



PURCHASING POLICY

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SECTION I

PURCHASING POLICY

General Policy

The Purchasing function involves the procurement of materials supplies, equipment and services at the lowest possible cost consistent with the quality needed for the proper operation of various municipal departments and consistent with City Council policy. The intent of this policy is to promote fiscal responsibility.

The City of Grimes will make a good faith effort to purchase goods and services from the Grimes business community whenever possible. The costs of those goods and services shall be on parity with the costs of those same goods and services available outside the community. If the cost of the goods or the availability of services is not favorable to the City, purchases may be made outside the community.

General Practices

- Whenever possible, purchases shall be requested to allow for ample time for processing and delivering the order.
- Purchase orders will be processed as needed.
- A full and accurate description of materials, supplies, equipment or services shall be provided.
- Supplies shall be of a quality to suit the intended purpose at the least expense.
- Supplies shall be purchased in sufficient quantities that will meet the normal requirements of the City for a reasonable time.
- Every effort shall be made to purchase supplies and services from vendors who have businesses within the City of Grimes. Exceptions to this policy may include:
 - When supplies or services are not available from local vendors or prices of local vendors exceed prices of vendors located outside the corporate limits.
 - When supplies or services are available locally but have to be ordered or scheduled, requiring inordinate delay in the department's work, project or activity.
 - In emergency situations when local businesses are closed or vehicle/personnel are outside of the City.

Department Director and Authorized Individuals

The Department Director of the requesting department must first approve any request for purchase. The Department Director may appoint an individual within the department to maintain inventories and prepare requests for the department. Notification of such an appointment shall be made to the Finance Director and/or the City Administrator.

With respect to this policy, the City Clerk may act on behalf of the Finance Director in his/her absence.

With respect to this policy, the City Clerk may also act on behalf of the City Administrator in his/her absence.

Finance Director

The Finance Director will ensure that, for accounting purposes, necessary records are kept and made available for reference.

City Council

City Council approval will be necessary for applicable purchases over \$10,000.

SECTION II

TYPES OF PURCHASES

General

The circumstances which are involved in the purchase of an item and/or service vary considerably. The following types of purchases define the situation, explain the purchasing procedures involved and describe the role of the Department Director or authorized individual in the process.

Routine Purchases

Those budgeted items or services which are used by the department in the operation of city business that are neither ongoing or contractual purchases as defined in this Section, and have a value of less than \$10,000 are routine purchases. Such purchases require quotations or written proof of best available price, obtained by the Department Director, City Administrator or authorized individual, and a purchase order.

Purchase or Contracts with a Value Under \$2,500.

Those budgeted items or services which are used by the department in the operation of city business that are neither ongoing or contractual purchases as defined in this Section, and have a value of less than \$2,500 do not require any formal purchasing procedures. Purchases may be made by any City employee authorized by the Department Director.

Purchase or Contracts with a Value of Between \$2,500 and \$10,000

Any item and/or service with a value of between \$2,500 and \$10,000 require up to three (3) quotations or written proof of best available price unless the item or service obtained or provided is such that three (3) quotations or written proof of best available price cannot be obtained. If the product(s) is offered through State bid, Sourcewell, Western State Contracting Alliance, Houston Galveston Area Council (HGAC), or any government purchasing consortium, then three (3) quotes or written proof are not required. In addition, this three (3) quotation or written proof requirement is not required for a Professional Services Agreement (PSA) with an architect or engineer as long as there is compliance with Section III (3) (E).

A purchase order form is required that confirms compliance with this purchasing policy and attaches any written agreement, contract or purchase order signed by the authorized Department Head. Any contract or agreement that has contingent provisions that may be reasonably anticipated to subject the City to an additional obligation that will evidentially place the total expenditures in excess of \$10,000, must be approved by the City Council.

Purchases or Contracts with a Value of Over \$10,000

Any item and/or services with a value of greater than \$10,000 require a purchase order and quotations or submitted bids from interested vendors. The three bids or quotations must be written. Final approval must be obtained from the City Council.

