

PURCHASING POLICY and PROCEDURE MANUAL

April 14, 2003 Amended May 12, 2014

- Amended to include Local Bidder Preference, 12/08/2003, Res #2013-293
- Further amended to revise the threshold dollar amounts for bids/quotations, assign responsibility for approval, and amend Local Bidder Preference, 5/12/2014, Res #2014-060

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SECTION 1 RESOLUTION ADOPTING POLICY

Resolution #2003-073 Adopting policy passed 4/18/2003 Resolution #2003-293 Local Bidder Preference Policy Passed 12/8/2003 Resolution #2014-060 Adopting policy as revised 5/12/2014

SECTION 2

INTRODUCTION

PURCHASING - GENERAL DISCUSSION

Purchasing for the City is one of the most important functions because every department requires supplies and equipment to operate. Other than payroll, purchasing represents the largest portion of municipal operating expenditures.

This section is included for the Council and General Public for three major reasons:

- 1) To serve as a guide for improving purchasing efficiency and operations;
- 2) To maintain compliance with state and local laws pertaining to municipal purchasing; and
- 3) To maintain compliance with annual budget and long term purchasing needs

This manual is intended for use as a guide to procedures that departments in the City shall follow in the procurement of supplies, equipment and contractual services. The goal of this manual is to assist departments in the City's procurement process, and to establish consistent purchasing operations, maintaining certain controls to obtain needed supplies and services efficiently and economically. The cooperation of all employees, administration and vendors is essential if the City of Marshalltown is to obtain maximum value for each tax dollar spent.

Requests and suggestions for changes to this manual may be submitted to the Finance Director/City Treasurer at any time. When it appears that a proposed change may be inconsistent with state law, local ordinances, or administrative rules, the matter shall be submitted to the City Attorney for an opinion. All changes in this manual shall be approved by City Council by resolution to be effective. When changes are effected, new pages covering such changes will be sent to recipients of the manual. Those who have copies shall keep them up to date by replacing the old pages with the change supplements.

It is important that the City deal only with Vendors whose conduct is compliant with federal, state and local laws. Not only does illegal vendor behavior reflect poorly upon the City, but it may also adversely affect the ability of competing businesses who wish to conduct business with the City while obeying the law. It shall be considered sufficient cause to cease doing business with a vendor if that vendor is convicted of violating the law in any aspect of its business operations, or investigation reveals a probability that the vendor is violating the law in any aspect of its business operations. This specifically includes, but is not limited to, vendors which hire undocumented workers, or which knowingly continue to employ workers who become unauthorized under the federal Immigration Reform and Control Act of 1986 (IRCA). A vendor with an existing

business relationship with the City will be given written notice of the City's intent to terminate its relationship with that vendor, and an opportunity for a hearing with the supervisor of the affected City Department, prior to the effective date of the termination.

PROCUREMENT - PURCHASING

Procurement or Purchasing is:

- 1. The determination of what to buy, that is, the physical and performance specifications of the goods or services to be bought and the quality and quantity to be obtained.
- 2. The identification and selection of potential sources of supplies.
- 3. The qualification of sources and of the products they will supply (vendor).
- 4. The design of the request for proposals (RFP) and the solicitation of bids.
- 5. The negotiation of price, terms and conditions with a selected vendor and the allocation of the purchase amounts among them.
- 6. The monitoring of supplier performance and the conduct of ongoing supplier relations, including but not limited to:
 - The management of technical activities and support
 - Delivery schedules and transportation arrangements for incoming shipments
 - Audits of vendors cost
 - Accounting for equipment and materials owned by the buyer and located on the vendor's premises
 - Feedback on vendor's performance
 - The resolution of delivery, product quality, service, and other problems
 - The handling of any claims against the vendor for failure to perform
 - Discounts and payment cycle tolerance
- 7. The establishment of procurement policies, control systems, and resolution of service problems.
- 8. The management of inventories of purchased parts, materials and supplies.

9. The disposal of surplus, waste and scrap materials.

Optimally, purchasing operations should be centralized into one department, agent, or officer. As resources become available, it is the desire for this position and method of purchasing to be implemented. It can be substantiated that central purchasing will benefit the taxpayers of our community by insuring better internal control, efficiency, consistency, accurate accounting and budgetary control. In addition, the purchasing power of all departments is pooled so that a focus will be given to lower prices and better services can be attained. To accommodate centralized purchasing, manpower must be considered along with the storage and distribution of supplies. As funding becomes available, this practice should be implemented.

Currently, all purchases of fixed assets, materials, supplies and services are coordinated through the Department Director or designee who oversees bid solicitation and approves purchases. Approval of the City Administrator or Council must be obtained in cases in which the department director is uncertain of the propriety of the purchase, the purchase exceeds a certain dollar limit as set by this policy, or the City enters into a contractual agreement under the guidelines of this manual.

Department Directors are strongly encouraged to cross departmental lines and seek advice or assistance from other departments in formulating specifications for bids or quotations when that expertise exists outside one's own department, so the city can get the product or service best suited for the need at the lowest price.

The Department Director must develop and maintain a strong code of ethical conduct. In doing so, he or she will build a reputation as an honest person while placing himself/herself above reproach. The relationship, which is developed between a Department Directors and vendors, must also be protected. From time to time, vendors may present gifts to a department. Employees or City Officers are expressly prohibited (See Section 68B.22 Code of Iowa) from accepting directly or indirectly, from any person, company or corporation to which any purchase order or contract is or is reasonably expected to be awarded, any rebate, given money, discount, or anything of value except where given for the direct use and benefit of the City. If a situation should arise where an Agent is in doubt, ask the City Attorney for direction.

The Department Director, or designee shall be responsible for:

- 1) Consistent purchasing for all departments according to the rules and regulations established by the City Council, Procedural Manual, State Code, and/or Department Director;
- 2) Supervising the delivery of all material;
- 3) Maintaining a file on price quotation of supplies most frequently purchased by unit; and,

4) Maintaining other supplemental data to assist in making purchases at the best price possible.

The purchasing system allows vendors to deliver supplies and equipment only if an official authorization has been properly issued. Payment for goods or services is only released after the Department Director is satisfied that the goods are in satisfactory order and/or that services or contractual agreements were completed as required and the appropriate W-9 has been filed with the Finance Department.

This purchasing policy manual generally does not apply to either the Library or the Water Works, which operate under the supervision of their respective Boards.

NOTICE

Any and all contracts or agreements hereafter made by any representatives of the City, without complying with the terms of this Policy shall be void and shall not be enforceable, and the performance of same and payment of any money there under may be enjoined by any property taxpaying citizen of the City.

All sealed bids shall be opened at the handicap accessible place designated in the public notice. This will take place on the day and time specified in bidding requests and advertisement of bids. This will allow time before Council meetings to evaluate all bids and proposals to insure the best selection for the expenditure dollar.

BUDGETARY CONTROL

The City shall use a system of "Line Item" account numbers. The purpose of these numbers is to provide an accounting basis upon which expenditures can be classified and monitored, as well as to provide a consistent means for forecasting and budgeting future expenditures.

It shall be the responsibility of the Finance Department to maintain and distribute a current, functional listing of account numbers. It is the responsibility of the operating departments to determine and assign the most appropriate account number for each item or service purchased. Upon review of the assigned account number, representatives of the Finance Department may alter said assignment with written/email notification to the department.

If a supply or service exceeds the budgeting amount in the line item to be charged, a budget transfer may be requested. When the budget to be transferred is within the fund/activity (moving from one line item to another) a "Budget Line Item Transfer Request Form" should be filed with the Finance Department. (See Appendix A) Only the signature of the Department Director is needed on this form.

