

CHAPTER 17
PURCHASING STANDARDS AND PROCEDURES

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17.01 PURPOSE

The purpose of this Chapter 17 is to establish uniform standards and procedures to be followed by all Village departments, boards and commissions in the purchase of all commodities and professional services.

17.02 POLICIES

The purchasing standards and procedures set forth herein are designed to:

1. Attain maximum economy in municipal operations to the ultimate advantage of local taxpayers and residents; and
2. Provide equal opportunity for qualified vendors to serve Village needs.

17.03 PURCHASE AUTHORITY

In general, all supplies, materials, equipment and contractual/professional services required for operational efficiency shall be included in the annual budget. Purchase of same as required during the fiscal year shall proceed in accordance with these procedures upon approval of the annual budget by the Village Board.

Each Department Head of the Village shall be responsible for his or her own department's purchasing needs in strict compliance with the procedures set forth herein. They may delegate this purchasing authority to subordinates, but still bear responsibility that these procedures are followed.

The Finance Department is responsible for determining if an item is budgeted, adequate funds are available and proper purchasing procedures are followed. No department may make charges against budget accounts of other departments without the consent of the other department.

17.04 PURCHASE ORDERS

A purchase order requisition and a purchase order must be prepared for the following purchases:

1. Any purchase of goods or services in excess of \$2,000.
2. Any case where the vendor requires a purchase order.

Exclusive of the above requirements, a Department Head may request that a purchase order be prepared at any time they feel it is best or prudent to do so. Department Heads or designees must approve all purchase order requisitions. The Finance Department will issue purchase orders for all purchases up to and including \$20,000 made in accordance with the approved budget. Purchase orders for purchases up to and including \$20,000 that will not be made in accordance with the approved budget must be approved by the Village Administrator. Purchase orders for purchases in excess of \$20,000 will be issued by the Finance Department following Village Board approval.

A purchase order requisition is prepared and submitted to the Finance department. From the purchase order requisition, the purchase order is prepared in four parts with distribution as follows:

Vendor Copy: Mailed or delivered to vendor.

Department Copy: Routed to the requesting department.

Purchasing Copy: Retained by the Finance Department.

Payment Approval Copy: To be approved for payment and forwarded to the Finance Department for payment after receipt of goods or services and vendor invoice.

Purchase orders shall be issued in numerical sequence by the Finance Department. The Finance Department shall keep a log of purchase order numbers that have been distributed on a department by department basis.

All purchase order requisitions and purchase orders must have the price of the goods stated. If it is absolutely impossible to list the exact price, an estimated price may be used as long as it is clearly indicated as an estimated price. Freight charges should be included on a purchase order requisition if known. If not known, the purchase order requisition must state "Plus Freight." All purchase orders must bear, as near as possible, the delivered price to avoid any discrepancies between the purchase order and vendor invoice.

17.05 OPEN PURCHASE ORDERS

In certain circumstances where vendors are used frequently, an open purchase order may be set up as approved by the Finance Director. The vendor copy of the purchase order is mailed or delivered to the vendor. The payment approval copy is routed to and retained by the requesting department and a photocopy is periodically forwarded to the Finance Department after receipt of the goods or services and vendor invoice.

17.06 VENDOR PAYMENTS

The department ordering the goods or services is responsible for the accuracy of expense accounts used and ensuring that purchases fall within budget parameters.

Upon receipt of ordered items, the department must indicate the quantity received complete with the initials of the employee receiving the delivery and the date received. In the event of a back order or incomplete delivery, notation of the applicable situation will be entered on the purchase order. When such items are later received, a photocopy of the original purchase order showing the partial shipment detail will be completed.

Unless otherwise noted on receiving documents, it will be assumed by the Finance Department that the ordering department is completely satisfied with the quality and condition of items received. All applicable quotation forms, vendor invoices, packing slips, purchase order requisitions and purchase orders, approved for payment by the Department Head or designee, must be forwarded to the Finance Department for payment processing. Statements or photocopies are not sufficient documentation to authorize payment of a vendor invoice. All other data, including material safety data sheets shall be kept by the ordering department. The Finance Department will ensure an IRS Form W-9 is on file.