Emergency Purchases

An emergency situation exists when an item or service that is necessary to a department's work, project or activity must be purchased as soon as possible so not to jeopardize that particular work, project or activity. In such a case, a purchase may be made without the immediate presentation of a purchase order. However, upon the completion of the work, project or activity, or at the beginning of the next work day, a purchase order shall be submitted with an explanation of the circumstances which resulted in the emergency purchase procedure.

On-Going Purchases

Any item or service which is used by the City on an on-going basis and which, by the nature of the item or service, is not subject to comparative buying, is available only through one vendor, and is accordingly billed at regular, consistent, and predictable intervals, is an on-going purchase and is not subject to the purchasing procedures; thereby eliminating the need for a purchase order as long as funds are available under the Department's budget.

List of On-Going Purchases

- Publication of city proceedings, as required by law.
- Postal services.
- Contractual purchases and maintenance agreements. Those items or services which are provided as a result of the City entering into a binding and legal agreement with the vendor are contractual purchases. Maintenance agreements for equipment initially purchased according to the purchasing policy. Such expenditures shall be processed in accordance with the established financial policy and, as determined by the Finance Director and City Administrator.
- Contracts, lease agreements and maintenance agreements valued under \$10,000 for the term of the entire agreement may be signed by the City Administrator or Department Director. Any contracts, lease agreements and maintenance agreements valued over \$10,000 for the term of the entire agreement must be approved by the City Council under state law..
- Bonds and principal representing bonded indebtedness previously approved by the City Council, when said bonds and principal are due and presented for payment.
- All interest on bonded indebtedness of the City when the same is due and coupons are presented for payment, or when the contracted bond Registrar requests payment
- All Sales and Excise Taxes due the State of Iowa.
- All utility bills for water, electricity, gas, telecommunication, etc.
- All medical, dental, disability and life insurance premiums and medical claims from insurance provider.
- Salaries and wages of officers and employees at the rates authorized by City Council resolution.
- Payment of federal and state withholding taxes, social security, Medicare, retirement funds and IPERS contributions, and unemployment taxes as required.

Permitted Expenditures Public Purposes

The following expenditures of City funds for recognition of City officials, managers, employees, valued volunteers or major donors, are authorized for the following public purposes, as the purposes involve commonly-granted benefits for employees and officials in public and private organizations which aid in recruitment of City personnel, promote improvement of staff morale, cooperation, and retention, and assist in building a commitment to the City, thus assisting in creating a more service-focused environment for Grimes citizens:

- The City Administrator or City Clerk may authorize reasonable expenses for the purchase of food, non-alcoholic beverages, paper plates, napkins, plastic utensils, flowers, decorations, cards, and plaques or similar gift for the following reception events:
 - Recognition for an elected or appointed city official at the end of their time of city service.
 - Retirement of a Grimes full or part-time employee or employees, or City volunteers worthy of recognition.
 - Strategic planning meeting or workshop of Grimes elected officials, committee or board.
 - Staff development, employee educational meetings, or committee meetings if done to promote employee time efficiency.
 - Celebration of a major city accomplishment or event including the receipt of a major city gift or award, and the opening of a new city building, park or amenity.
- Staff appreciation meal which may include elected officials and city employees twice per calendar year, once in December for the winter holiday and once mid-year during the summer, to recognize employee contributions and to promote communication between City Council members, City management, and other staff members.
- Sustenance supplies for the City's use, to include, but not be limited to, the following items: Coffee, coffee creamer, coffee filters, sweetener, paper products including plates, cups, and utensils, non-alcoholic drinks, paper towels or napkins and any products deemed necessary by the Department Director and falling under the term "sustenance".
- Food and non-alcoholic drinks for employee birthdays, not to exceed \$125 per occurrence, and not to occur more frequently than once monthly, with all employee birthdays falling within said month to be recognized.
- Flowers or a plant to express sympathy on behalf of the City to the family of a city elected official, city employee, valued city volunteer or major city donor as the result of a death in their household to an immediate family member, as determined in the discretion of the City Administrator or City Clerk, in an amount no more than \$100.00.

