

City of Milford



# Purchasing Procedures Manual

As of February, 2014

## **TABLE OF CONTENTS**

### **Chapter 1      General Information**

Intent  
Purchasing authority  
Bids  
Request for proposal  
Order Division  
State bids  
Bid waivers  
Property sales and donations

### **Chapter 2      Procurement**

Standard requisitioning  
Emergency purchases  
Fleet purchases  
Community Development grant purchases

### **Chapter 3      Purchase Orders**

Definition  
Purchase order types  
Blanket purchase orders

### **Chapter 4      Payments**

Direct charges  
Partial purchase order payments  
Final purchase order payment

### **Chapter 5      Fixed Assets**

Purpose and intent  
Acquisitions and deletions  
Departmental review and year-end procedure

### **Chapter 6      Automobile Accident Insurance Claims**

Claim procedure and policy

## **CHAPTER 1**

## **GENERAL INFORMATION**

### **Intent**

This manual defines policy and outlines procedures by which the City of Milford obtains goods and services.

### **Purchasing Authority**

Purchasing authority rests solely with the Purchasing Agent in accordance with the City Charter, Article 5, Section 3 (b), which states:

*"...the Purchasing Agent shall purchase all supplies, materials, equipment and other commodities required by any department, agency, board or commission of the city, ...on requisition signed by the head of the department, office or agency or chairman of the board or commission, or a responsible representative appointed by him."*

### **Bids**

The Purchasing Agent invites sealed, public bids for any supply, material, equipment or commodity which exceeds \$25,000 based on specifications supplied by the requesting department. An award is then made based on the lowest compliant and responsible bidder whose bid best meets the City's need. Professional services need not be bid.

### **Request for Proposal (RFP)**

The Purchasing Agent requests proposals for any project or service for which the scope or limit is not clearly defined and for which the cost is expected to exceed \$25,000, based upon design and evaluation criteria supplied by the requesting department. Awards of the contract are made to the firm which best meets these criteria.

### **Order Division**

No order may be divided in an effort to circumvent the competitive bid requirement, especially if the aggregate of individual orders results in the acquisition of anything which is essentially a single unit.

### **State Bids**

The Purchasing Agent may order, without inviting bids, goods or services which cost \$25,000 or more provided that they are already bid by the State of Connecticut's Bureau of Purchases and further, that the contract prices and terms have been extended to local political subdivisions (municipalities).

### **Bid Waivers**

If a department head wishes to acquire an item which costs \$25,000 or more without competitive bidding, he or she submits a written bid waiver request to the Mayor. If approved, the Mayor includes it in the Mayor's Report to the Board of Aldermen. If the Board of Aldermen approves, the City Clerk notifies the Purchasing Agent who places the order.

### **Property Sales and Donations**

When authorized by the Board of Aldermen, the Purchasing Agent sells municipal property to the highest responsible bidder, or makes or accepts property donations to/from outside sources.

## CHAPTER 2                    PROCUREMENT

### Requisitioning

The department sends a requisition form to Purchasing where the purchase order data is entered into the on-line financial system as a pre-encumbrance which does not "hit" the general ledger. If the order is sufficiently funded, the system accepts the entry and the Purchasing Agent processes the order. If the order is insufficiently funded, the system rejects the entry and the order is held. Purchasing notifies the department head who may then either initiate a fund transfer or instruct Purchasing to reduce quantities or to cancel the order.

Purchasing enters the orders, runs an edit list, verifies the edit list entries, prints a five-part purchase order and distributes copies as follows:

copy 1	white	Vendor (if required)
copy 2	yellow	Accounting file
copy 3	pink	Purchasing file
copy 4	orange	Department file
copy 5	green	Departmental receiving report

After the purchase orders are printed and signed, Purchasing posts them to the ACCOUNTS PAYABLE module where the pre-encumbrances "hit" the General Ledger as full appropriation encumbrances.

When goods are received or services rendered, the department head signs the receiving report (green copy of the PO) and forwards it with packing slips or delivery tickets to Accounting where the report is paired with the invoice and the encumbrance is expensed and the invoice is paid.

### NON-REQUISITIONED PURCHASES

There are only two instances when a Department may purchase goods or services directly:

#### Emergency Purchases

- Emergency purchases are authorized in those instances when departmental operational integrity or public safety and welfare are jeopardized. A department official calls Purchasing, explains the emergency, describes the goods or service required and gives an intended vendor. Purchasing issues an emergency purchase order number and the **department orders the goods or service directly**. The department sends a confirming requisition to Purchasing, showing the purchase order number, description, vendor, and cost detail within three working days of the purchase.

