



# **PURCHASING POLICY**

## **INTRODUCTION**

The City of Clute considers the expenditure of funds to be an important responsibility and requires all persons involved with the purchase of goods, or services to exercise good judgment in spending taxpayer's money.

## **SCOPE OF AUTHORITY**

The City Council is responsible for the expenditure of all City funds. The City Council is responsible for adopting City Ordinances governing the purchases of equipment, materials and supplies and services for the City. The City Manager is required to formulate purchasing policies and procedures that are in compliance with applicable Federal and State law, the City Charter, City Ordinance and overall City Policy.

While City Council has legal authority to purchase all materials, supplies, services and equipment, they may and have delegated the purchasing function to the City Manager who in turn may delegate the responsibility to a designee. The current policy of the City is to maintain a decentralized purchasing process, which shall be monitored by the City Manager.

Each department head and/or authorized division head within this decentralized purchasing function shall be responsible for the function of procurement of suitable materials, supplies, equipment and services for their using department of the City government, except as otherwise noted.

In all such cases, the issuing of purchase orders, record keeping, and payments shall channel through the accounting office in order that the proper purchasing records may be maintained.

## **OBJECTIVES**

1. The City Manager will facilitate effective purchasing by offering assistance to all departments with all purchases.
2. The purchasing system includes budget controls that insure that only individuals with budget authority initiate purchases and, when appropriate, that they seek competitive bids.

## **PURCHASING APPROVAL REQUIREMENTS**

In order to provide appropriate financial control over the expenditure of City funds, a system of approval levels has been established. Observe the following approval levels in placing orders:

1. Operating budget purchases under \$750 require only appropriate departmental approval. Department Head are required to make sure that these purchases comply with budget.

2. Operating budget purchases over \$750 require department head and City Manager or his designee's approval.
3. The City Manager shall certify that sufficient funds for the purchase are available.
4. The City Manager or his designee shall sign and approve the purchase order as the delegated Purchasing Agent.
5. Unless otherwise provided, all purchases involving the expenditure of \$750 up to \$5,000 shall be made after attempting to secure at least three (3) verbal quotes. The verbal quotes that are received should be attached to the appropriate purchase requisition along with an explanation of why a particular vendor was chosen.
6. All purchases involving the expenditure of \$5,001 up to \$50,000 shall be made after attempting to secure at least three (3) written quotes. The written quotes received should be attached to the appropriate purchase requisition along with an explanation of why a particular vendor was chosen. If for any reason three (3) written quotes cannot be obtained, a written explanation illustrating the reason should be attached to the purchase requisition.
7. All purchases involving the expenditure of over \$50,000 should be obtained by using sealed bids.
8. Budgeted capital acquisitions require the approval of the department head and the City Manager.
9. Copies of all unsuccessful bids should accompany purchase requisitions.
10. **Computer equipment and software purchases require the approval of the City Manager or his designee prior to their processing.**
11. Contracts for equipment lease or rental require budget approval, and must be processed through the Accounting Department.
12. The City Manager is the only person authorized to commit the City to expenditures and contractual obligations.
13. Employees found to be abusing the purchasing policy may be subject to disciplinary action up to termination. Specifically, splitting purchase orders to avoid the proper approval process is grounds for termination.

## **HOW TO ORDER MATERIALS AND EQUIPMENT**

Purchasing starts with the need that develops in a department. This need for materials, supplies and equipment is satisfied and expressed in the form of a purchase requisition. This need must not wait until an emergency exists because of failure to plan properly. The department must anticipate far enough in advance allowing ample time for its proper procurement.

**Vendor Selection** – Before selecting a supplier, please check to see if the vendor you want to use has done business with the City before. A list of such vendors is available from the Accounting Department. If the vendor is not listed, please coordinate with the supplier and the Accounting Department to insure that before making the purchase the City has information necessary to process payment. The Accounting Department will assist with this information, if requested. It is required of the department establishing credit with a new supplier to ask for a minimum of Net-30 terms. By law, all vendors must complete a W-9 Tax Form and a Conflict of Interest Questionnaire prior to doing business with the City to qualify as a vendor. This information is available in the accounting department.

