

PURCHASING POLICES – CITY OF WEST JORDAN

Department of Finance – Purchasing

January 10, 2012

PURPOSE:

The purpose of the City’s purchasing policy is to:

- Simplify, clarify, and modernize the procurement policies of the City.
- Ensure the fair and equitable treatment of all persons who deal with the City’s procurement system.
- Provide increased savings in the City’s procurement activities

GENERAL PURCHASING POLICY:

The following general policy applies to all purchases, regardless of dollar amount:

- A purchase order is required (in advance) for all purchases.
- All purchases over \$1,000 require quotes, bids, or sole source justification.
- Purchases, which have been “artificially divided” (split) to avoid using standard purchasing methods and policies, are considered non-compliant with the City’s purchasing policies.
- Purchases, which have been made without a purchase order (“after-the-fact” purchases), are considered non-compliant with the City’s purchasing policies.

PURCHASING TERMINOLOGY (definitions):

Accounts Payable: A division within the Finance department that is responsible (among

other things) for making payments owed by the city to suppliers and other creditors.

Contract: A legally enforceable agreement between two or more competent parties for the procurement or disposal of goods, services, supplies, or construction.

Contractor: Any person or firm having a contract with the city.

Invitation for Bids (IFB): A document used for seeking competition on large dollar purchases (greater than \$20,000 dollars) which has been submitted in a sealed envelope to prevent its contents being revealed or known before the deadline for the submission of all bids.

Purchasing: A division within the Finance department that is responsible for obtaining goods and services needed in support of the city's departments.

Purchasing Agent: An authorized agent of the city to review purchase requests, prepare bids, quotes, proposals, specifications, issue purchase orders and contracts, evaluate and award bids.

Purchase Order (PO): A document issued by the purchaser to formalize a purchasing transaction with a supplier. The PO should contain specific information regarding quantity, description, and price of the goods or services being ordered.

Request for Proposals (RFP): A document used for seeking competition for purchases when the needs of the City cannot be described clearly with a written specification and cost is just one of several criteria necessary to make a procurement decision. Proposals are usually used for purchase of professional or human services, or high technology "state of the art" equipment. Proposals are not appropriate for construction projects.

Request for Quotes (RFQ): A document used for seeking competition on small dollar purchases (less than \$20,000 dollars).

Requisition: An internal document by which a requisitioner (i.e. department) requests the purchasing agent to initiate a purchase.

Requisitioner: The person, or department who creates a requisition which is sent to the purchasing agent to initiate a purchase.

Responsible Bidder: A person who has the capability in all respects to perform in full the contract or purchase order requirements in a timely manner.

Responsive Bidder: A person who has submitted a bid that conforms in all material respect to the bid specifications, terms and conditions, and all other requirements of the bid solicitation.

Sole Source Form: An internal document by which a department requests the purchasing agent to award procurement for a commodity or service to the only known supplier, or because of the unique nature of the requirement, or because of current market conditions.

Solicitation: The process of notifying prospect bidders that the City wishes to receive

quotes, bids, or proposals for goods or services. The process may consist of public advertising, distributing quotes, bids, or proposals to prospective bidders, or both.

Supplier / Vendor: Someone whose business is to supply goods or services to the city.

THE PURCHASING PROCESS

1. **Requisition:** The requisitioner completes a requisition. A requisition should be used for all requests to purchase supplies, services, or construction.
 - a. The requisition should contain at least the following information:
 - i. Requisition date and Department name
 - ii. The Program and Account numbers
 - iii. The quantity, description, specifications, and/or scope of work
 - iv. Department Director (or designee) signature
 - v. Email addresses of suggested or potential suppliers (if known)
 - b. If the purchase amount is less than \$5,000 dollars, the requisition remains with the department files.
 - c. If the purchase amount is estimated to be greater than \$5,000 dollars, the requisition is sent to the purchase agent to initiate the procurement.
 - d. The requisitioner should always keep a copy of the requisition in case the original requisition become lost.
2. **Competitive Solicitation:** Quotes, bids, proposals, or sole source approval are then obtained. Quotes, bids, or proposals (or sole source approval), are required for all purchases which exceed \$1,000 dollars.
 - a. Purchases less than \$1,000 dollars do not require quotes, bids, or proposals. However, they are strongly recommended.
 - b. If the purchase amount is estimated to be less than \$5,000 dollars, the department will solicit two or more quotes.
 - c. If the purchase amount is estimated to be greater than \$5,000 dollars, the purchasing agent will solicit two or more quotes, bids, or proposals.
3. **Purchase Order (PO) / Contract:** A purchase order, or contract, is issued. The PO or contract is (generally) issued to the lowest responsive and responsible bidder.
 - a. If the purchase amount is to be less than \$5,000 dollars, the department will issue the purchase order.
 - b. If the purchase amount is to be greater than \$5,000 dollars, the purchasing agent will issue the purchase order.

