



Purchasing Policy

Revised October 2023

Table of Contents

Purchasing Fundamentals	2
General Rules and Procedures	3
Purchase Requisitions	4
Purchase Orders	4
Blanket Purchase Orders	4
Charge Accounts	5
Credit Cards	5
Contracts	5
Emergency Purchases	6
Capital Purchases	6
Piggyback Purchases	6
Petty Cash	7
Miscellaneous Procedures	7
Surplus Property Disposal	8
Competitive Bidding Procedures	9

Purchasing Fundamentals

The North Topsail Beach Purchasing Policy is intended to serve as a guide for all departments in obtaining supplies, materials, equipment, apparatus, and services. Purchasing's primary obligation in a governmental environment is commitment and adherence to fair and open competition.

The town's purchasing operations are governed by North Carolina General Statutes, which require the town to seek competitive offers from qualified suppliers, unless the items can be obtained through existing contracts established by North Carolina State Purchasing and Contracts Division. North Topsail Beach participates in state contracts whenever feasible and cost effective.

Departmental expenditures over \$500 originate with completion of a detailed purchase requisition documenting the department's efforts to obtain the correct items at the best possible price. After approval by the department head, the requisition is submitted to the finance officer, who certifies budgetary authority and conformance with policy. The following General Rules and Procedures section outlines more specific actions, depending on the level of monetary commitment.

Generally, purchases should be made from vendors with the lowest prices, but higher priced vendors can be used when extenuating circumstances, properly documented, provide evidence of a higher value achieved. On the other hand, public funds are not appropriated to provide luxurious levels of quality. Specifications are developed for standard grades of merchandise that provide a balance between quality and price consistent with adequate and satisfactory levels of service.

The town shall not be required to use a vendor that has shown a previous history of providing substandard materials or services, nor will it tolerate unsupported favoritism in vendor selection. The town is further not permitted to purchase goods or services from employees.

General Rules and Procedures

The Town of North Topsail Beach requires a purchase order to encumber funds **greater than \$500** needed to service daily operations. After an initial purchase requisition is approved by the department head, the finance officer certifies the funds are budgeted and available to meet the obligation, then issues a corresponding purchase order.

Town manager approval is also required for **purchases between \$5,000-\$40,000** and governing body approval is required for **purchases greater than \$40,000**.

Purchases of items less than \$500 require a purchase requisition but not a purchase order. Likewise, charge account and credit card purchases under \$500 require a purchase requisition but not a purchase order, as do incidental reimbursable receipts.

The following other purchases require only preaudit certification from the finance officer; they do not require department head approval, purchase requisitions or purchase orders:

- Public advertising
- Membership dues and subscriptions for governing body administration
- Insurance premiums
- Professional services
- Petty cash
- Postage
- Refunds and reimbursements
- Tuition fees, per diem and travel expenses
- Public utilities
- Periodic payments for contracted services (facility leases, IT and custodial services, fleet management, etc.)

A purchase requisition can serve as a check request if no other evidence of the obligation will be provided, such as an invoice, receipt, or credit card order confirmation. Check requests are subject to the same general rules and procedures as purchase requisitions.

Purchases of items between \$500- \$2,500 require, in most cases, a purchase requisition documenting the verbal quotes of at least three vendors, in addition to the above-noted approvals from the department head and the finance officer. When available vendors are limited, every effort will be made to obtain price quotes from at least two suppliers. Purchases obtainable from a single source only are allowed with appropriate documentation. When items are purchased via state contract provisions, no quotes are required.

Purchases of items between \$2,500- \$5,000 require written quotes from at least three vendors, instead of verbal quotes. All other above provisions apply.

Purchase Requisitions

Purchase requisitions should be completed in full, verbal quotes documented or written quotes attached, approved by the department head, and submitted to the finance officer in advance of need to allow sufficient processing time. Approved purchase orders will be issued in a timely manner, at which point the department's budget is encumbered and corresponding goods and services can be ordered.

Purchase requisitions should draw specifications or otherwise designate requirements with an emphasis on performance, function, utility and economy. When purchases of equipment, supplies and materials are to be made with funds obtained from federal and state government funds, the exact source of funding must be noted on the requisition. Requisitions that call for grades or qualities in excess of normal standards or quantities in excess of normal requirements will be subject to verification of necessity before approval is considered.