A. SCHEDULE OF BILLS: Invoices and check requests presented for payment as part of the regular schedule of bills should be processed in accordance with the following guidelines:

1. Payment approval shall be given by affixing a stamp to the invoice or appropriate supporting documentation. The stamp will require the following six items to be completed:
 - a. The date of approval.
 - b. The dollar amount approved for payment.
 - c. The budget line item to be charged.
 - d. The purchase order number, if applicable.
 - e. A brief description of the commodity, service, or project.
 - f. Department Head payment approval.
2. All invoices or check requests presented for payment require the signature of the Department Head (or the Department Head's designee in his or her absence).
3. Invoices or check requests being charged to more than one line item require approval of the total dollar amount in the "stamped" section, plus a separate section listing the line item allocation. The budget line item to be charged section of the stamp should indicate "multiple."
4. Invoices or check requests being charged to multiple departments will require approval of each Department Head for their portion of the payment. The Finance Department will distribute copies to each department. Department approval should only be processed for the department's portion of the payment.
5. All invoices received by Monday of the week preceding a Village Board meeting will be

processed for payment approval at the next Village Board meeting.

6. To allow for an evenly distributed workflow, invoices should be approved for payment on a regular basis, and should be forwarded to the Finance Department as they are approved. Approved invoices should not be held for batch submittal on the schedule of bills due date.

B. **MANUAL CHECK REQUESTS:** The same payment approval procedures requiring a stamp and Department Head approval should be followed as indicated above under Section 17.06A. However, a manual check request form must also be completed in order to have a check issued outside of the regular schedule of bills process. The manual check request form contains an area that must be completed listing the reason a manual check is required. Valid reasons for issuing a manual check are reimbursement of employee out-of-pocket expenses, in order to take advantage of an early payment discount, in order to prevent a late payment penalty, and any other time sensitive issue.

17.07 PURCHASING PROCEDURES

A. **PURCHASES IN EXCESS OF \$20,000:** Village ordinance requires that all purchases made from one vendor for a particular item or like types of items exceeding a cost of \$20,000 must be accomplished through formal bidding procedures or by a bid waiver approved by the Village Board as specified in Chapter 9 of this Code. If doubt exists as to whether formal bidding is required, the Finance Director shall be contacted before any purchase is initiated. The splitting of a purchase into two or more purchase orders for the purpose of avoiding the bidding process is prohibited.

In certain circumstances the best interests of the Village would be served by a purchase from one particular vendor despite the purchase amount being in excess of \$20,000. In such cases, a request to waive competitive bidding must be submitted to the Village Board for its consideration and approval.

B. **PURCHASES UP TO AND INCLUDING \$20,000:**

1. Purchases requiring budget transfers or amendments: All purchases up to and including \$20,000 that will not be made in accordance with

the approved budget must be approved by the Village Administrator.

2. Purchases in excess of \$2,000 up to and including \$20,000: At least three quotations are required to be submitted with the purchase order requisition before a purchase order will be issued.

The Department Head shall secure at least three verbal or written quotations or proposals from prospective vendors for the item or service. As in the case of formal bidding, the purchase shall be made from the lowest responsible quotation. The results of a quotation and vendor award recommendation shall be forwarded to the Finance Department with the purchase order requisition.

In the event a Department Head feels that a purchase under this category should be made from one certain vendor rather than through quotations, a recommendation to do so is to be directed to the Finance Director. In effect, this is a quotation waiver.

3. Purchases less than and including \$2,000: Purchases in this category can best be described as those day-to-day purchases needed to perform a job or service.

Although day-to-day, purchases less than and including \$2,000 may be done without a purchase order and without prior approval, the responsibility still exists for making the most economical purchases. Spot price checks and surveys must be made from time to time to ensure that the price being paid is the best price available and that the quality is the best that is required.