- c. For new vendors not listed in Pentamation, the department sends a copy of the vendor's current W-9 form to the purchasing agent, who will issue a new vendor number.
- 4. Purchase Order Distribution:** A copy of the PO is sent to the supplier, the department and/or the purchasing department files.
- a. A copy of the PO is mailed, faxed, or emailed to the supplier. This triggers and formalizes the purchase transaction with the supplier.
 - b. The Uniform Commercial Code – Statute of Frauds requires the ordering of goods or services, whose value is \$500 or more, to **be done in writing** – that is with a purchase order or contract. Ordering of goods or services by phone with, or without, a PO number should be avoided.
 - c. The original PO (pink copy) is sent to, or remains in the requisitioner's department.
 - d. A copy of the PO is retained in the purchasing agent's files as a backup copy.
- 5. The Supplier:** Once the supplier receives the purchase order:
- a. The supplier delivers the goods or services as listed on the PO.
 - b. The supplier sends an original invoice for the delivered goods or services.
- 6. The Department:** Once the department has received the goods or services:
- a. The department confirms the goods or services have been delivered.
 - i. Check delivery tickets and invoice against the items and prices listed on the Purchase Order to make sure they match.
 - ii. Attach the invoice to the original (pink) copy of the PO marked "Final Payment - ok to pay", and send these documents together with supporting documentation (original invoice, remittance slip, quotes, bids, packing slips, contracts, etc.) to Accounts Payable in Finance.
 - iii. For partial payments of an order, attach invoice to a copy of the original PO marked "Partial Payment – ok to pay" and send these documents together with supporting documentation (original invoice, remittance slip, quotes, bids, packing slips, contracts, etc.) to Accounts Payable in Finance.

- 7. Accounts Payable:** Upon receipt of the invoice, the PO, and supporting documentation, Accounts Payable will create and mail a check to the supplier.
- a. All invoices and payment requests need to be submitted to Accounts Payable in a timely manner.
 - b. All necessary paperwork for a payment on a PO needs to be submitted to Accounts Payable by 12:00 pm, Monday for that week's check run.
 - c. Checks will be issued and mailed to the supplier or contractor on Thursday of each week.
 - d. Requests for a special check run outside the regular processing date require approval from the City Manager.
 - e. See Accounts Payable Policy for additional details regarding payments.

The following table summarizes the requirements for all purchases:

Amount	Purchasing Authority	Requesting Document	Requisition Approved by	Competition Requirement	Pricing Obtained by	PO Signed by
Up to \$1,000	Dept Director	Requisition	Dept Director	Reasonable & prudent	Director or designee	Dept. Director
\$1,000 to \$5,000	Dept Director	Requisition	Dept Director	Min. of two Quotes	Director or designee	Dept. Director
\$5,000 to \$10,000	Purchasing Agent	Requisition w / spec's	Dept Director	Min. of two Written quotes	Purchasing Agent	Purchasing Agent
Over \$10,000	City Manager	Requisition w / spec's	Dept Director	Min. of two Written quotes	Purchasing Agent	City Manager
Over \$20,000	City Manager	Requisition w / spec's	Dept Director	Min. of two Bids or proposals	Purchasing Agent	City Manager

QUOTES, BIDS, AND PROPOSALS

1. Request for Quotes (RFQ's) are used for purchases whose monetary value is less than \$20,000 dollars.
2. Invitation for Bids (IFB's) are used for purchases whose monetary value is greater than \$20,000 dollars.
3. Request for Proposals (RFP's) are used when the needs of the City cannot be described clearly with a written specification, and cost is just one of several criteria necessary to make a decision. Proposals are not appropriate for construction projects.

ANNUAL PURCHASE ORDERS (APO'S):

An Annual Purchase Order (APO) is an “open” purchase order, which has been issued to a supplier to procure goods, or services, which are expected to be needed on a regular and repetitive basis (i.e. daily, weekly, monthly, etc.) throughout a fiscal year.

SOLE SOURCE PROCUREMENT:

Sole source procurement is a purchase of goods or services from the only known capable supplier, or when the unique nature and requirement of the purchase is only available from a single supplier.

For example:

- Where the compatibility of equipment, brand name, accessories, replacement parts, or service is the paramount consideration
- Where a sole source supplier’s item is needed for trial use or testing
- Procurement of items for resale
- Specialty items
- Other suppliers are not available
- Procurement of public utility service

A “Sole Source Form” which explains why no other supplier will be suitable or acceptable to meet a particular need shall accompany the requisition when requesting a purchase to be restricted to a single supplier.

In case of reasonable doubt, competition should be solicited.

EMERGENCY PROCUREMENT:

The existence of an emergency condition creates an immediate and serious need for supplies, services, or construction that cannot be met through normal procurement methods, or existing annual purchase orders.

Emergency procurement of supplies, services, or construction shall be made immediately by:

- The City Purchasing Agent (whenever possible)
- A Department Director
- The City Manager or other designee

As much competition as practicable, under the circumstances, should be used in any procurement.

After Hours Emergencies:

If an emergency need occurs after normal business hours, on a holiday, or a weekend, the

Department Director or designee shall:

- Obtain as much competition as possible, given the circumstances
- Issue an emergency purchase order, or place a verbal order to the selected supplier
- On the next working day, the department shall bring a requisition and a memorandum explaining the basis for the emergency to Purchasing, who shall complete whatever paperwork is required to complete the procurement process.