Purchase/Procurement Credit Card Purchases

The purpose of a purchasing/procurement card program is to provide an efficient, cost-effective method of purchasing and paying for small dollar as well as high-volume, repetitive purchases, items that require advance deposits, such as hotel/airline reservations, Park programming, and when it is necessary to expedite delivery of goods. This type of program is designed as an alternative to the traditional purchasing process reducing the volume of purchase orders, invoices and checks processed.

Each issued card will include either the City's name or the individual's name along with the City's name. Each department shall bear all costs associated with the use of the card. Each Department Director will determine when an employee will be allowed to use their individualized purchasing/procurement card. Authorized purchases using a City issued card include:

- Purchase of materials/equipment for City work via the internet when no other purchase option is available.
- Payment for travel, conference/meeting fees, hotels, meals, gratuities (up to 20%), or parking fees for City staff and City Council. Ineligible expenses include, but are not limited to: entertainment, alcoholic beverages, laundry, any expense for spouse or guests, any portion of travel not related to City business, or any expense deemed wasteful or extravagant.
- Purchases requiring immediate payment when the City is unable to issue a check for the purchase. Prior approval from the City Administrator or his/her designee is required.
- Other uses specifically approved

PLEASE NOTE: The City is exempt from sales tax, and payment of sales tax is **not** an authorized expense. When charging an expense, the merchant should be informed this is a City purchase and request that sales tax should not be charged.

Each Employee issued a purchasing/procurement card will be required to sign an affidavit acknowledging responsibility for the safe keeping and proper use of the card and will be required to return the card at the end of each day or trip. Each Employee will be responsible for any ineligible expenses charged to the card while in their possession. Upon employee termination, both voluntarily and due to disciplinary action, the purchasing/procurement card shall be returned to the finance department and all purchases will be suspended and reconciled.

Any card may be withdrawn from the program for misuse, which shall include, but is not limited to periodic audits for card activity, and failure to timely present sales receipts and documentation of purchases.

Purchases using the purchasing/procurement card may be made by telephone, fax or secure internet sites. Precautions shall be made in all cases to insure security and protection from theft or unauthorized use. Each transaction shall reflect the appropriate purchasing/procurement card number, expiration date, signature of user and detailed invoices (receipts).. When using the card for orders placed via phone, fax or mail, or online, an employee must request a receipt, detailing merchandise price, freight, etc. be included with the goods mailed/shipped. (Note: a merchant should not reject this request, as it is a VISA policy). When making a purchase by telephone, fax or secured internet, there should be a request made of the seller at the time of sale to not charge sales tax to the City as the City is sales tax exempt.

The detailed vendor sales receipt for each transaction shall be submitted to the Department Director. All vendor sales receipts must be approved by the Department Director and the appropriate account number assigned. Some card "swipe machines" only indicate account number and total amount, in these situations; the cash register detailed receipt is also required. The reader of the receipt should be able to tell exactly what was purchased.

The Department Director is responsible for retaining all receipts for items purchased under the program for the department and ensuring all transactions posted are legitimate purchases made by their employee. Immediately upon receipt of the statement, the Department Director will check to ensure all the transactions posted are legitimate transactions made by the department, mark transactions for which receipts will be attached, and attach line item detailed point of sale receipts or delivery invoices.

All detailed itemized credit card receipts must be forwarded to the Finance Department no later than the next business day or the first business day upon the return from a city related business trip. If a Department Director elects to reconcile their own department credit card statement, the Finance Director will forward the department's credit card statement upon receipt from the credit card company, and the Finance Director must return the credit card statement, matching receipts for each entry, and a completed monthly city credit card report form to the Finance Director within three (3) business days of receipt of the credit card statement.