**PURCHASE ORDERS** – There are three reasons for using Purchase Orders. One is to control the acquisition of goods and services when cost is a primary consideration. Another is to create an encumbrance that will help manage the departmental budget. Finally, when using a Purchase Requisition, everyone involved in the purchase cycle can track the order by referring to the purchase order.

To use a Purchase Order, fill out a Purchase Order Requisition and forward it to the Accounting Department if it is greater than \$750. The Accounting Department generates the Purchase Order and sends it back to the department, either electronically or inter-office mail.

Use the following steps when processing a purchase requisition for goods and services:

1. A Purchase Order will not be issued unless an unencumbered balance exists in the appropriate account that is equal to or greater than the amount of purchase requested.
2. Prepare a Purchase Order Requisition: Complete as much of the form as possible with particular emphasis on providing the correct budget number information requested.
3. Forward the completed form to the Accounting Department: Be certain to include as much information as possible. Catalog number(s), description of item(s), color, grade (if applicable), costs and vendor terms should be noted on each requisition.
4. Estimated prices are to be entered on the requisition when actual costs are not known.
5. Enter a date wanted (delivery date) on each requisition: Please specify a date. ASAP, RUSH, IMMEDIATELY are usually ineffective. Bear in mind that some requisitions based on dollar value must enter the competitive quotation process while others may require approval of the City Manager, or his designee.
6. To insure a requisition is processed as quickly as possible, attach all appropriate signatures BEFORE forwarding to the Accounting office.
7. Include any bid documents with the requisition.
8. The Accounts Payable Clerk shall examine all requisitions and shall have the authority to revise the account code charged and to return requisitions not properly completed. Requisitions should be prepared far enough in advance of the date that material will be used

to enable the Accounting Department to encumber the amounts and issue the purchase order.

9. If there are insufficient funds within the account to support the amount requested, the requisition will be returned to the department for further review.

The requisitioner receives a copy of the Purchase Order after it has been prepared. This copy contains all the order specifics as stated on your requisition including the ship to and accounting information. Please review this information carefully.

## **SPECIAL TYPES OF PURCHASE ORDERS:**

### **BLANK PURCHASE ORDER**

The City of Clute purchasing system is designed to provide you with a mechanism to track multiple small dollar purchases, contracts or maintenance agreements with a particular supplier charge to multiple budget numbers. By using a Blanket Purchase Order, you will create a mechanism to track the actual dollar volume you have done with a supplier over the term of the Purchase Order.

Blanket Purchase Orders are used for small, routine or normal operating supply purchases. At the beginning of each calendar year, Blanket Purchase Orders are issued to vendors based on the department's requests and prior year's usage patterns. Items which may not be purchased with a Blanket Purchase Order include: furniture, computer hardware/software, publications, subscriptions, memberships, and capital equipment.

To issue a blanket purchase order, it will be necessary for the using department to execute a requisition form and forward to the Accounting Department. Upon receipt, the Accounting Department will issue an open order with a term not extending beyond the current fiscal year. The purposes for which a using department may request a blanket purchase order are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the City, fuel, oil, gas, roadway materials, and utilities, and any purchases exempt from competitive bidding and any other expenditure that is recurring and reasonably predictable operating expense.

The City Council enacts the budget based upon the passage of an appropriations ordinance. The appropriations ordinance controls expenditures at the level of personnel services, and other categories by fund except for the general fund where the control is by department within the general fund.

Only City Council may authorize appropriation transfers between personnel services and other inter-category expenses. Debt service transfers also require council action. Any transfer requiring council action must be done by ordinance.

### **INTERNET PURCHASING**

Purchasing through the internet requires the same level of authorizations as other purchases. Actual ordering of the good or service may be done provided a purchase order exists or approval is granted at the time of the order and an invoice is generated to the requesting department.