#### Fleet Purchases

- Fleet purchases are made only by the Public Works and Fire Department Garages for fleet maintenance-related goods and services using pre-numbered requisition forms. The department forwards a confirming requisition to Purchasing where it is entered into the on-line financial system. If the order is sufficiently funded, the system accepts the entry and encumbers the funds; if the order is not sufficiently funded, the system rejects the entry and Purchasing notifies the department head to initiate a fund transfer.

## **Community Development Grant Purchases**

**Housing Rehabilitation** (Rehab) bids are processed through the Purchasing office but administered through the Community Development office. Purchasing issues a bid invitation, advertises same, receives and tabulates bids and sends the bid tabulation with the cost breakdown detail to the Block Grant officer who reviews them for propriety.

The CDBG Block Grant officer then sends Purchasing an award recommendation along with a Purchase Requisition from which a Purchase Order is generated and an encumbrance entered into the on-line financial system.

Payment authorization is made as for normal purchase orders - i.e., the purchase order green copy "receiving report" is signed and sent to Accounting where it is matched with the invoice and the contractor is paid.

**Block Grant Monies Used On All Other CDBG Projects.** The Community Development office requisitions goods or services from the Purchasing Agent via standard Purchase Requisition for goods or services which are used on, in, or for any CDGB project or program. Goods or services which exceed \$25,000 must first be bid in accordance with the City Charter requirement.

**Direct Charge Payments.** A "direct charge" payment may be made without a purchase order encumbrance only if due and payable and for:

- consultant services
- "emergency" expenditures as defined by HUD regulations
- utility services (electricity, water, natural gas, telephone or other similar services)
- personal services (secretarial fees; membership renewals)
- conference or meeting fees and associated expenses
- reimbursables (mileage or tuition reimbursement)
- an expense which is properly chargeable to a closed-out purchase order

The department sends Accounting an Invoice Payment voucher with the appropriate "back-up" documentation (invoice, renewal notice, utility bill) to sufficiently substantiate the charge as a payable which qualifies for direct charge processing.

## CHAPTER 3 PURCHASE ORDERS

A purchase order is a legal document by which the City commits to pay a vendor, in exchange for goods or services, the dollar amount specified on it. As such, it is signed by both the Purchasing Agent and the Finance Director.

### Purchase Order Types

- A **standard** purchase order covers a one-time acquisition from one vendor.
- A **blanket** purchase order covers small, non-recurring acquisitions from one vendor. It encumbers funds up to a specified dollar limit against which a department may acquire goods or services on a "draw-down" basis.

### Blanket Purchase Orders

The department sends a requisition to Purchasing indicating the account to be charged, the vendor name, the dollar limit, and the instruction:

"Blanket order for *photography supplies*<sup>1</sup>, as needed, not to exceed the total below".

1 this particular phrase chosen as an example only.

**The maximum dollar amount for any one blanket Purchase Orders is \$7,000.00.**

Purchasing enters the requisition into the on-line financial system and a purchase order is generated if there are sufficient funds to cover it and if, in the opinion of the Purchasing Agent, it is a reasonable request. The department and the vendor receive appropriate purchase order copies.

The department uses this purchase order number to obtain required items. Accounting sends the invoice to the departmental staff which prepares a voucher marked "partial", noting the purchase order number against which the purchase is charged. The department forwards the voucher to Accounting where the encumbrance is reduced and the payment is made. Partial payments reduce the blanket purchase order encumbered balance by the amount paid to date.

When the purchase order balance is at or near zero, the department forwards the green copy of the purchase order to Accounting signifying that the purchase order is to be closed-out. Any remaining encumbrance is credited back to the account from which it was originally drawn.

The department may then initiate a new blanket purchase order by following the procedure just described.

## **CHAPTER 4**

## **PAYMENTS**

### **Direct Charges**

A "direct charge" payment may be made without a purchase order encumbrance only if it is due and payable and for:

- utility service (electricity, water, natural gas, telephone or other similar services)
- personal service (secretarial fee; membership renewal)
- conference or meeting fees and associated expenses
- reimbursable (mileage or tuition reimbursement)
- an expense which is properly chargeable to a closed-out purchase order
- orders requiring prepayment as a condition of vendor acceptance

The department sends Accounting an Invoice Payment voucher with the appropriate "back-up" documentation (invoice, renewal notice, utility bill) to sufficiently substantiate the charge as a payable which qualifies for direct charge processing.