Purchase Orders

All purchase orders are prepared by the finance officer, based on information provided by approved purchase requisitions. Purchases not made in accordance with the procedures identified in this policy require town manager approval prior to processing. Public funds are encumbered only for the amount of approved purchase orders. If the subsequent invoice for goods or services exceeds the purchase order amount by more than 10%, not including sales tax and shipping/handling charges, a new purchase order must be processed to accommodate the difference.

If there are insufficient unobligated funds in an affected budgetary line item, a purchase order cannot be applied against it until a budget transfer or a budget amendment is approved to provide the necessary appropriation.

Blanket Purchase Orders

Blanket purchase orders are used to encumber a department's budget for supply items used regularly throughout the year to manage the department's daily functions. They are intended for items the vendor keeps in stock, not for singular items that must be ordered in advance of need. No blanket purchase order will be issued for items that can be purchased effectively and economically through normal purchasing procedures.

A purchase requisition approved by the department head for purchases applied against an existing blanket purchase order is required in advance of need.

The maximum amount of the blanket purchase order will be encumbered until the encumbrance is liquidated, reduced by invoices applied against it over time. Departments are not to exceed the total amount in funds encumbered for the period of the purchase order. It is the responsibility of each department head to ensure that purchases made against all blanket purchase orders do not exceed

the total dollar amount of the purchase order. Each department head will monitor acquisitions against purchase orders for their department to insure compliance.

Charge Accounts

Charge accounts may be established by the finance officer for departmental staff purchases from vendors who invoice the town on a monthly or otherwise periodic basis subject to the terms identified in the Town of North Topsail Beach Credit Privilege Policy for in-store authorized credit usage. All general rules and procedures concerning requisitions and purchase orders apply.

Credit Cards

Departmental staff will be issued town credit cards to facilitate the purchase of online goods and incidentals for town business only. Online order confirmations and in-person receipts will be submitted to the finance officer on an ongoing basis prior to delivery of the monthly statement, along with a completed credit card purchase form for each acquisition.

The Town of North Topsail Beach Credit Privilege Policy outlines the terms of individual employee use of credit cards and penalties for misuse, detailed usage rules, and standard processing procedures.

Contracts

Contracts for services may include, but are not limited to, those for maintenance, construction contracts, repairs, professional consulting contracts, etc. The need for such contracts is based upon the requirements of the department and/or project.

Preaudit certification by the finance officer is required for all contracts. The town manager is required to sign contracts committing town funds for any purposes not exceeding \$40,000; the governing body is required to authorize contracts greater than \$40,000. Original copies of the executed contract will be filed with the finance officer and the town clerk.

The town manager is authorized to amend contracts for an amount up to \$10,000 more than the original contract. Contract amendments greater than \$10,000 must be authorized by the governing body. Preaudit certification by the finance officer is required for both.

Leases and/or contracts for real property will be negotiated through the town manager and approved by the governing body.

Emergency Purchases

Emergencies are defined as present conditions that adversely affect the health and safety of people and/or property. When they can be rectified only by immediate purchases of goods or services, the involved department head is allowed to proceed accordingly with the town manager's approval, acquiring only what is necessary to meet the emergency.

As soon as the situation is under control, the department head is required to complete a purchase requisition for finance officer approval that documents the need for emergency action, in addition to providing standard requisition information.

Capital Purchases

Capital purchases are fixed assets with an expected life greater than one year and acquisition costs of at least \$5,000, considered as a singular item or a group of like items purchased in the aggregate. The acquisition of capital items will be initiated by the department head and approved by the town manager, in consultation with the finance officer.

The purchase requisition requires the town manager's approval for all capital purchases; and, if the purchase exceeds \$40,000, the authorization of the designated alderman signatory on or before the requisition date. All general rules and procedures concerning purchase requisitions and purchase orders apply.

In addition, a purchase requisition for a capital item will include clear and concise specifications of the requirements to be satisfied by the purchase. The specifications should also indicate, when appropriate, the criteria used to determine whether the requirements are satisfied. Usually, more than one make, model, or brand complies and specifications should preserve competition among acceptable versions.

The town manager must approve all specifications for capital purchases, including those greater than \$40,000 prior to consideration by the governing body. Once specifications have been developed for a particular item, they will be reviewed to ensure they are not "vendor restrictive" and that the specifications effectively balance the need against the available budget.