## **CREDIT CARD PURCHASING**

Purchasing from a City credit card requires the same level of authorizations as other purchases. Actual ordering of the good or service may be done provided a purchase order exists or approval is granted at the time of the order and an invoice is generated to the requesting department.

## **VIEWING YOUR PURCHASE ORDER TRANSACTIONS**

Once a Purchase Order is created in the system, an encumbrance for the amount of the purchase is charged against the budget line(s) assigned to the purchase. This encumbrance is deducted from the account balance at the time the PO is approved by the City Manager. Once the item is received and invoiced, the encumbrance for the acquisition is removed and the actual cost of the item is charged to the account balance.

Budget status can also be viewed on line in the Incode Invision software. For more information on encumbrances, budgets and budget viewing, please contact the Accounting Department.

## **TAXES**

The City of Clute, a municipality, is exempt from all City and State of Texas sales and use taxes and franchise taxes. Exemption certificates will be issued by the Accounting Department upon request.

## **DISBURSEMENTS**

The Accounting Department will determine when disbursements may be made at times other than the regular semi-monthly payments. Vendors or other persons wanting bills paid or refunds may contact accounts payable for payment. Other departments may not obligate the City by suggesting that disbursements will be made immediately.

## **EXEMPTION OF PURCHASES DETERMINED TO BE AN EMERGENCY**

The existence of an emergency condition may create an immediate and serious need for service, construction or purchases that cannot be met through normal competitive procurement methods, and the lack which of would seriously threaten the function of the City, the preservation or protection of property, or the health and safety of any person.

Emergency Circumstances are those which involve such issues as:

- a) employee and public safety (that cannot be anticipated and planned)
- b) protection of City property from further immediate damage

No other conditions would apply to warrant the exemption of purchasing through the guidelines of this policy.

## **BIDDING**

The City of Clute requires competitive bidding whenever the value of the purchase exceeds \$750. Bids/quotes or explanations of the reasons bid/quotes were not solicited are required for all acquisitions over \$750.

Two types of bid solicitations, either formal or informal shall be used. The determination of which type of bid to be used shall be at the discretion of the department, except as otherwise provided by law or administrative policy.

1. Specifications are developed and reviewed by the Accounting Department, the requesting department and any other City employee that has expertise in the type of commodity or service being purchased (i.e. vehicles, computers, construction, etc.).
2. Sealed Bid – Public notice is required for formal sealed bidding with a bid opening at a specified place on a scheduled day at a scheduled time.

Invitations to bid are advertised for two consecutive weeks in the Facts. Depending on the commodity or service being bid, or by special request from the department, advertising may be placed in other publications. Also, this notice shall be included in the bid documents. Sealed bids will be publicly opened and read at the date and time specified in the written notice, unless otherwise indicated in the bid documents.

3. Quote – This is a request for prices or quotations that is mailed, faxed, communicated by telephone, emailed or otherwise delivered electronically by the department with due date and time noted. There is no public reading of bids or quotations. Departments shall provide an opportunity for qualified prospective vendors to prepare timely bids or quotations.
4. Department Recommendation – Bid and/or quote evaluations are completed by the requesting department, who must recommend its preferred vendor, items, options, etc.
5. City Manager's Approval – The department submits their bid and/or quote evaluations along with their recommendation to the City Manager or his designee for approval.

The names of the bidders and the amounts bid shall be supplied to any person upon request after the opening of the bids (if sealed bids) and as soon as the evaluation of the bids and/or quotes are completed and the award is made. Information will not be released in situations in which the release would provide a competitive advantage to any of the bidders.

Nothing contained in these conditions shall be construed to mean that the lowest priced goods or inferior or substandard goods must be purchased. The staff is to purchase goods at the lowest cost consistent with the quality and service required.

**POLICY APPROVAL:**

\_\_\_\_\_/\_\_\_\_\_/2010  
Gary Beverly, Interim City Manager      Date

\_\_\_\_\_/\_\_\_\_\_/2010  
Calvin Shiflet, Mayor      Date