If the budget transfer is between activities (i.e., 110 to 111, Police Administration to Police Patrol), a "Budget Transfer between Activities Form" should be filed with the Finance Department. (See Appendix A) Signatures from the Department Director and Finance Director/City Treasurer are required for this transfer. Execution of this transfer must be within the same budgetary program as defined by State Code. This transfer is optional, based upon the management technique used by the Department Director. The Finance Director/City Treasurer shall report such transfers within the monthly financial reports.

Budget transfer requests between programs require approval of the public through a budget amendment. (Section 384.18 of the Iowa Code.) This request should be submitted on a "Request for Additional Funds and/or Budget Form". (See Appendix A) Prior authorization must be sought from the City Administrator and Finance Director/City Treasurer who will in turn present it to the City Council for approval.

In the event that a purchase or service was not planned in the original budget or exceeds planned program funding levels, prior authorization must be sought from the City Administrator and Finance Director/City Treasurer who will in turn present it to the City Council for approval. This request should be submitted on a "Request for Additional Funds and/or Budget Form". (See Appendix A)

Not less than annually, the Finance Director/City Treasurer shall cause a budget amendment and transfer resolution to be prepared for adoption by the City Council to prevent any program from exceeding its limit as set by the approved budget.

SOLICITING BIDS

It is recommended that competitive bids or informal price quotations be obtained on all purchases of goods or services, if it can be reasonably anticipated that the bids will be competitive and result in a savings.

On low-value purchases, telephone calls to a few known suppliers are sufficient. For higher priced or larger quantities of items, the Department Director may want to do a more thorough investigation into potential suppliers and their prices.

SECTION 3

GOOD FAITH QUOTATIONS

VERSUS FORMAL BIDS

GOOD FAITH QUOTATIONS

lowa Code 26.14(2)(e) currently requires that public improvement projects with an "estimated total cost" in excess of \$36,000, but not more than \$100,000.00, or the adjusted competitive bid threshold established in section 314.1B, shall make a good faith effort to obtain quotations for the work from at least two contractors regularly engaged in such work prior to letting a contract. Good faith effort shall include advising all contractors who have filed with the governmental entity a request for notice of projects. The governmental entity shall provide such notice in a timely manner so that a requesting contractor will have a reasonable opportunity to submit a competitive quotation. Quotations may be obtained from contractors after the governmental entity provides a description of the work to be performed, including the plans and specifications prepared by an architect, landscape architect, or engineer, if required under chapter 542B, 544B, or 544A, and an opportunity to inspect the work site. The contractor shall include in the quotation the price for labor, materials, equipment, and supplies required to perform the work. If the work can be performed by an employee or employees of the governmental entity, the governmental entity may file a quotation for the work to be performed in the same manner as a contractor. If the governmental entity receives no quotations after making a good faith effort to obtain quotations from at least two contractors regularly engaged in such work, the governmental entity may negotiate a contract with a contractor regularly engaged in such work.

The governmental entity shall designate the time, place, and manner for filing quotations, which may be received by mail, facsimile, or electronic mail. The governmental entity shall award the contract to the contractor submitting the lowest responsive, responsible quotation subject to section 26.9, or the governmental entity may reject all of the quotations. The unconditional acceptance and approval of the lowest responsive, responsible quotation shall constitute the award of a contract. The governmental entity shall record the approved quotation in its meeting minutes. The contractor awarded the contract shall not commence work until the contractor's performance and payment bond has been approved by the governmental entity. A governmental entity may delegate the authority to award a contract, to execute a contract, to authorize work to proceed under a contract, or to approve the contractor's performance and payment bond to an officer or employee of the governmental entity. A quotation approved outside a meeting of the governing body of a governmental entity shall be included in the minutes of the next regular or special meeting of the governing body.

PERFORMANCE BOND REQUIREMENT

lowa Code section573.2-.5 currently requires that any public improvement contract which equals or exceeds \$25,000.00 (which include projects which are not required to be bid, or even be competitively quoted) shall require a performance bond, unless the contractor or certain sub-contractors are "targeted small businesses" as defined in Chapter 12 of the lowa code and the bond requirement is waived. The contract may not require the bond be supplied by any particular bonding company. The amount of the bond shall be not less than 75% of the contract price, unless the contract provides for no payments until after the public improvement has been completed, in which case the amount of the bond shall not be less than 25% of the contract price.

Please note that if the estimated cost of the project is less than \$25,000.00, but the best quotation comes in higher, then the actual cost exceeds the requirement for a bond. It is based on the actual contract price, not the estimated price.

WHEN SOLICITATION OF FORMAL BIDS IS REQUIRED

If the total "estimated cost" of a public improvement project, excluding the cost of architectural, landscape architectural, or engineering design services and inspection, exceeds \$100,000.00, or such other "adjusted competitive bid threshold established in accordance with section 314.1B" (per lowa Code 26.3), the City shall obtain formal, written, competitive bids. The bid thresholds under lowa Code section 314.1B are fixed on or before August 1 of every other year, or of every year if determined necessary by the subcommittee (lowa Code 314.1B(3)), and are divided into "horizontal" projects and "vertical" projects.

Even though the estimated cost of a public improvement may fall below the threshold amount for formal bidding requirements, , Department Directors should solicit formal bids when there is potential cost savings.

TYPES OF FORMAL SOLICITATIONS (Bids, Quotations, Proposals)

A. <u>Competitive Sealed Bidding or Invitation to Bid:</u> Vendors are invited to bid on an item that has specified requirements where comparison across bidders is facilitated. This is the required method of source selection (except as allowed by Code and Rules) and award is made to the lowest responsible bidder meeting specifications.

An Invitation for Bid (IFB) is the solicitation of competitive, written, sealed bids based on specifications of the required equipment, material, and/or service. These are sometimes called "formal bids" because bids are usually submitted to the City Clerk where they are held until there is a public opening of the bids, and because bids are reported to the Marshalltown City Council for award at a City Council meeting. There are normally two types of formal bids:

1. Public Improvement Projects:

- a. <u>Definition:</u> A public improvement project is most often construction related.
 - (1) Included are buildings, additions, utility system improvements, street and infrastructure construction and improvements, and improvements to existing public buildings and other structures.
 - (2) Materials purchased for installation by others, the completion of which will result in a public improvement, are also included.

b. Notice of Public Hearing and Award of Contract:

- (1) Preparation of the contract documents will include preparation of the notice as required by the *Code of Iowa 362.3, 384.96 and 384.97.*
- (2) The notice will be furnished to the City Clerk with the preliminary plans and specifications.
- (3) The notice will be furnished in a format suitable for publication, presented in a written and electronic (Word or PDF) format.
- (4) The City Clerk will arrange for publication of the notice.

2. Commodities and Services:

a. Definitions:

- (1) <u>Commodities:</u> Commodities are defined as equipment, materials, supplies, and other tangible goods.
- (2) <u>Services:</u> For the purposes of the Purchasing Policies, here are two types of services:
 - (a) <u>Professional Services:</u> Professional services are defined as architectural/engineering and related design services; legal services; medical services; software designers and other consulting services.

- (b) <u>General Services:</u> General services include all contractual services not included in professional services.
- b. An Invitation to Bid may also be used for the purchase of commodities and general services that are not public improvements. This includes fleet equipment, routine replacement of plant and movable equipment, repair parts and services, and services for the repair and maintenance of City equipment and facilities.
- c. Notice of Request for Bids: Unless required by the Code of Iowa or other Federal, State, or local laws, ordinances or policies, publication of a notice is not required. However, when publishing a Notice of Request for Bids is determined to be in the best interests of the City, preparation of the contract documents will include preparation of the notice.
 - (1) Notice will be furnished to the City Clerk with the bid documents.
 - (2) The notice will be furnished in a format suitable for publication, presented in a written and electronic (Word or PDF) format.
 - (3) The City Clerk will arrange for publication of the notice.
- The City Clerk will be furnished with a complete copy of the contract documents for all Invitations to Bid, upon issuance, and, when applicable, prior to consideration of proposed bid documents by the Marshalltown City Council.
 - The City Clerk will be furnished with copies of all addenda, change orders, and other official correspondence concerning the bid.
 - b. The City Clerk will receive original bid responses and related bonds, change orders, and other bid/proposal documents.

