

# Purchasing Policy



## **Objective**

To establish a standard procedure to be followed by all departments in procuring goods and services and to facilitate purchases with vendors who will offer quantity and cash discounts and obtain quality goods at the lowest possible prices.

## **Prompt Payment Act**

The City of Crest Hill is subject to the State of Illinois's Prompt Payment Act, and as such, invoices must be paid in a timely manner. It is the responsibility of the Purchasing party to ensure that invoices are presented in a timely manner for payment with the proper authorization.

## **Purchasing Authority**

The City Council through the Budget Approval Process sets the authority to purchase all goods and services in any fiscal year. The City Administrator shall serve as the head Purchasing Agent for the City of Crest Hill, and as such, serve as the main administrator of the City's Purchasing Policy. The Finance Director shall serve as the processing agents for purchase transactions.

At any time, the City Council may waive any and all purchasing requirements, particularly in any cases where the City is soliciting unique professional services or expertise, purchasing used equipment or in cases where vendors have exclusive marketing rights. The City may waive the competitive bidding process when pricing is available that insures the lowest price, i.e. State Bid, GSA Pricing, or Private businesses offering government pricing on the item to be purchased.

**Appendix A** details the purchasing authority and authorization requirements for purchases for the City of Crest Hill.

## **Equal Opportunity/Non-Discrimination Policy**

It is the policy of the City of Crest Hill that all potential suppliers shall have an equal opportunity to submit bids or quotations and to complete on an equal basis for the City business.

All purchase orders and contracts to which the City of Crest Hill is party, shall contain a non-discrimination in employment clause which provides:

"The vendor agrees that in performing under this purchase order with the contracting municipality, he shall not discriminate against any worker, employee or applicant, or any member of the public because of race, religion, color, national origin or sex, ancestry, age, marital status, physical or mental handicap, or unfavorable discharge from clause will be incorporated in all contracts entered into with suppliers of materials or services who may perform any such labor or services in connection with this contract."

# Purchasing Policy



Even if such clause is not included, the above clause shall be construed to be incorporated as a part of such purchase orders and contracts.

## **Shipping and Freight Policy**

All bid prices and price quotations shall be FOB City of Crest Hill with delivery to a point or points within the City.

It is the policy of the City to avoid paying freight charges whenever possible. When taking informal quotations, applicable freight charges should be included. Any charges to be paid by the City will be regarded as part of the price quotation when selecting the successful bidder. Unless otherwise stated in the "notice of call for bids", all formal bid proposals shall include freight and delivery charges, if any.

## **Selection of Vendors**

Whenever practical, the City will strive to select the lowest qualified quote or bid in the selection of goods and services. If City staff deems that a quote or bid does not meet the quality, dependability, or uniformity standards required, they may petition the City Administrator for an exception to price based selections.

## **Vendor Discounts**

It is the policy of the City to take advantage of all available vendor discounts. The following points should be kept in mind:

- Cash Discounts are offered for prompt payment, usually within ten days of the date of the invoice. Purchasing parties can aid the City by ensuring that the invoice and purchase order (if required) are authorized and forwarded to the Finance Department the same day that materials are delivered.
- Trade Discounts are sometimes offered to municipalities for the purpose of attracting their business. In most cases, the City will not be offered a trade discount unless the purchaser asks if one is available. Therefore, it is essential that purchasing parties, when taking informal price quotations, ask if trade discounts are available.

## **Cooperative Purchasing**

Cooperative purchasing between the City of Crest Hill and the State of Illinois or between the City and other local governments can result in significant savings on the purchase price of many items. It is the policy of the City to enter into cooperative purchasing agreements when:

- Substantial savings will result
- Quality, availability or service will not be sacrificed
- The City will be separately billed for its purchases

# Purchasing Policy



- Ordered items will be delivered directly to the City (unless otherwise agreed upon).

The Head Purchasing Agent shall have the authority to analyze the feasibility of cooperative purchasing arrangements. The City Council encourages cooperative purchasing but maintains the right to reject any or all such agreements.

## **Receiving and Inspection**

Purchasing parties (or their designates) are responsible for receiving and inspecting all deliveries that they initiated to ensure that items received conform to the specifications and quantities set forth in the purchase order. All deliveries should be thoroughly inspected to ensure that materials are received in satisfactory condition, and the invoiced price is compared to that on the purchase order. Only after all items on a purchase order have been delivered in an acceptable condition should the purchasing party submit the appropriate forms to the Finance Department so bills may be paid. Each vendor must accept returned items for full credit. All bills will eventually appear on the Vendor List for monthly Council approval.