"Piggyback" Purchases

The Town of Town of North Topsail Beach uses the State of North Carolina "piggyback" exception for the purchase of vehicles and other large equipment costing \$90,000 or more when feasible and cost-effective.

This exception allows local governments to purchase apparatus, supplies, materials, or equipment from any person or entity that has, within the previous 12 months, after having completed a public, formal bid process, contracted to furnish the apparatus, supplies, materials, or equipment to United

States federal agencies, North Carolina state agencies, or agencies of any other state if the person or entity is willing to furnish the items at the same or more favorable prices, terms, and conditions as those provided under the contract with the other unit or agency.

Any purchase made with a “piggyback” exception must be approved by the governing body at a regularly scheduled meeting no fewer than 10 days after publication of notice, in a newspaper of general circulation in the area, that a waiver of the formal bid procedure and the use of the “piggyback” exception will be considered. The public notice will contain the following information:

- a general description of the items(s) to be purchased and the anticipated quantity
- the identity of the supplier
- the city, state, or other agency with whom the supplier has contracted within the past 12 months and the date that contract was entered into
- the date of the regular board meeting at which the governing body will consider the waiver of bidding
- the name and phone number of a person within the Town to contact for more information.

If deemed to be in the public interest, the governing body may waive competitive bidding in cases of emergency, when performance or price competition is not available, when standardization is the overriding consideration, or when the item is available through the “piggyback” option. In cases when the waiver of competitive bidding is anticipated, all reasons for taking such action must be documented.

Petty Cash

Departmental staff can be reimbursed for minor purchases of supplies, postage, or fees less than \$20 from petty cash funds maintained by the finance department upon submission of the receipt. (See Town of North Topsail Beach Cash Management and Investment Policy for cash handling procedures regarding petty cash funds.)

Miscellaneous Procedures

Payment Procedures

Receipts and packing slips received by department staff for goods or services rendered should be confirmed for accuracy against the purchase requisition, approved by the department head, noting the corresponding purchase order number, and forwarded to the finance officer. Invoices would ordinarily be mailed to the finance officer directly from the vendor; any received indirectly by department staff should be rerouted accordingly.

Purchase Returns

Department staff is required to provide written notice of goods returned or services altered to the finance officer, who will amend the corresponding purchase order accordingly, and return a copy.

Purchase Order Cancellation

The finance officer will cancel an outstanding purchase order upon written request of the affected department head. The department head will notify the vendor of the cancellation.

Surplus Property Disposal

The town manager is authorized to initiate the disposal of property owned by the Town of North Topsail Beach and fix the manner of disposal whenever he or she determines the following in consultation with the affected department head:

- The property is no longer necessary for the conduct of public business
- The interests of the town would best be served by disposal

The department head or town manager will initiate and approve the first half of the fixed asset disposal form, which the town clerk will include in the agenda of the next regular legislative session for consideration by the governing body to declare the property surplus. The mayor or mayor pro tem approval is required before disposal action can proceed.

A reasonable fair market value of the surplus property shall be determined using commonly accepted methods for real estate valuation or by pricing guides relied on by vehicle and equipment sellers. Similarly, the value of comparable assets sold on the open market with adjustments for age and condition can suffice in some cases, as can the use of brokerage services that specialize in the sale of government surplus.

The property can be sold to the party who tenders the highest offer within range of the fair market value or be exchanged for any property or services useful to the town, if greater value may be obtained in that manner.

The finance officer will prepare applicable title documents further processing by designated staff. If no offers are received within a reasonable time, the town manager may retain the property, obtain any reasonable salvage value, or cause it to be disposed of as waste material.

The town manager will provide a report to the governing body by the end of July with information regarding property disposed of under these provisions from July 1 through June 30 of the previous year. The written report shall generally describe the property sold or exchanged, to whom it was sold, or with whom exchanged, and the amount of money or other consideration received for sale or exchange since the last such report was submitted.

Private negotiation and sale may be used for personal property valued at less than \$30,000 for any one item or group of similar items. Real property, of any value, and personal property valued at \$30,000 or more for any one item or group of similar items may be sold through sealed bid, negotiated offer and upset bid, and public auction procedures, as outlined in North Carolina General Statutes.