- B. Multi-Step Sealed Bidding. This is a two-phase process consisting of a technical first phase composed of one or more steps in which bidders submit unpriced technical offers to be evaluated by the City staff and a second phase in which those bidders whose technical offers are determined to be acceptable during the first phase have their price bids considered. This method may be used when it is impractical to prepare a definitive description that will be suitable to permit an award based on price. Award is made to the lowest cost-responsive bidder meeting specifications.
- C. Written Requests for Competitive Quotations/Bids: A Request for Quotation/Bid (RFQ) is the solicitation of written offers and/or pricing based on specifications of the required equipment, material, and/or general service. These are sometimes called "informal bids" because there is usually not a public opening, and the award is generally not made by the City Council, unless the amount exceeds \$35,000.
- D. <u>Small Purchases Verbal Quotations:</u> When procurements are for supplies or services (other than professional and artistic) for \$5,000 or less and have a non-renewal term of one year or less, they can be considered "small purchases". This category of purchase has more lenient rules than high priced purchases. Sometimes referred to as "phone quotes", these are verbal requests for pricing. This type of price solicitation is usually used for readily available parts, supplies, and/or general services of a non-technical nature for which no written record of the quotation is deemed necessary.
- E. Written Requests for Proposal (RFP): Written requests for proposal are typically used when specifications and requirements are not standardized and the City wishes the bidder to propose a solution or methodology. This method may be used on a case-by case basis when it is determined by the Department Director that competitive sealed bidding is either not practicable or advantageous. The solicitation of proposals may be to furnish equipment or general or professional services. Proposals are requested based on general requirements and/or guidelines and those persons or companies submitting proposals may offer the equipment or services they have determined to be best suited to the general requirements stated in the RFP. Proposals will usually differ in the details of what is offered by those submitting proposals; the details and/or pricing of proposals are usually subject to negotiation.
 - 1. This method is usually used to procure professional services.

- 2. An RFP may also be used for the purchase of equipment that is designed and built for a specific project, or if more than one type of equipment will suit the intended purpose and "results" along with "performance" is the emphasis of the specification.
- Proposals may also be used for general services when the companies who are expected to respond will offer different levels of service or have a range of qualifications that are to be considered in addition to price.
- 4. Proposals may also be used if a number of special criteria have been established, and included in the proposal documents, for the evaluation process.
- F. <u>Sole Economically Feasible Source:</u> This method is permissible when a competitive bid or competitive quotation is not required by state law or by this purchasing policy and a product or service is only available from a single supplier, such as parts available only from an OEM, or under an existing warranty.
- G. <u>Competitive Selection Procedures For Professional And Artistic Services:</u>
 This method is used for procurements of professional and artistic services and usually accomplished via a proposal in response to an RFP. Award is the most qualified vendor who will perform at a fair and reasonable price.
- H. Request for Information: This method is used exclusively for contracts for leases or acquisition of real property. A lease or acquisition value is negotiated after considering competitively acquired information about alternatives and values. The City Administrator and Finance Director must be included in these negotiations. Council action is required before any contract is signed for acquisition of real property.

DOLLAR BASIS FOR BIDS/QUOTATIONS, OR PROPOSALS

A. Public Improvement Projects. The method for determining the cost of a public improvement projects is governed by Chaptered 26 of the Iowa Code. The threshold dollar amounts for formal bids and for competitive quotations are subject to change every two years, or more often, at the discretion of a committee established under Iowa Code section 314.1B. These projects require City Council approval of the form of contract, specifications and engineer's estimated cost. You should consult with the Engineering Department concerning the current dollar amounts which determine whether formal bids, or competitive quotes, are required. If the dollar amount of the public improvement project meets the threshold for formal bids, an engineer is required to certify the estimated cost and to prepare the plans, specifications and form of contract.

- B. Contracts Funded Entirely By Grants. Grant funds are often conditioned by rules which define the process by which contracts are approved. Once the grant funds are accepted, those rules must be followed even if different from this policy. For example, HUD rules currently require sealed bids, but do not require council approval of specifications or form of contract. The Housing Department obtains Council pre-approval of the specifications, form of contract and pre-authorization to go out to bid and to accept the lowest bid. The Council does not approve the bids after they have been opened, which could delay and disrupt the schedule required by HUD for awarding the contracts.
- C. <u>Invitation to Bid (formal bid):</u> Competitive sealed bids will be solicited for purchases of materials, equipment, and general services (other than public improvements) in excess of \$100,000. The IFB shall specify that City Council approval of the lowest responsible bidder is required.

<u>Solicitation of Competitive Bids:</u> Written competitive bids will be solicited for all purchases of materials, equipment, and general services with an estimated cost of more than \$35,000, but does not exceed \$100,000, and the Department Director has determined that a competitive bid would not be of significant value or competitive nature.

D. <u>Solicitation of Competitive Quotations</u> Competitive quotations will be solicited for purchases of materials, equipment, and general or professional services when the specifications and requirements are sufficiently standardized that the quotations can be easily compared with one another, and when the estimated cost is more than \$5,000, but does not exceed \$100,000, and the Department Director has determined that a competitive bid would not be of significant benefit. The Department Director may delegate to someone else within that department the responsibility for obtaining competitive quotations or proposals for materials, equipment and general services when the estimated cost does not exceed \$10,000. When such costs are less than \$5,000, the Department Director may determine that sole source, local preference or other purchase without competitive quotation is appropriate.

Competitive Proposals: Competitive Proposals (as defined in paragraph E under Types of Formal Solicitations, above), differ from Competitive Quotations in that the precise means or methods may not yet be defined well enough for cost comparison purposes at the time of solicitation; the price may need to be negotiated after the proposed approaches have been received and evaluated. Once the price has been determined, approval of the particular proposal will be made by City Council if \$35,000 or more, or by Department Heads or City Administrator, according to these rules

<u>Sole Source Negotiation:</u> Sole source equipment, materials, and/or general services may be utilized for purchases costing less than \$5,000.

- E. <u>All Purchases Over \$5,000:</u> All public improvements, purchases of equipment, materials, professional services, and/or general services costing more than \$5,000 shall be approved by the City Administrator, and notification given to the Finance Director.
- F. All Public Improvements, regardless of dollar amount, and all other Purchases Over \$10,000, but not requiring City Council approval (e.g., not involving purchase of a motor vehicle, or less than \$35,000), shall be listed and delivered to the City Clerk for inclusion in the Council packets at its next regular meeting. The listing shall include the item of equipment or service, the identity of the successful bid or quotation and the number of bids or quotes obtained. As to public improvements, Iowa Code §26.14(3)(b) currently provides: "A governmental entity may delegate the authority to award a contract, to execute a contract, to authorize work to proceed under a contract, or to approve the contractor's performance and payment bond to an officer or employee of the governmental entity. A quotation approved outside a meeting of the governing body of a governmental entity shall be included in the minutes of the next regular or special meeting of the governing body." Therefore, public improvements below \$36,000, which do not require council approval, must be included in the council packets for the next regular or special meeting, regardless of the dollar amount involved.
- G. Recurring purchases which cannot be reasonably predicted, such that bids or quotations can be obtained in advance, shall not be aggregated over a month, quarter or year to determine the cost amount for purposes of this policy.
- H. The purchase of any new or used motor vehicle, regardless of bid or quotation price, must be subject to City Council pre-approval.