A credit card with a limit of \$5000 will be assigned to each Department Director who will be responsible for the cards safe keeping, utilization and compliance with City reporting policy. In addition, a credit card with a limit of \$5,000 will be assigned to the City Administrator, and \$15,000 credit card will be assigned to the Finance Director for high limit purchases that have proper city authorization. Any card assigned to a Department Head, City Administrator or Finance Director requires that that employee sign a Cardholder User Agreement attached to this policy as Appendix I.

Management has made an effort to ensure that the vendors/suppliers used during the normal course of business are not restricted. If the card is refused by a merchant and the employee believes it should have been accepted, the Finance Director should be contacted immediately.

The handling of disputed charges and unauthorized purchases will be the responsibility of the department that purchased the item. Problems with a purchased item or billing resulting from use of the purchasing/procurement card should be resolved with the supplier or merchant that provided the item. In most cases, disputes can be resolved directly between the Department Director or their subordinate and the supplier.

If the supplier or merchant should issue credit for any item to be returned, a Returned Goods authorization number from the supplier should be obtained. If the department cannot reach resolution with the merchant, the Department Director or their subordinate shall write a formal letter to the merchant within five (5) business days of the date the charge first appeared on the statement, and forward a copy of the letter to the finance department. The finance department will then dispute the item to the credit card company disputes department.

No cash advances shall be allowed with the purchasing/procurement card.

Debit Card

The City of Grimes prohibits the use of debit cards for City purchases.

SECTION III

PROCUREMENT REQUIREMENTS FEDERAL OR STATE REQUIREMENTS

Federal or State Funded Projects – Specific rules apply for projects that include any federal or state program funding. When a project is financed in part or in whole with federal or state funds, procurement will follow the guidelines that are applicable and required by the funding agency from which funding will be received, or the policy that is the most conservative in nature. Procurement standards found in 2 C.F.R. Part 200, applicable to

federal funds will be followed. Chapter 26 and Section 331.341 of the Iowa Code will be followed on all applicable purchases. All other appropriate sections of the Iowa Code shall also apply.

METHODS OF PROCUREMENT

Procurement under grants shall be made by one of the following methods:

1. Small purchase – relatively simple and informal procurement methods that are sound and appropriate for the procurement of services, supplies, or other property, costing in aggregate not more than \$100,000 (\$150,000 for federal programs). If small purchase procedures are used for procurement under a grant, price or rate quotations (minimum of 2) shall be obtained from an adequate number of qualified sources.

2. Sealed bids - sealed bids are publicly solicited (formal advertising) and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for the bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction.

- A. In order for sealed bidding to be feasible, appropriate conditions must be present, including at a minimum, the following:
 - a. A complete, adequate and realistic specification or purchase description is available;
 - b. Two or more responsible bidders are available
 - c. The procurement lends itself to a firm-fixed-price contract, and the selection of the successful bidder can be made principally on the basis of price.
- B. When sealed bids are used for a procurement under a grant, the following requirements apply:
 - a. A sufficient time prior to the date set for opening of bids, bids shall be solicited (publicly advertised) from an adequate number of known suppliers;
 - b. The invitation for bids, including specifications and pertinent attachments, shall clearly define the items or services needed in order for the bidders to properly respond to the invitation for bids;
 - c. All bids shall be opened publicly at the time and place stated in the invitation for bids;
 - d. A firm-fixed-contract award shall be made by written notice to that responsible bidder whose bid, conforming to the invitation for bids, is lowest. Where specified in the bidding documents, factors such as discounts, transportation costs, and life cycle costs shall be considered in determining which bid is lowest. Payment discounts may only be used to determine low bid when prior experience of the City of Grimes indicates that such discounts are generally taken; and
 - e. Any or all bids may be rejected if there are sound documented business reasons in the best interest of the program.