### **The party receiving the goods will:**

- Inspect for completeness of delivery
- Sign off as received on packing slip
- Mark on the packing slip goods damaged or not received
- Attach all documents to original invoice for payment
- Note on the original invoice any goods not received or damaged
- The original invoice must be authorized for payment by the appropriate party based on the dollar amount.
- Send completed documents to Finance Department for payment
- Contact vendor on any discrepancies

## **Request for Payment for Special Events**

From time to time, the City will host events that require payment onsite for specific vendors. When this is the case, the following steps shall be followed:

- On the regular bill list preceding the event, any contracts or invoices that need to be paid on or before the event date should be forwarded to finance for payment, following general purchasing and approval guidelines as described in this document
- Checks will be issued following City Council Approval
- Checks will be stored in the Finance safe
- On the last business day preceding the event, the City Administrator and Finance Director will designate an employee to be responsible for transporting the checks from the City Hall safe to the event site and disbursing payment to vendors.

# Purchasing Policy



- Any receipts or additional contract documents generated at the event will be returned to the Finance Department on the first business day following the event for filing with the relevant invoice.

## **Emergency Purchases**

Emergency contracts or procurements may be made in the best interest of the public without competitive bidding or prior notice when:

- There exists a threat to public health, safety, or welfare; or
- When immediate expenditure is necessary to prevent or minimize serious disruption in critical City services that affect public health, safety or welfare.

The term of the emergency contract or purchase shall be limited to the time reasonably needed for a competitive procurement. A written determination of the basis for the emergency and for the selection of the particular contractor shall be included in the contract file.

Such emergency purchases may be made or contracts awarded by the following succession of City officials:

1. The mayor
2. The City administrator
3. The finance director
4. The department head pertinent to the emergency

Only in the absence of all preceding official(s) will a subsequent official be called upon to make an emergency purchase decision. For instance, the only time the finance director would be asked to make an emergency purchase decision would be in the absence of both the mayor and City administrator. For terms of this policy, the absence of the preceding official(s) will mean either a vacancy in the position or the inability to make physical, voice or other forms of communicative connection to that official.

The finance director shall report any emergency purchases in excess of ten thousand dollars (\$10,000.00) to the City Council at its next regular meeting following said emergency purchase, giving the name of the vendor, date, description of the item or items purchased, the amount of the purchase, the nature of the merchandise and the justification of the emergency purchase.

## **Request for Checks Less Than \$2,500**

In certain situations, and with an upper limit of \$2,500, City Department Heads may request that direct payment for goods or services be authorized. These situations arise where:

- The purchase is time sensitive and delaying payment until the next regularly scheduled Council meeting will interrupt the flow of City business or cause the City to lose an opportunity for competitive pricing or;
- The return of a deposit being held by the City or a refund being issued by the City to an eligible program participant. Refunds and deposit returns will only be issued when the City can confirm that the initial payment by the customer was not returned by our bank.

# Purchasing Policy



Some examples include:

- Advances - travel and others - a travel agent who will accept purchase orders should be used for travel and lodging arrangements whenever possible
- Inexpensive mail-order items
- Seminars
- Membership dues
- Limited outside services
- C.O.D. charges
- Petty cash reimbursements

Department heads may request direct payment for goods or services using the procedure outlined below.

Prepare check request to include:

- Vendor/Payee
- Nature of expenditure
- Any comments
- Fund/Account to charge
- Purchasing Agent/department head approval

All check requests will be paid on a semi monthly basis following regularly scheduled Council Meetings. All checks issued from a check request will be listed on a separate report to be presented to the Council for review.

## **Requisition of Services**

The City Administrator or their designee is authorized to enter into service contracts in an amount not to exceed \$20,000. Any service contract exceeding \$20,000 requires approval by the City Council. A minimum of three quotes for services shall still be solicited when practical. The City may choose to select a vendor based on quality or expertise of services provided rather than price at the discretion of the City Administrator.

Except in the case of legal counsel retained/engaged by SWARM or the City's insurers to defend/represent the City, any specific employees, officers, elected officials, agents or staff in any dispute, claim, litigation or other proceeding, no City employee, elected official, director, officer or agent shall have the authority to engage any legal counsel without first obtaining the approval of the City Council.