EMERGENCY EXCEPTION

The solicitation of bids or competitive quotations is not necessary when emergency repairs or provisions of service could not be foreseen and are required to continue service to the public or to insure the safety of citizens or employees.

SPECIAL CONDITIONS

A. <u>Affirmative Action Compliance:</u> Contractors awarded contracts in excess of \$10,000 must satisfy the requirements of the City's Affirmative Action Program. Bid documents for contracts in excess of \$35,000 will include Affirmative Action compliance requirements.

- B. <u>Bonding and Insurance Requirements:</u> Bid/Proposal documents will include requirements for performance bonds and liability insurance coverage with types and amounts of coverage as determined appropriate by the City Administrator. Types of contracts requiring performance bonds and/or insurance coverage include:
 - 1. Public Improvement Projects with estimated costs in excess of \$25,000;
 - 2. Contracts for services to be performed on City and public property including grounds, streets, rights-of-way, and facilities;
 - 3. Contracts for professional services; and
 - 4. Contracts under which the Contractor will have possession of City equipment.

C. Bonding:

1. <u>Bid Bonds:</u>

- a. Public improvement projects will include requirements for bid bonds, the minimum amount of which will be in accordance with the *Code of Iowa*.
- b. Other bids should require bid bonds when the Department Director or City Administrator determines it to be in the City's best interest.

2. Performance Bonds

- a. Public improvement projects will requirement performance bonds, the minimum amount of which will be in accordance with the *Code of Iowa Chapter 573, currently \$25,000.*
- b. Other projects may include the requirement for a performance bond if determined to be in the City's best interest.

D. Retainage:

- 1. Public improvement contracts will include retainage, the minimum amount and terms of which will be in accordance with the *Code of lowa*.
- 2. Other contracts will include a retainage requirement if it is determined to be in the City's best interest.

E. Lien Waivers:

- 1. Public improvement contracts will include the requirement for lien waivers in accordance with the *Code of Iowa*.
- 2. Other contracts may include the requirement for lien waivers if it is determined to be in the City's best interest.

F. <u>Mediation and Arbitration Clauses:</u>

- 1. For possible dispute resolution mediation and arbitration clauses should be included in the contract documents. Mediators and Arbitrators can have construction background where juries will not. In a study as of 2000, 95% of all mediations ended with a settlement.
- G. <u>Availability to Other Cities and Other Political Subdivisions:</u> Bids will be made available to other political subdivisions in accordance with the *Code of Iowa* and other applicable Federal and State regulations.

EVALUATION CRITERIA

- A. Evaluation criteria will be stated in the bid/contract documents.
- B. Using departments will state any requested evaluation criteria when providing information for creation of the solicitation.
- C. If no evaluation criteria are listed, it is assumed that the award will be made to the lowest responsible, responsive bidder.
- D. Bidders not in compliance with the requirements stated in the bid documents are considered non-responsive and will not be considered further. The Council can waive irregularities if it does not provide an unfair advantage to one contractor.

Deem not responsive, do not open or read it:

- 1) Bid bonds is not signed or amount is not correct, should reject
- 2) If bid is not properly completed, would waiving the irregularity provide an unfair advantage to one contractor
- 3) Late delivery (time is based on clock at point of acceptance or opening location (reject)
- 4) Not acknowledging Addendums reject

Responsible bidder – is the bidder qualified. Be careful to reject bids which are not responsive to the bid requirements and judge all bidders on the same published criteria. If there are bid specifications in the contract, those must be followed, as well as the terms of the published notice to bidders. Be sure the performance or bid bond is from a reputable company and that all signers of the bond are authorized in the attached power of attorney.

- E. Failure to property perform on prior contracts with the City of Marshalltown having a similar scope or nature of materials and/or services furnished will be considered in whether bids, quotations, and proposals are both responsible and responsive.
- F. <u>Tie Bids:</u> If price and all other evaluation criteria are determined to be equal among one or more firms submitting bids or proposals, award will be determined by coin toss, with each tied bidder or quoter invited to attend and witness the event.

CONTRACT AWARDS AND EXECUTION

A. Contract Approval and Award:

- Contracts for budgeted public improvement projects, or the purchase of services, equipment, or general or professional services with an estimated cost, bid or competitive quotation of \$35,000 or more, and contracts for the purchase of any motor vehicle regardless of cost shall only be awarded by the Marshalltown City Council and executed by the Mayor or Mayor Pro Tem and Attested by the City Clerk.
- 2. Contracts for budgeted public improvement projects, or the purchase of services, equipment, or general or professional services with an estimated cost, bid or competitive quotation of \$10,000 or more, but less than \$35,000, will be awarded by the Department Director and executed by the Department Director on behalf of the City. Any such contract shall be provided to the City Clerk for inclusion in the Council packets for review at its next regular. Only one purchase order will be issued in conjunction with the award of an executed contract. Partial and progress payments will be reflected with each submission.

CONTRACT ADMINISTRATION

- A. Contract administration and management is the responsibility of the department.
 - 1. The City Attorney will be consulted as determined by the Department Director or City Administrator to be appropriate in settling disputes, assessing compliance with the contract requirements and other matters that may arise during the course of the contract.

B. Additional City Responsibility

- 1. Hold retainage until 30 days after the Council approves a resolution of Final Acceptance upon Certification of Completion on all contracts which required and received City Council approval.
- 2. If a claim is filed, the Department Director shall submit the claim to the City Administrator for handling in consultation with the City Attorney.

CHANGE ORDERS

A. Changes to Contracts Awarded by City Council:

- 1. Change orders on contracts previously approved by the City Council shall be submitted to the City Council for approval. The City Engineer may authorize work to proceed pending City Council approval whenever necessary to avoid disruption of work flow.
- B. <u>Changes to Contracts Not Originally Awarded by City Council:</u> The Department Director, or designee, will have the authority to approve change orders provided the total contract amount, including all change orders, does not exceed limits established for contracts not requiring City Council award.

C. All Change Orders:

- 1. The Finance Department will review all change orders for compliance with budgetary guidelines.
- 2. The Department Director or designee will review all change orders applicable and adjust encumbrances as appropriate (future use).

SECTION 4

LOCAL BIDDER PREFERENCE POLICY

It is the policy of the City of Marshalltown that a bidding preference shall be granted to local bidders in situations where the anticipated cost is less than \$5,000 and the Department Director determines that significant savings to the city from competitive bid or quotation appears unlikely.

Local business is defined as any business that owns or leases a building within the city limits of Marshalltown and uses the building for the conduct of actual business operations within the City.

This policy is adopted to give some preference to businesses that pay taxes and participate in our community. Their contributions should be rewarded by some recognition that they are sharing their revenues with the community in a variety of ways – taxes, jobs, donations to community organizations, etc. Preference should not be so great that it imposes unacceptable costs on the general taxpayer. The costs must be carefully weighed in relation to the benefits received.

