the best interests of the City would be served by a purchase from one particular vendor despite the purchase amount being in excess of \$10,000. In such cases, a request to waive competitive bidding must be submitted to the City Council for its consideration and approval.

B. PURCHASES IN EXCESS OF \$2,000 BUT LESS THAN \$10,000: At least three quotations and approval of the Administrator are required before such a purchase can be effectuated.

The department head shall secure at least three verbal or written quotations or proposals from perspective vendors for the item or service. As in the case of formal bidding, the purchase shall be made from the lowest responsible quotation. A Quotation Form (found at the end of this Chapter 17) on the results of a quotation and vendor award recommendation shall be forwarded to the Administrator for approval.

In the event a department head feels that a purchase under this category should be made from one certain vendor rather than through quotations, a recommendation to do so is to be directed to the Administrator. In effect, this is a quotation waiver.

If it is found that a dire emergency condition exists and a purchase in excess of \$2,000 must be made to remedy the emergency, the department head may make such purchase if verbally authorized by the Administrator. The department head must report the purchase to the Administrator by memorandum as expeditiously as possible relating the full facts concerning the emergency and the costs incurred. An emergency condition is described as a condition where the health, safety and/or welfare of the City or its residents are affected.

C. PURCHASES IN EXCESS OF \$500 BUT LESS THAN \$2,000: Every effort should be taken to secure at least three quotations before deciding on a suggested vendor. The requesting department should secure the quotations themselves. A Quotation Form should also be prepared for these purchases.

In the event that a department head feels that a purchase under this category should be made from one certain vendor rather than through quotations, s/he should submit a memorandum with the purchase order stating the reasons for the certain vendor preference.

D. PURCHASES LESS THAN \$500: Purchases in this category can best be described as those day-to-day purchases needed to perform a job or service.

Department heads are responsible for the purchases made by personnel within their department. They may delegate this purchasing authority to subordinates, but still bear responsibility that these procedures are followed.

Although day-to-day, purchases under \$500 may be done without a purchase order and without prior approval, the responsibility still exists for making the most economical purchases. Spot price checks and surveys must be made from time to time to ensure that the price being paid is the best price available and that the quality is the best that is required.

Day-to-day purchasing should be made through that vendor who offers the best usable product at the lowest price. Also, accepting deliveries should rate preference over picking up where no delivery/premium charges are involved and there is no immediate need for the item.

When receiving an item purchased under informal buying, a receipt or packing slip should be obtained. This receipt is to be turned in to the department head who is to prepare a check authorization request (see Section 17.06, Vendor Payments).

E. PETTY CASH: Petty cash funds are established to pay for infrequent purchases that are under \$30 and require immediate payment. Tolls, parking, filing fees, etc., are traditional expenses that fall into this category. Department heads must approve the petty cash reimbursement vouchers.

The Finance Department will conduct periodic audits of the petty cash fund.

F. PURCHASES OF A REPETITIVE NATURE: It is not always practical to obtain competitive quotations for certain purchases that are repetitive in nature. The market must be periodically tested by the department head to determine if the current supplier is the most economical.

17.08 JOINT PURCHASING

A. STATE PURCHASING: Certain items are annually let for bids by the Procurement Division of the State of Illinois. Any unit of government in the state may avail themselves of these bid prices. Purchasing through State Purchasing may satisfy the requirement for bidding even though the purchase may be in excess of \$10,000.

When items are purchased through the State Purchasing vendor, the department head prepares a purchase order as normally prescribed, but also submits a copy to the State of Illinois Procurement Division. Typed on this purchase order must be the Vendor Number and Contract Order Number. These numbers appear on the State Purchasing contract for that item.

B. COOPERATIVE PURCHASING: It may also be beneficial for the City to join with other units of local government in securing price quotations and in bid letting. Periodic checks of what other governmental units are paying can confirm whether the City is receiving a good price. If a neighboring municipality is contemplating the bidding of a particular item which is also to be bid by the City, the joining of the two municipalities may result in a lower price.

CITY OF MARENGO - - CHECK REQUEST FORM

TO: FINANCE DEPARTMENT

DATE: _____

FROM: _____
(Department)

REQUEST FOR: PAYMENT

_____ CHECK IN THE AMOUNT OF \$ _____ FULL _____ PARTIAL _____

MAKE CHECK PAYABLE TO:

NAME: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____ INVOICE #: _____

INVOICE DATE: _____ P.O.#: _____ BUDGET ACCOUNT#: _____

ADDITIONAL COMMENTS:

REQUESTED BY: _____
(Signature)

APPROVED BY: _____
(Department Head)

CITY ADMINISTRATOR AUTHORIZATION: _____
(If Required)

Attach supporting documents: invoice, receipt, order form, etc.

FINANCE DEPARTMENT USE ONLY

ACCOUNT DISTRIBUTION

ACCOUNT NUMBER AMOUNT

Vendor No. _____	*	_____
Check No. _____	*	_____
Date: _____	*	_____
Amount: _____	*	_____
Paid From: _____	*	_____

QUOTATIONS

COMPANY NAME	CONTACT	PHONE	PRICE			
			ITEM 1	ITEM 2	ITEM 3	ITEM 4
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

DEPARTMENT HEAD _____