## **Invoices**

# Purchasing Policy



Invoices should be sent to the Department requesting the item(s). The Department Head must authorize (sign) invoices originating from their department; indicate the expense account that should be charged, and forward to the Finance department for payment.

It will be noted that the Finance Department will pay for goods and services on original invoices only. Invoices must have the proper authorization before payment is made.

No payments will be paid on statements or copies of invoices unless the department head attests to the fact that the original invoice is lost and that the invoice copy is replacing the original invoice that is lost.

No invoice or copy of invoice will be paid unless there is sufficient documentation to warrant such payment.

## **Reimbursement to City Employees**

On rare occasions, an employee may need to purchase an item for City use with their own funds and seek reimbursement from the City. This should be a method of last resort and should follow the purchasing authority schedule listed in Appendix A. Methods to alleviate this need include both procuring goods through vendors that the City has a credit relationship with and the use of employee issued credit cards. Employees shall turn in their complete vendor issued receipt with proper account coding for reimbursement on the next regular check run. Reimbursements necessary for employee travel are outlined in the Travel Policy portion of the City's Personnel Manual.

## **Payment**

Payment of Invoices will be made following approval by the City Council of the vendor list at each City Council Meeting. The City Council may also approve items for payment not on the vendor list but separately listed on the Agenda.

## **Electronic Payment**

For vendors accepting payments electronically, the following steps shall be taken

- When presented with ACH payment instructions, staff will use a publicly available phone number to independently contact the vendor and verify the payment information
- Staff will ensure that any other identifying information submitted with the payment information matches what the City has on file (Vendor name, addresses, points of contact)
- Internet searches will also be used to confirm that the employee submitting the information works for the company, and that the identifying information supplied with the payment information is accurate.
- If there is any concern that the payment information is invalid, or it cannot be independently verified, a paper check will be mailed instead
- Once verified, the ACH instructions will be entered into the vendor record by the Accounts Payable clerk and verified by the Assistant Finance Director or Finance Director

- For any vendor wishing to change banking information, all of the above steps will be taken again.
- For new vendors, or vendors wishing to transition to electronic payments, the City may choose to transmit a payment amount less than \$1.00 without telling the vendor the amount of payment. The vendor should be able to confirm the amount of payment. This is a method of confirming payment instructions without transmitting a material amount of money.
- In all cases, cybersecurity best practices will be followed to ensure the security and accuracy of electronic data

**Check Fraud**

The City shall utilize preventative measures where available to guard against check fraud and theft. These measures currently include, but are not limited to, positive pay and ACH debit blocking. In the event that the City becomes the victim of fraud or theft, staff will notify the bank and the Crest Hill Police Department as soon as practical so that they may each follow their respective protocols. Staff will make themselves available and supply appropriate documentation for these processes.

### City of Crest Hill Purchasing Authority

Amount	Purchasing Party	Quotes Required	Additional Comments
\$100,000 & greater	City Council Approval	N/A	For purchases, sealed competitive bidding process is required unless waived by the City Council
\$20,001 - \$99,999	City Council Approval	3 written	City Administrator will determine when receiving written quotes are more practicable and advantageous than to go through a competitive bidding process
\$20,000 - \$30,000	City Administrator in emergency situations only; City Council Approval for all regular purchases	3 written	Three written quotes, the best quote may be chosen without having to go through the quote process again. Due regard to budgetary constraints must be maintained.
\$5,000 - \$20,000	City Administrator Approval	3 written	Three written quotes are required. Due regard to budgetary constraints must be maintained. Requisition of Services – City Administrator is authorized to enter into service contracts not to exceed \$20,000. Engagement of legal counsel must obtain City Council approval prior to engagement.
\$2,500 - \$10,000	Finance Director, Assistant City Administrator/HR	3 verbal*	Three verbal quotes are required. Due regard to budgetary constraints must be maintained.
\$2,500 - \$4,999	Department Head Approval.	3 verbal*	Three verbal quotes are required. Due regard to budgetary constraints must be maintained.
\$1,000 - \$2,499	Department personnel (primary) approved by the department head and the city administrator	At least two verbal*	Due regard to budgetary constraints must be maintained.
\$0. - \$1,000	Department personnel (alternate) approved by the department head and the city administrator	At least two verbal*	Due regard to budgetary constraints must be maintained.

Verbal quotes: Verbal quotes must have some form of documentation, this may include, but not limited to: text messages, screenshots of an online price, or emails.

Note: Authority to approve is automatically filtered down.