This policy shall be interpreted to give a local preference to the extent consistent with state law and this Purchasing Policy. It is not appropriate to solicit bids or quotations, then select a higher bid or quote because of local preference. It does not apply when awarding contracts for public improvements under Section 384.99 of the Code of lowa, nor to goods and services purchased with the assistance of federal, state or county grants or funds. It does not apply to other specific circumstances when the application would make it unlawful under state or federal law, including the application under treaty or trade agreements.

| Resolution #2003-293, Adopted the 8 th day of December 2003. | | | |
|---|-------------|--------|---------|
| Revised by Resolution #2014- | adopted the | day of | , 2014. |

SECTION 5

PURCHASING PROCEDURES

GENERAL DISCUSSION

The major steps in the purchasing process are:

- 1) A department establishes the need for a particular supply item or piece of equipment.
- 2) The Department Director prepares a purchase order for issuance to the appropriate vendor. The purchase order indicates the number, type, narrative description and unit cost of the item (s) needed and the full cost of the order.
- 3) Upon receipt of the yellow copy of the purchase order, the Finance Officer determines if sufficient funds are available in the department's budget to pay for the goods to be purchased. With the establishment of the electronic purchase orders, budget authorization will be indicated when each purchase order is prepared.
- 4) If funds are available, the requesting department places the order; the white copy of the purchase order is issued to the vendor.
- 5) Vendor delivers goods to department. Department makes sure packing/receiving report is checked against original order.
- 6) Vendor sends invoice to Finance Department which is copied and sent to the department for verification.
- 7) Department informs the Finance Department of satisfactory receipt of goods specifying amount, condition, and any problems. A receiving report (the pink copy of purchase order) is used to transmit this information to Finance.
- 8) The Finance Department matches invoice against purchase order and receiving report (signed pink copy of purchase order) and, if all is in order, schedules payment.

For the system to operate effectively, certain basic forms and procedures are necessary, as discussed in this section. Also included are sample forms.

The recommended procedures and forms are based on state law; sound purchasing procedure, and principles of good internal control.

SPECIFICATIONS

In all cases, specifications must be available to all potential vendors to insure uniformity in requests and specific standards for comparison of goods or services. Specifications are a detailed and exact statement of the requested material and/or services sought. Specifications must be written in such a manner as to describe the physical, functional or performance characteristics of the material and/or service requested. The requirements must allow for competitive bidding except in cases of sole-source requirements. Sole-source requests, including written justification must be approved by the City Administrator. In all cases, any testing methods to be used in the evaluation of the bids must be stated as part of the specifications.

There are five (5) basic types of specifications to be used:

- 1) Brand Name or Equal Specifications: This type of specification describes a commodity and states a manufacturer and catalog number, which meets the specifications and has been determined to be acceptable. Approval of another manufacturer and catalog number will be given if the alternate can be proven equal to the item described in the specifications. The department determining acceptability and/or equivalency will designate the alternate as "equal".
- 2) <u>Specifications for Common Use Items:</u> This type of detailed specification lists all physical, functional and performance requirements. These commodities are normally not of a technical nature, and an item meeting the requirements as stated by the Department Director would be acceptable Standard specifications.
- 3) <u>Brand Name Only Specifications:</u> This type of specification describes a commodity and states a manufacturer and catalog number. This type of specification calls for a highly technical commodity for which there is no acceptable equivalent.
- 4) <u>Design Specification:</u> This type of specification states the requirements for material to be used and a detailed description of the required-end result. This type of specification is used for items and/or projects which are not readily available on the open market, but which are built-to-suit according to the specifications.
- 5) <u>Performance Specifications:</u> This type of specification emphasizes the functional or performance criteria. Physical description and design requirements are limited. The bidder's response is usually in the form of proposal. It is normally the bidder's option to determine the item and/or service required to achieve the required end result.

ANNUAL CONTRACTS AND/OR PROJECTS

In situations in which a vendor is awarded an annual contract by the City Council for services, rents or royalties and is to receive monthly payments, only one purchase order needs to be issued. Each monthly payment will be recorded on that purchase order and shall be copied as needed to cross reference the vendor file. No additional approval will be needed.

For each vendor awarded a contract for a project, only one purchase order needs to be issued. Each progress payment approved by the Department Director will be recorded on that purchase order, copies shall be made as needed to cross reference the vendor file.

INTERGOVERNMENTAL PURCHASES UNDER 28E

JOINT PURCHASES WITH OTHER GOVERNMENTAL AGENCIES

Prior to entering into an intergovernmental purchasing agreement (a 28E agreement) the Department Director will recommend plans to the City Administrator for preapproval. The Department Director and/or Finance Director/City Treasurer must demonstrate sufficient budget to cover the City's portion of the expenditure.

Information to be reported shall include the following:

- a) Commodity (ies) to be purchased;
- b) Availability of said commodity (ies) through local merchants and businessmen; and
- c) The governmental agency offering or to be solicited for their cooperation in purchasing said commodity (ies).

After pre-approval has been granted, appropriate agreements shall be submitted to the City Council in resolution form. The Resolution shall state the entities involved, the type of purchase intended, length of agreement, term of agreement (i.e., location of storage, insurance holder, principal persons responsible, maintenance terms), and funding source.

Local merchants and businessmen will be requested to bid on said commodity (ies) if available. These bid packets shall state the following:

- a) The City's intentions to review bids and an intergovernmental cooperative proposal;
- b) The awarding of said bid shall not necessarily be based solely on the lowest dollar amount, but rather the transaction which benefits the taxpayer the most; and
- c) The cooperative governmental agency or municipality will be identified with mailing address and their purchasing representative's name.

Upon approval, the Council must adopt a resolution approving any intergovernmental transaction that may lead to the issuance of a contract and/or purchase order. Ownership, location, insurance coverage and financial reporting (GASB 14) need to be documented in the contract.

PURCHASE ORDER FORMS

The Purchase Order is the instrument used to initiate and control purchases. It should be completed and approved prior to making a purchase so that effective control over resources is continually maintained. The purpose of the system is to ensure that only those items needed by the department and authorized by its budget are purchased.

A Purchase Order is issued to a vendor by the Department Director. The Purchase Order is used as the order document, and is also used as a receiving document and final payment authorization document on all purchases.

Department Director issues and disburses the Purchase Order.

TO ISSUE A PURCHASE ORDER:

The purchase order form can be obtained from the Finance Department. A range of purchase order numbers are assigned to each department for purposes of internal control.

The purchase order may be typed or handwritten. If handwritten, legibility is vital. In the area designated as:

Date place the date this item(s) is to be ordered

Vendor place the name and mailing address of the vendor

Account designate account to which this order is to be charged. Please use the

chart of accounts supplied by the Finance Department. If you have questions, or need a new account, please contact the Finance Department before disbursing the purchase order. Project numbers are assigned as additions the account number for special tracking such as grants, be sure

to include the project number if necessary.

Quantity the number of items to be ordered (use one line for each different item. If

additional room is needed, a separate sheet may be attached to each

copy of the purchase order).

Description a description of the item. This is used in the publication notice so please

do not use catalog numbers or codes.

Unit Cost the cost per unit ordered.

Extension the total cost for this item. (Number of items ordered times the cost per

unit). The total of all items ordered, including shipping and freight

expenses.

Signatures

a minimum of two signatures are required on each purchase order. One signature (on the right hand side) is for the person ordering and/or receiving the order. The second signature is pre-approval by the Department Director (left hand side of form). Orders exceeding \$25,000 shall be listed for Council approval prior to ordering.