Competitive Bidding

Formal Bid Process

Formal bids are required for the purchase of goods or services equal to or greater than \$90,000. Formal bid procedures may be solicited for purchases below this threshold if deemed advantageous to secure the best pricing. Governing body approval is required to award all formal bids.

Formal bid procedures involve legal advertising to solicit sealed bids from qualified vendors. The town clerk and the department head are required to open and read bids publicly prior to the award of the contract. The town clerk and the department head will make known to any interested person the names of the bidders, the manufacturers and catalog numbers of the items the bidders have offered, and the prices, delivery schedules, and terms specified in the bids.

After the bids have been opened, they are analyzed and compared with respect to compliance with specifications, quality and suitability of the products, time of delivery, and any other pertinent factors. If at least three competitive bids are not received, bids will be solicited again and the governing body has the option of awarding the contract for goods or services to the lowest responsible bidder of the second bid solicitation, regardless of the number of bids.

During the period of evaluation and prior to the award, possession of the bids and accompanying information is limited to town personnel directly involved in the project and to those in user agencies who are responsible for participating in the evaluation. Vendor participation, or furnishing information to vendors on the status of bid evaluation, is not permitted.

After award of the contract, the complete bid file with the exception of trade secrets, test information, or similar proprietary information as provided by statute and procedures will be made available to any interested person.

Architectural/Engineering/Surveying Exception

The town manager is authorized to contract using either a formal or informal bid process for qualified architectural, engineering, or surveying services less than \$30,000. Governing body approval is required for such services in excess of \$30,000, regardless of the bid process.

The need for architectural, engineering, or surveying services shall be announced via direct notice, advertisement, posting on the town's web site, or other acceptable means. The town manager will solicit statements of qualifications from interested firms. These statements, personal interviews, and references from similar clients shall be the basis of determining the best qualified firm for the project. The Town of North Topsail Beach will not award contracts for architectural, engineering, or surveying services on the basis of price alone.

Formal Bid Procedures

Finance Officer / Department Head Responsibility

When preparing and issuing bid solicitations and requests for proposals, the finance officer and department heads are authorized to employ such terms and conditions as they deem advantageous that are not inconsistent with the North Carolina General Statutes and these rules and regulations.

Prospective Bidders

Town departments will maintain a file of prospective bidders on various categories of materials, equipment, and services. Prospective bidders may be included on or removed from this list after taking into consideration financial standing and responsibility, facilities for production, distribution and services, length of time successfully in business, responsiveness, performance, and other factors deemed pertinent and reasonable.

Bid Error Clarifications

If a bid appears to contain an obvious error or when an error is suspected, the circumstances may be investigated, and then may be considered and acted upon under the procedure for reviewing bids and awarding contracts. Any action taken shall not prejudice the rights of the public or the bidders. If bids are submitted substantially in accordance with the invitation but are not entirely clear as to the intent or to some particular fact or other ambiguities, clarification may be sought and accepted; provided that in doing so, changes which would improve the competitive position of a bid are not permitted.

Bid Awards

Responsive bids and proposals will be considered and evaluated. Non-acceptance of the proposal is not to be construed as outright rejection or that it lacks merit, but that another is deemed more advantageous.

Soliciting Bids

The purpose of soliciting bids is both to seek and to obtain competition; the responsibility is dual. If only a single bid or single acceptable bid is received, or if reasonable and available competition is not obtained, the reason shall be ascertained and made a matter of record.

Employee Private Gain Prohibited

Purchases from or through employees of the town or purchases from or through companies in which town employees have financial interest, either directly or indirectly, is not permitted. The purchasing power of the town shall not be used for private advantage or gain.

Rejection of Bids

All offers received may be rejected in whole or in part. The Town of North Topsail Beach will accept and make award to the lowest responsible bidder. Basis for rejection may include:

1. The proposal being deemed unsatisfactory as to quantity, quality, delivery, price or service offered
2. The proposal not complying with the specifications or with the intent of the proposed contract

3. Lack of competitiveness, by reason of collusion or otherwise, or knowledge that reasonably available competition was not received
4. Errors in specifications or indication that revision would be to the town's advantage
5. Cancellation of or changes in the intended project or other determination that the proposed requirement is no longer needed
6. Limitation or lack of available funds
7. Circumstances which prevent determination of the lowest responsible or most advantageous bid
8. A determination that rejection would be in the best interest of the town