3. Competitive Proposals - normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded, as appropriate. Competitive proposals are generally used when conditions are not appropriate for the use of sealed bids. If the competitive proposal method is used for a procurement under a grant, the following requirements apply:

- A. Requests for Proposals shall be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be considered to the maximum extent practical;
- B. Request for Proposals shall be solicited from an adequate number of qualified sources;
- C. City of Grimes shall have a written method for conducting evaluations of the proposals received and for selecting awardees;

- D. Awards will be made to the responsible bidder whose proposal will be most advantageous to the City of Grimes, with price (other than architectural/engineering) and other factors considered. Unsuccessful bidders will be promptly notified in writing.
- E. The City of Grimes will use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in the procurement of A/E professional services. It cannot be used to procure other types of services (e.g., administration professional services) even though A/E firms are a potential source to perform the proposed effort.

4. Non-competitive Proposals - procurement through solicitation of a proposal from only one source. Circumstances under which a contract may be awarded by noncompetitive proposals are limited to one or more of the following:

- A. The item is available from only a single source;
- B. After solicitation of a number of sources, competition is determined inadequate;
- C. A public exigency or emergency exists when the urgency for the requirement will not permit a delay incident to competitive solicitation; or
- D. The awarding agency authorizes noncompetitive proposals. (Sole source procurement for supplies, equipment, construction, and services valued at \$25,000 or more must have prior approval of the awarding agency.)

5. Affirmative Action - The City of Grimes will take affirmative steps to assure, to the greatest extent possible, that contracts are awarded to qualified small and minority firms, women's business enterprises, and labor surplus area firms whenever they are potential sources. These affirmative steps must include:

- A. Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- B. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- C. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- D. Establishing delivery schedules, where the requirement permits, which encourage participating by small and minority businesses, and women's business enterprises;
- E. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- F. Requiring the prime contractor, if subcontracts are to be let, to take affirmative steps listed in paragraphs (a) through (e).

CONTRACT PRICING

1. The cost plus a percentage of cost and percentage of construction cost method of contracting shall not be used.
2. The City of Grimes shall perform some form of cost/price analysis for every procurement action, including modification, amendments or change orders. The City of Grimes shall make an independent estimate prior to receiving a bid or proposal.
3. The City of Grimes shall negotiate profit as a separate element of the price for each contract in which there is no price competition and, in all cases, where cost analysis is performed. In determining a fair and reasonable profit, the City of Grimes must consider the complexity of the work to be performed, the risk

borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance and the industry profit rates in the surrounding geographical area.

PROCUREMENT RECORDS

The City of Grimes shall maintain records sufficient to detail the significant history of procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

AWARDED CONTRACTS

The City of Grimes will not award a contract to a party listed as debarred, suspended, or otherwise excluded in the System for Award Management (SAM).

Any contracts awarded shall comply with 2 CFR 200.326 and Appendix II to Part 200.

SECTION IV

REQUISITIONS AND PURCHASE ORDERS

General

The Requisition initiates the procurement process. The receipt of the requisition with the necessary information and the required authorizations gives the authority for each specific purchase. Following the approval of the requisition by the Department Director, a purchase order will be issued. Checks will not be issued unless a proper purchase order has been approved.

The purchase order is the vendor's authorization to ship equipment, supplies, or perform services specified thereon. The purchase order also encumbers the budgeted funds for the purchase. It constitutes a contract between the City and the vendor, and as such, it is a legal document and may not be changed by anyone other than the Finance Director, Department Director or other authorized official or personnel.

Action to be Taken Prior to Completing a Requisition

Before submitting a requisition for approval, the individual preparing the request, or authorized individual shall make the following determinations:

Information on Requisition

A requisition shall include, but not be limited to, all of the following information and must be completed in its entirety prior to approval:

- Date the requisition is prepared
- Requesting Department
- Shipment location
- Quantity. Measurable units for example: pieces, sheets, pounds, etc. must be used.
- Description of the item as complete and accurately as possible.

- Any additional information or anticipated requirements, such as fees or deposits, which will assist in making the best possible purchase of the requested supplies and services.
- Estimated cost determined by quotes and surveys, including shipping, handling and freight fees.
- Suggested vendor or vendors and any additional vendor quotation if needed.
- Brief reason for/explanation of request.
- Indication of whether the request is budgeted.
- Line item account number.
- Availability of funds.
- Date that the requested item or service is needed.
- Signature (electronically) of Department Director or authorized individual.