TO DISBURSE A PURCHASE ORDER:

1 copy To supplier, if applicable

1 copy To Finance with confirming purchase request and informal bids when

order is placed

1 copy To authorize payment after receipt of goods and/or services

1 copy Department Director copy

 If goods are already received, these steps will be expedited and processed by Finance

- When goods are received receiving report, freight bill or delivery ticket and packing list and copy of invoice should be checked. A copy of purchase order should be approved by department Manager and sent to Finance for payment processing.
- Open purchase order file pulled department copy of purchase order verified against receiving report – invoice copy approved and sent to finance indicating payment authorization
- Finance staff: identifies and verifies all invoices sent from vendors against information sent from departments, issues authorized payments; files check copy and original invoice in permanent file. (See Purchase Order Form in Appendix A)

PURCHASING CARD PROGRAMS

The purpose of a purchasing card program is to provide an efficient, cost-effective method of purchasing and paying for small-dollar as well as high-volume, repetitive purchases. This type of program is designed as an alternative to the traditional purchasing process reducing the volume of purchase orders, invoices and checks processed. Purchasing cards can be used whenever a purchase order, check request, or petty cash would have been processed with any vendor that accepts credit cards. Benefits of using the purchasing card program include:

- Simplifies and makes more convenient purchasing without a purchase order (eliminating many blanket purchase orders)
- Expedited delivery of goods
- Expanded list of merchants from whom purchases can be made (still requires W-9 form to be on file with finance prior to using the vendor, (inquire on AS400 or call finance)
- Lowers overall transaction processing costs per purchase
- Reduces requests for hand written checks
- Increased management information of purchases and personnel making purchases
- Allows purchasing dollar limits
- Vendors receive expedited payments and reduced paperwork
- Eliminating many reimbursements from Petty Cash

Each department will determine how many purchasing cards will be issued and monitor activity and assign accounting ledger numbers on the Internet. Analysis by cardholder, vendor, or volume can be retrieved directly over the Internet. Each issued card will include the individual's name along with the City's name and Tax Exemption number. Each department shall bear all costs associated with the use of the card. The Finance department shall solicit competitive bids for the selection of and terms for the use of a purchasing card for City use. A written agreement with the successful bank will include fees and processing procedures.

Spending and transaction limits for each cardholder, per transaction and on a cycle basis, shall be negotiated between the Department Director and the finance department.

Each employee issued a purchasing card will be required to sign an affidavit acknowledging responsibility for the safe keeping and proper use of the card. Upon employee termination, both voluntarily or due to disciplinary action, the purchasing card shall be returned to the finance department and all purchases will be suspended prior to issuance of final paycheck.

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

Lost or stolen cards must be reported to the finance department immediately 754-5760. Any cost associated with the replacement of cards will be bore by the responsible department. The card will be automatically suspended and a new card will be sent to the program administrator.

When using the purchasing card for telephone orders, give the supplier the purchasing card number and expiration date. Ask the supplier to place a receipt with each shipment or with the item to be picked up.

The detailed sales receipt for each transaction shall be submitted to the finance department. All sales receipts must be approved by the Department Director and the appropriate account number assigned through the Internet. Some credit 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.

Care should be given that all methods of purchasing are monitored for policy and budget compliance.

Purchases using the purchasing card may be made by telephone, fax or secure Internet sites. Precautions should be made to in all cases to insure security and protection from theft or unauthorized use. Each transaction should reflect the appropriate purchasing card number, expiration date, signature of user and detailed invoices (receipts) which should be forwarded to the finance department. When using the purchasing card for telephone orders, ask the supplier to place a detailed receipt with each shipment or with the item to be picked up, order number (if used) and invoices should be forwarded to the finance department.

CREDITS/DISPUTED ITEMS AND CHARGES

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

The supplier or merchant should issue credit for any item that has been discussed and agreed to for return and a Returned Goods authorization number from the supplier should be given. If the department cannot reach resolution with the merchant, write a formal letter within 60 days of the date the charge first appeared on the statement and forward it to finance. Finance will then dispute the item to the bank disputes department.

No cash advances shall be allowed with the purchasing card.

BLANKET PURCHASE ORDERS

Blanket purchase orders (or continuing appropriations) are used for those merchants from whom purchases are made, as supplies are repetitive and use of the purchase card is not available. Rather than issue a purchase order for each purchase, one purchase order is issued in advance, for a predetermined budget amount.

The Finance Department shall, or upon recommendation of a Department Director, initiate a blanket purchase order by:

- 1) Identifying the need to have a blanket purchase through examination of past purchasing records.
- 2) Solicit bids from suppliers if there is more than one accessible supplier.
- 3) Give the purchase order number to the selected vendor by issuing a pre-numbered purchase order. In the description section, write:

"Term order, furnish items as requested by (------Department) employee when above purchase order number is referenced. Please issue monthly statements supported by invoices. This order expires upon notification, but no later than June 30, 20__

- 4) The Department Director shall determine those employees in each department who will be authorized to make purchases under the blanket purchase order.
- 5) The Department Director shall inform authorized employees of the type of items covered by blanket purchase orders, vendor name, purchase order number, budgeted amount and expiration date. Each authorized employee should obtain approval from the Department Director before making purchases under the blanket purchase order.
- 6) Close the blanket purchase order upon exhaustion of the budget or June 30th of each year, whichever comes first, by writing "Complete" on the copies maintained in accounting and issue a new purchase order. Inform authorized employees of the new purchase order.

CENTRAL STORES

Warehouse Procedure (currently used only for Central Stores also intended for future use in a central garage and/or other centrally purchased inventory).

An inventory list of all items centrally warehoused will be supplied to all departments and will be updated as the system evolves.

Items may be added or deleted and inventory levels adjusted up or down by contacting the appropriate department.

A charge-out sheet (or requisition) filed by each requesting division will be maintained by the warehouse person.

The person picking up supplies will present a list of items on a charge-out sheet. The items will be pulled from inventory and released after the signature of the person picking up the supplies is secured.

The warehouse person will code and price the item on the charge-out sheet before refilling the inventory.

At the end of each month, the Account Receivable Clerk will post the perpetual records and make copies for accounting to journalize the purchases.

PETTY CASH

Each of the following departments shall be responsible for maintaining a petty cash fund: City Clerk, Police Department, Park & Recreation Department (which includes the swimming pools and concessions), Water Pollution Control, Transit, Library, and Compost Facility. The petty cash fund is used for two purposes: 1) To make coins and currency available to make change for customers; 2) For individual purchases under \$30 which could not be covered by a purchase card or blanket purchase order.

REIMBURSEMENT FROM PETTY CASH

This is a discussion of eligible reimbursements from petty cash, required documentation for reimbursement and the replenishment of petty cash.

REQUEST FOR REIMBURSEMENT PROCEDURE:

A Request for Reimbursement - Petty Cash Fund Form will be used to reimburse City employees for the purchase of minor non-inventory items, in an amount not to exceed \$30 per incident. No sales tax should be charged to the City, and will not be reimbursed.

- 1) Valid petty cash requests: City employees shall be reimbursed through the Petty Cash Fund for items such as office supplies, minor automobile and equipment parts and miscellaneous items such as nuts, bolts, screws, incidental postage, mileage or meal reimbursements. No item purchased through the Petty Cash Fund should be a Central Stores inventory item or an item that could be covered under the established purchase card or blanket purchase order unless the request shows justification of such purchase.
- 2) A completed Request for Reimbursement Petty Cash Fund form and supplier's cash receipt must be submitted to the appropriate department in order for a City employee to be reimbursed from the Petty Cash Fund. No reimbursement will be made without a supplier's cash receipt.
- Request for Reimbursement Petty Cash Fund form: The following information must be included on the Request for Reimbursement-Petty Cash Fund form: (See Appendix A)
 - Date of request.
 - Description of Item:
 - Purpose:
 - Amount Paid
 - Complete 13-digit account number to be expended
 - Signature of Recipient

4) At a time when the petty cash fund is depleted due to reimbursements, the Department Director shall submit all reimbursement forms and associated receipts to the Finance Department for replenishment of the petty cash fund. This request should be done on a purchase order in conjunction with the normal monthly vendor payment cycle but not less than annually. 5) City employees are not allowed to cash personal checks through the petty cash fund, or overwrite a check to receive cash. MONITORING AND EXPEDITING PURCHASE ORDERS

A procedure for the follow-up on purchase orders, which are outstanding beyond the requested delivery dates, shall be defined as follows:

The Department Director shall:

- 1) Review the purchase orders in the open purchase order file on a regular basis, not less than bi-annually.
- 2) Determine which purchase orders are overdue.
- 3) Contact vendors responsible for late deliveries.
- 4) Maintain a vendor correspondence file, which will include phone calls and actions taken on late deliveries.