Day-to-day purchasing should be made through that vendor who offers the best usable product at the lowest price. Also, accepting deliveries should rate preference over picking up where no delivery/premium charges are involved and there is no immediate need for the item.

When receiving an item purchased under informal buying, a receipt or packing slip should be obtained. This receipt is to be turned in to the Department Head for payment approval.

C. EMERGENCY PURCHASES: An emergency condition is described as a condition where the health, safety, and/or welfare of the Village or its residents are affected. If it is determined that an emergency condition exists, the Department Head may make a purchase to remedy the emergency if verbally authorized by the Village Administrator. The Department Head must make a full written report regarding the emergency purchase to the Village Administrator as soon as possible. The written report should describe the emergency condition, the actions taken to remedy the condition, and the full costs incurred. If the costs incurred exceed \$20,000 the Village Administrator will report the emergency condition to the Village Board for approval of a bid waiver.

D. PETTY CASH: Petty cash funds are established to pay for infrequent purchases up to and including \$50.00 and require immediate payment. Tolls, parking, filing fees, etc., are traditional expenses that fall into this category. Department Heads must approve the petty cash reimbursement vouchers. All receipts for petty cash purchases are to be forwarded to the Finance Department for reimbursement to the petty cash fund. Permanent petty cash funds have been established in the Finance, Police, and Public Works Departments. Temporary petty cash funds are established in the Parks & Recreation Department for special events. The Finance Department will conduct periodic audits of the petty cash funds established in each department.

E. PURCHASES OF A REPETITIVE NATURE: It is not always practical to obtain competitive quotations for certain purchases that are repetitive in nature. The market must be periodically tested by the Department Head to determine if the current supplier is the most economical.

17.08 JOINT PURCHASING

Joint purchasing is encouraged whenever possible.

A. STATE PURCHASING: Certain items are annually let for bids by the Procurement Division of the State of Illinois. Any unit of government in the state may avail themselves of these bid prices. Purchasing through State Purchasing may satisfy the

requirement for bidding even though the purchase may be in excess of \$20,000.

When items are purchased through the State Purchasing vendor, the Department Head prepares a purchase order requisition as normally prescribed, but also submits a copy of the State Purchasing Contract.

B. COOPERATIVE PURCHASING: It may also be beneficial for the Village to join with other units of local government, the Northwest Municipal Conference, and/or other councils of government in securing price quotations and in bid letting. Purchasing through Cooperative Purchasing may satisfy the requirement for bidding even though the purchase may be in excess of \$20,000.

Periodic checks of what other governmental units are paying can confirm whether the Village is receiving a good price. If a neighboring municipality is contemplating the bidding of a particular item which is also to be bid by the Village, the joining of the two municipalities may result in a lower price.

17.09 CAPITAL ASSETS

Certain purchases will be recorded in the Village's records as capital assets. Capital assets shall include land, land right-of-way, land improvements, buildings, building improvements, construction in progress, machinery, equipment, furniture, fixtures, vehicles, and infrastructure such as roadways, storm sewers, water mains, etc. that meet the following criteria:

1. The asset must be tangible.
2. The asset must provide a benefit for more than one fiscal year.
3. The acquisition cost of the asset must be greater than or equal to \$1,000.00.

The acquisition cost shall include the direct cost of the asset plus those costs necessary to place the asset into its location or condition such as freight charges, installation charges, engineering costs, etc.

In order to properly safeguard capital assets, capital asset forms must be completed and forwarded to the Finance Department in a timely fashion. Upon acquisition of a capital asset, a

capital asset data entry form needs to be completed by the department purchasing the capital asset. Additionally, whenever a capital asset is transferred from one department to another department or from one location to another location, a capital asset transfer form needs to be completed by the department transferring the capital asset. Finally, whenever a capital asset is disposed of as waste or via trade-in or auction, a capital asset retirement form needs to be completed by the department disposing of the capital asset. The proper completion of capital asset forms will ensure that all capital assets are tracked from acquisition date to disposal date.

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