Review and Action of Requisition by Department Director

Review and action on the requisition will be made by the Department Director. The Department Director will take the following steps upon receipt of the requisition from a Subordinate:

- Review the form for completeness and accuracy.
- Verify availability of budgeted funds.
- Approve or return to Subordinate for corrections, revisions or additions.

Review and Action by City Administrator

Review and action on the request may be submitted to the City Administrator in emergency situations. Upon receipt of the requisition the City Administrator may:

- Approve the request and return the purchase order to the Finance Director for further action; or
- Submit to the City Council for approval if the value of the request exceeds **\$10,000** and is not considered an on-going purchase; or
- Approve with conditions; or
- Disapprove.

Action by Finance Department

Upon receipt of an approved purchase order, the Accounting Department shall complete the final step of the process by:

- Preparing for payment, as necessary.
- Routing the forms to the proper files and/or Department Head.

After the purchase order is executed, it will be distributed as follows:

- A copy will be provided to the vendor, if required.
- A copy will be retained by the Finance Department.
- A copy will be attached to the invoice and filed in the vendor files.

SECTION V

RECEIVING

General

The ordering department or person shall ultimately be responsible for incoming supplies, equipment and/or services. The department is also charged with the responsibility of inspecting all supplies delivered to determine quality, quantity, condition, and conformance with specifications of the purchase order.

Partial Deliveries

In the event of partial deliveries, the packing slip shall so note that it is a partial delivery when forwarded to the Accounting Department, so the City only pays for items delivered.

Rejections

In the case of defective supplies, insufficient amounts, etc., the receiving department will note the defective or missing items on the packing slip. The Department Director or authorized department individual will take immediate action to arrange for the return and replacement of items by the vendor.

Possible Charge to Employees

A unique purchase, if not a reasonable and justifiable expense as determined by the Finance Director , or a charge that is not consistent with this policy, will be charged to the employee who made the purchase. The use of good judgment by all when making such purchase is especially urged.

APPENDIX I

CARDHOLDER USER AGREEMENT

You are being entrusted with a City of Grimes purchasing credit card, issued by Bankers Trust. The card is provided to you based on the need to purchase services or merchandise for the City of Grimes. The card may be revoked at any time without your permission. Your signature below indicates that you have read and will comply with the terms of the City of Grimes' Purchasing Policy and this agreement.

I understand that I will be making financial commitments on behalf of the City of Grimes and will do so following the requirements of the Purchasing Policy.

I have read and will follow the Purchasing Card Policies and Procedures. Failure to do so could be considered a misappropriation of City funds. Failure to comply with this Agreement may result in either revocation of my use privileges or other corrective action, up to and including termination.

I understand that under no circumstances will I use the Purchasing Card to make personal purchases, either for myself or for others. Using the card for personal charges could be considered misappropriation of City funds and could result in corrective action, up to and including termination of employment.

The Purchasing Card is issued in the City's/my name. I will not allow any non-Grimes employee to use the card. I am considered responsible for any and all charges against the card.

The Purchasing Card is City property. As such, I understand that I may be periodically required to comply with internal control procedures designed to protect City assets. I understand that I will be required to check out and return the card to the Finance Director following each day/trip.

If the card is lost or stolen, I will immediately notify the City Finance Director.

The City will receive a monthly statement, which will report all purchasing activity during the statement period. Since I am responsible for all charges (but not for payment) on the card, I will assist the Department Director in reconciling the statement each month, and resolve any discrepancies myself.

I will be required to produce a detailed receipt for each charge I initiate on the card, or allow to be charged by a subordinate.

I agree to surrender the Purchasing Card issued in my name immediately upon termination of employment, whether for retirement, voluntary, or involuntary reasons.

Employee Name (Print)

Last 8 Digits of Card Number

Employee Signature