PAYMENT TO VENDORS

SCHEDULING PAYMENTS

A schedule of payment must be established to maintain a good credit rating and good working relationship between the City and its vendors. In an effort to accommodate this goal, all completed purchase orders presented to the Finance Department by 5:00 P.M. on the third Monday of each month, will be presented for payment to be released following the Council meeting on the fourth Monday of each month. (Should the Council meeting be rescheduled, payment of invoices will be changed accordingly).

To insure that all items are paid in a timely manner, the following cooperation is necessary:

- To obtain a pre-numbered purchase order forms, contact the Finance Department, or have a supply within your department. The computer will assign purchase order numbers electronically when purchase order system is implemented
- 2) If a new vendor is to be used, contact the Finance Department for a new vendor identification number. The Finance Department will assign the new vendor number and request a W-9 form from the vendor.
- 3) When placing an order, the Department Director must give the purchase order number and instruct the vendor to use that number when invoicing, sending statements or inquiring about payment.
- 4) Upon execution of a purchase order, a copy should be sent to the Finance Department.

- 5) All invoices and statements must be sent directly to the Finance Department. (If a statement or invoice is received without either #1 or #2 above, Finance will notify the affected department, if that can be ascertained). No payments will be made until all information is filed with the Finance Department.
- 6) Upon receipt of the supply, completion of the service and verification of cost, send the signed copy of the purchase order to Finance indicating acceptance.
- 7) Finance will process all completed purchase orders for the next payment cycle.
- 8) A list of all invoices shall be presented to the City Council for approval and publication. This invoice listing shall include the name of the vendor, brief description of items or services purchased, and the total of the invoices. The Finance Director/City Treasurer shall be prepared to give a brief explanation of all invoices to be included with the Council invoice listing.

In order to maintain a good credit standing, some payments need to be made outside of the monthly cycle. Those instances are as follows:

- a) Payroll and associated liabilities, i.e., deductions.
- b) If a discount can be received or a penalty avoided.
- c) Payment for bonds or interest payments on bonds.
- d) Contractual obligations previously approved by Council.
- e) Items purchased through the purchasing card process
- f) Reimbursements to employees

Replacement Checks

In the event payment is not received, a replacement check may be issued no earlier than ten calendar days following the original distribution date of the check. If payment is received but is lost prior to the cashing of the check, the System may issue a replacement check at any time with a charge of \$20.

DISCOUNTS AND TAX EXEMPTIONS

The Department Director should take advantage of each purchase discount offered and every tax exemption to which the City is entitled.

If materials and supplies are purchased in certain quantities, a vendor may offer a discount. In addition, a discount is often given on a purchase if payment is made within a given period of time. The money saved on any invoice for discount or avoidance of penalty shall be maximized and a pre-write is encouraged.

The City is not required to pay federal excise or state sales taxes. Therefore, the employee should inform all vendors that no tax should be charged. If tax is charged, the Finance Department shall reduce the invoice by the amount of the tax. For capital projects, the contractor shall furnish completed state forms upon completion of the project with the City Clerk. The City Clerk shall forward these refunds to the state for reimbursement. For all capital projects constructed after January 2, 2003 the plans and specifications should include information concerning the Contractor's ability to purchase materials, supplies or equipment for use in a building contract tax exempt from lowa sales or use tax. The contractor needs an authorizing letter and a tax exempt certificate from the finance department when purchasing the materials, supplies or equipment for that project.

In many cases, the City pays fuel taxes up front and then must submit for a refund from the state and federal government. Records must be kept as to the number of gallons or each type of fuel used on which the refund is requested. The number and refund forms obtained from the State Department of Revenue and Finance and the Internal Revenue Service, shall be submitted by the Finance Department in a timely manner for each refund the City is eligible to receive.

METHOD OF PAYMENT TO VENDORS

The day following approval by the City Council, or if a request for early payment meets the pre-write criteria listed above, payment may be released by one of the following methods:

- 1. Checks are prepared and posted for first class mail.
- 2. Upon special arrangement and signature of receiver, a vendor may collect a written check at 24 N. Center Street.
- 3. Upon written approval and pre-note, confirmed by the vendor's bank, the finance department may release payment by ACH (automated clearing house). Due to the efficiencies when using the ACH payment method, all efforts should be made to convert the following payments to this method:
 - Disbursements
 - Payroll and payroll liabilities
 - Expense reimbursements to employees
 - Vendor payments
 - Retirement payments
 - Intergovernmental payments
 - Other recurring payments (for example: Rent assistance, group health claims)

Care should also be exercised to forward information as to the reason and amount of the payment. (See desk manuals and Cash Management Policy for internal controls on check writing and ACH payments.)

CASH FLOW MONITORING

The Finance Department, in an effort to capitalize on interest earnings, shall devise a cash flow procedure. This procedure shall forecast the receipt of revenues and the need for funds sufficient to cover all expenditures and payroll throughout the year. To that end, the Finance Department shall monitor all purchase orders. Any orders made by the Department Director in excess of \$25,000 shall be reported in advance to the Finance Director/City Treasurer to insure funds are available for anticipated payment.

SURPLUS CITY PROPERTY (EQUIPMENT)

Each Department Director shall be responsible for the disposal of all surplus property. Items that have no practical salvage or resale value shall be disposed of through local salvage yards, or through the landfill.

In the sale of property (equipment), the Council shall, upon recommendations from the City Administrator and Department Directors, make a declaration of surplus property by resolution and approve disposal of each item or parcel (See Section 364.7 Code of lowa). The property shall be advertised for sale and bids solicited in the local newspaper once at least fourteen days prior to the awarding date of contract. The contract of sale shall be awarded to the highest responsible bidder, upon certification of sealed bids, public notice, public hearing, and competition as may be prescribed and upon such other terms and conditions not inconsistent with express provisions of the Code of lowa and as the City Council may order. The City Council shall retain the power to reject any or all bids and advertise again. These same procedures shall be used when the City acts as transfer agent.

Upon successful disposal of an asset of the City, each Department Director shall submit a Disposition, Retirement or Transfer of Fixed Assets to the Finance Department to remove the asset from the City's Asset Listing and Insurance Policy. (See Form in Appendix A).

A transfer may be made if a need for the property (equipment), exists in other departments of the City. The Department Directors shall establish appropriate charges and transfer of said property. The Finance Department shall be notified of the transfer of all items which have been assigned an asset number.

Trade-Ins may be used if determined by the Department Director to provide maximum return to the City.

SECTION 5

AUDITING

The primary purpose of the purchasing audit is to ensure the procedures are being followed. Whether the audit is conducted by the finance department or external auditors, and that:

- Purchase volumes appear reasonable
- Purchases are appropriate budgeted transactions
- Purchases are properly accounted for

Auditor process when use is questioned or abuse is suspected:

- Ask manager about the item (s), if no remedy is available
- Ask purchaser about the item(s), if no remedy is available
- Review with vendor, if appropriate
- Contact Personnel Department if discipline is warranted
- Contact Union representative if advised

Appendix A

QUICK REFERENCE FOR PURCHASING

PURCHASING PROCEDURES (Recap)

The following recap summarizes the purchasing procedures. In all cases, multiple items may be listed on each purchase order. Each item must meet the following guidelines. Instructions for the distribution of purchase orders can be found on page nine (9) of this manual. Proper authorization and sufficient budget must be documented on each purchase order.