STATEWIDE CONTRACTS:

Supplies, services, or construction items may be purchased from statewide contracts without seeking additional competitive quotes. Statewide Contract means an existing State of Utah procurement contract. These contracts may be viewed online at:

<http://www.purchasing.utah.gov/index.html>

PROHIBITED ACTIVITIES:

It shall be unlawful for any employee of the City (or family member of an employee) to ask for or receive, or for a supplier, provider, or contractor to offer, a gratuity, gift, reward, tickets, (or anything of value) to any employee of the City (or family member of an employee) which could reasonably be intended to influence the award of any contract or purchase order.

DISBURSEMENTS:

Procurements that were formerly done as Disbursement vouchers should now be done as Purchase Orders.

The following goods or services do not require quotes, bids, or proposals. Purchase Orders for these items may be issued at the department level and do not require the involvement of Purchasing.

- Newspaper Advertising
- Insurance Premiums
- Legal Fees
- Credit Card Payments
- Land and Building Rental
- Registration for Meetings or Training Sessions, including Pre-paid Hotel costs
- Subscriptions, Memberships, Professional Registrations, and Publications
- Utility Payments
- Petty Cash Reimbursements
- Employee Reimbursements including eyewear, health insurance, and educational
- Postal Charges/Fees
- Parking Fees

- Worker Compensation Fees
- Credit Reporting Fees
- Bond Releases
- Witness Fees
- Phone Bills
- Radio Service (UCAN)
- Refunds of City Fees or Charges (requires the signature, or initials, of the City Treasurer)
- Title Searches / Right of Ways
- Animal Control Adoption, Spay, and Neuter Program
- Seized Assets (Police)
- Found Property (Police)

If you have other items that you think should be added to this list, please contact the City Purchasing Agent.

FURNITURE PURCHASES:

Furniture purchases (such as desks, chairs, tables, system furniture, benches, filing systems, bookcases, stools, etc.) must be purchased through Purchasing regardless of the dollar amount.

INFORMATION TECHNOLOGY PURCHASES:

Information Technology purchases must be approved by the IT department and purchased through the Division of Purchasing regardless of the dollar amount.

These purchases include:

- computers
- monitors
- software
- hardware
- printers
- telephones
- copiers
- fax machines
- projectors
- all consumable items (toner/ink, etc. for printers that connect to the network)
- digital cameras
- digital recorders
- any devices that require software or that will connect to the City's network
- PDA's
- cell phones

The following items do not need IT department approval and do not need to be purchased through Purchasing (unless the order exceeds \$5,000 dollars).

- IT cleaning supplies
- CD-R disks
- DVD- + R disks
- jump drives
- thumb drives
- Flash drives
- floppy disks
- ink cartridges for non-network printers

CREDIT CARD PURCHASES:

City credit cards have been issued to Department Directors and may be used to purchase items such as:

- Online purchases
- Purchases from suppliers that the City does not have an account with
- Seminar/conference registrations
- Membership fees
- Suppliers that do not accept PO's
- Books
- Footwear
- Clothing
- Etc.

The process for credit card purchases (with Purchasing's credit card) should be handled much the same as any other purchase.

1. The department completes a purchase requisition
2. The requisition is given to the Purchasing Agent
3. If applicable, quotes are obtained
4. Give the supplier the City's tax exemption number (E39555)
5. The purchase is made using the credit card
6. Get a receipt from the supplier
7. Return credit card and the receipt to the Purchasing Agent

PROCUREMENT CONTRACTS:

A procurement contract is a legally enforceable agreement between two or more parties to procure (or dispose of) supplies, services, materials, equipment, or construction.

Procurement contracts are usually used to procure supplies, services, materials, equipment, or construction over a period of time (i.e. months or years) and are paid for with multiple periodic payments

Period of time for contracts:

A procurement contract for supplies or services may be entered into for any period of time deemed to be in the best interest of the City, provided that the term of the contract and the conditions of renewal or extension, if any, are included in the bid solicitation.

Pay and performance obligations for succeeding fiscal periods shall be subject to the availability and appropriations of funds by the City Council.

“Open-ended” (starting date only) procurement contracts, and “evergreen” (automatically renewed) procurement contracts, are prohibited.

Modifications of contracts:

Procurement contracts (including purchase orders) may be amended, modified, or supplemented only by written amendment (or change order) to the contract and executed by the parties to the contract.

Payment of Procurement Contracts:

Payments on a procurement contract should be done with a Purchase Order.

For example: A two year contract is issued for landscaping services in the amount of \$24,000 dollars. The contract period is 07/01/11 to 06/30/13.

A purchase order in the amount of \$12,000 for the current fiscal year is issued and partial payments in the amount of \$1,000 are paid monthly. A second purchase order is issued the second fiscal year and monthly partial payments are made to pay the remaining amounts.

SURPLUS PROPERTY:

No City owned property, except such items as are consumed in their use for official City business and as described below, shall be disposed of or released to ownership, unless such property has been declared surplus by the City Council.
(See West Jordan Municipal Code Section 2-7-314)