### **Purchase Order Payments**

#### **Partials**

A "partial" payment may be made against a purchase order encumbrance when an order is partially received and the department wishes to pay the vendor for that part of the order which was delivered. The purchase order is not closed out - the encumbrance is only reduced by the amount paid.

#### **Finals**

A "final" payment is made against a purchase order encumbrance when the order is complete and paid in full. The purchase order is closed out and the encumbrance reduced to zero.

"Direct charges" and "partials" require Invoice Payment Voucher forms; "finals" do not.

## CHAPTER 5

## FIXED ASSETS

### Purpose and Intent

Purchasing maintains an IBM AS/400-based Fixed Asset database on which municipal assets are recorded and by which fiscal year LOSS/GAIN reports are generated. Each asset is classified into one of the following categories:

Code	Description
BLD	Building
CIP	Construction in progress
EQP	Equipment
IOB	Improvement other than building
LND	Land
VEH	Vehicle

and has, in most cases, an uniquely-numbered, adhesive-backed, blue and silver metallic label affixed to it.

Land, buildings, traffic lights, vehicles, and certain other items such as library books - on which labels are impractical - are not labeled. These items are, however, assigned an unique "dummy" number by the Purchasing Agent which allows the item to be included in the database. While a conventional number is entered as "11268", a dummy number would be entered as "(space)\_ 11268.

### Acquisitions

When a new asset is ordered, the Purchasing Agent assigns it an inventory number and enters the inventory data - inventory number, asset type, location, department and management codes, asset description, fiscal year, acquisition date, purchase order number, vendor, historic and replacement costs - into the database. An inventory number is referenced on the purchase order, copies of which are sent to the department along with the metallic inventory label. Departmental personnel affix the label to the item when it is received.

While most newly-purchased items are routinely added to the database when ordered, a modified procedure is used to record the acquisition of Library collectibles, i.e., books, compact discs, records, and video cassettes. The Head Librarian sends the Purchasing Agent a memorandum to add recently-purchased collectibles since the Library staff orders many of these items directly via electronic order entry devices.

### Deletions

The Purchasing Agent modifies the record of each sold or junked asset to reflect code "6" (junked/discarded). The entire inventory's total replacement cost is thereby automatically reduced by this value.

### Year End Procedure

Bi-annually, the City Accountant sends each department a copy of its most current inventory report to be edited for accuracy which they will return to the Purchasing Agent for correction in the AS/400 Capital Asset System. Corrections usually stem from the need to report items that were moved from one location to another.

At year end, the City Accountant generates a comprehensive inventory report to obtain total values and generates an exception report to obtain prior-year-only records/values.

## CHAPTER 6

## AUTOMOBILE ACCIDENT INSURANCE CLAIMS

The Purchasing office processes all motor vehicle accident insurance claims. A Police Officer must respond to the scene of any accident involving a municipal vehicle.

Immediately following an accident the department telephones Purchasing and reports the basic details and follows up with a written MOTOR VEHICLE ACCIDENT NOTICE. Purchasing requests and receives a copy of the official Police Accident Report from the Police Records Division.

Purchasing scans and emails the MOTOR VEHICLE ACCIDENT NOTICE and the official POLICE ACCIDENT REPORT to the insurance Agent of Record who then processes the claim. Purchasing prepares a claim folder and enters pertinent information into a computerized database file.

Purchasing advises the department representative to take (or to have towed, in cases of disablement) the damaged vehicle to an auto body shop which calculates and sends Purchasing a repair estimate. This estimate is emailed to the insurance broker who reviews it for propriety and authorizes Purchasing to cut a purchase order for repairs. This purchase order is then FAXed back to the auto body shop and the department is instructed to have the vehicle brought back to the shop for repairs.

In cases where the auto body shop's repair estimate does not meet the broker's propriety criteria the broker may advise Purchasing not to proceed with repairs until a private insurance adjuster confirms the damage and negotiates an "agreed-upon repair price" with the auto body shop. On receipt of the adjuster's report, the insurance broker advises Purchasing to cut a purchase order for the agreed-upon price. When Purchasing receives the repair shop's invoice Purchasing confirms that the vehicle was properly repaired, releases the purchase order receiving report, and forwards it to Accounting where Accounting liquidates the purchase order encumbrance and pays the bill.

All documents, transactions, related letters, and correspondence must be sent to Purchasing and filed in Purchasing's accident files. If any department receives a "**Service of Process**" ( a notice of law suit served by a sheriff) the original shall immediately be sent to the City Attorney's Office. The City Attorney will send a copy to Purchasing who will notify our insurance broker.