\$0 to \$5,000 Any budgeted item(s) under \$5,000 may be purchased by Department Directors or their respective designees without further approval or going through the Finance Department or procedures outlined elsewhere in the Purchasing Procedure. Purchase orders shall be filed when orders are placed and the vendor shall indicate the purchase order number on all invoices and statements or when inquiries are made concerning status of payment. If a purchase card or open purchase order is used, original invoices should be sent to the finance department after departmental approval and assigning of account number.

\$5,000 to \$10,000 Any item(s) costing over \$5,000, but less than \$10,000,must be processed in the manner described above and covered by a properly documented informal bid form and Purchase Order. If the informal bids are solicited verbally, the successful vendor shall provide written verification of price quoted.

\$10,000 to \$35,000 Items (goods and/or Services) costing over \$10,000, but less than \$35,000, shall be purchased from the individual or firm with the lowest and/or best bid or quotation providing that all specifications, delivery schedule or any other special requirements are met. A minimum of two bids or quotes must be secured providing there are that many acceptable potential sources available. (Documentation must be established to substantiate effort if less than three bids/ proposals are solicited).

Over \$35,000

Items (Goods and/or Services) costing over \$35,000 shall be purchased ONLY AFTER CITY COUNCIL has ACCEPTED the lowest responsible bid or quotation. Documentation must be established to substantiate good faith effort if less than three bids/proposals are solicited). IN THE CASE OF PUBLIC IMPROVEMENTS REQUIRED BY STATE LAW TO BE FORMALLY BID, the form of contract, contract plans, specifications and engineer's estimate of cost must be approved in advance of the solicitation of bids. The contract must then be approved by council and finally approved after being fully executed by the contractor.

Purchases on a Purchase Card (RECAP)

Purchase card orders are used with suppliers of repetitively purchased items, items that require advance deposits, such as hotel reservations and when it is necessary to expedite delivery of goods.

Payment for this type of purchase is required bi-weekly to benefit from the bank discounts so turn around time for approval must be timely. Each department has access to the Internet service to monitor activity and assign correct account numbers. Forward the invoice or counter ticket to the Finance Department to coincide with this schedule.

Purchases on a Blanket Purchase Order (RECAP)

Blanket purchase orders are placed with suppliers of repetitively purchased items where purchase cards are not available.

- 1. Recognize the need for an item covered by a Blanket Purchase Order and obtain the blanket purchase Order number;
- 2. Use the blanket purchase order number to obtain the item from the vendor. Obtain a copy of the signed vendor invoice and/or counter ticket. This signature very often is the only department identification available to Finance.
- Forward the invoice or counter ticket to the Finance Department. When a
 department's internal procedures are to retain the counter ticket until a copy of
 the invoice is received from Finance, please notify Finance of this procedure or
 time delay for payment may be experienced.

Finance Department procedure for Blanket Purchase Orders:

- 1) Collect invoices as received. (Some department's request copies be made and forwarded)
- 2) Compare invoices to the terms and prices of the agreement with the vendor.
- 3) File invoices by vendor.
- 4) Monthly compare invoices to vendor's statements.
- 5) Resolve any differences between invoices and vendor's statements.
- 6) Process invoices for payment.

24 N. Center Street Marshalltown, IA 50158-4911

Phone: (641) 754-5760

Fax: (641) 754-5717

PURCHASE ORDER

| To: | | | | | PO No. |
|---------------|--------|-----|------------|-------|--|
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| | | | | - | - this should be blank |
| Notes/Remarks | | | | | |
| | | | | | |
| | | | | | |

DIRECT DEPOSIT OF PAYROLL CHECKS

All Regular City employees who begin employment with the City on or after July 1, 1998, shall be required to have their paycheck directly deposited to an account. Direct deposit is available to any financial institution. Regular City employees hired prior to that date are strongly encouraged to participate in the direct deposit program.

The employee must complete the Authorization for Direct Deposit form (next page of this section), attach a *voided blank check* or a photocopy of a check, and submit both to the Payroll Department. Because it typically takes ten days to run a test deposit through the banking system, the first actual direct deposit of the employee's check might not occur with the next payroll after the form and check are submitted to the Payroll Department. The Payroll Clerk can advise you on the timing of your request.

AUTHORIZATION FOR DIRECT DEPOSIT

Direct Deposit of your entire check can be made to any financial institution.

I hereby authorize the City of Marshalltown to deposit my payments directly to the following financial institution:

| I have attached a copy of a | VOIDED BLANK CHECK or a photocopy of a check. | | | | | |
|---|--|--|--|--|--|--|
| | t typically takes ten days to run a test deposit through the tual direct deposit of my check might not occur with the next | | | | | |
| I understand that the City will furnish me with the check stub on the regular payment day and that the check will be deposited on or before noon on the regular payment day. Due to differences in the regulations of various financial institutions the City cannot guarantee when my financial institution will make the funds available to me. | | | | | | |
| This authorization is valid u | ntil canceled. | | | | | |
| | | | | | | |
| Signature: | | | | | | |
| Social Security Number: | | | | | | |
| Date: | | | | | | |
| | | | | | | |

AUTHORIZATION FOR PAYROLL DEDUCTION

Date:

PETTY CASH DISBURSEMENT

| DATE: | |
|----------------|----------------------|
| ITEM: | |
| | |
| PURPOSE: | |
| AMOUNT PAID: | |
| | RECEIVED BY |
| | (Signature Required) |
| Account Number | |

CENTRAL OFFICE SUPPLIES

Please indicate below each time you wish to order, the date of your request, department and the signature of the Department Director and list all supplies needed at this time.

After completed, please return this form to the finance department. Someone from the department will notify you of availability of supplies.

| Date | |
|------------|-----------|
| | |
| Department | Signature |

| Item | Description/Product # | Quantity | Price |
|------|-----------------------|----------|-------|
| | | | |
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REQUEST FOR BUDGET LINE ITEMS TRANSFER

| Date: | | |
|-----------------|--------------------------|---|
| Department: | | |
| Request Amo | ount: Budget \$ | - |
| Request #1 | Transfer FROM Account No | A |
| | Transfer TO Account No | A |
| Request Amo | ount: Budget \$ | _ |
| Request #2 | Transfer FROM Account No | A |
| | Transfer TO Account No. | A |
| Request Amo | ount: Budget \$ | _ |
| Request #3 | Transfer FROM Account No | A |
| | Transfer TO Account No. | A |
| Justification f | or Request: | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Requested B | y/Date: | |
| Department | : | |
| Date of Bud | get Voucher change: | |

REQUEST FOR BUDGET TRANSFER BETWEEN ACTIVITIES WITHIN THE SAME PROGRAM

| Date: | | |
|-----------------|--------------------------------|--|
| Department: | | |
| Request Amo | ount: Budget \$ | |
| Request #1 | Transfer FROM Account No. | A |
| | Transfer TO Account No. | A |
| Request Amo | ount: Budget \$ | |
| Request #2 | Transfer FROM Account No. | A |
| | Transfer TO Account No. | A |
| (may request | additional transfers on anothe | r piece of paper) |
| Justification f | or Request: | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Requested B | y/Date: | |
| | | Date of City Administrator's Approval: |
| | | Forward to |

REQUEST FOR ADDITIONAL FUNDS AND/OR BUDGET

| | Date: |
|----------------------------|-----------------------|
| Department: | |
| Requested Amount: | |
| Account No A | |
| Justification for Request: | |
| | |
| | |
| | |
| | |
| | |
| Requested by: | |
| Date: | |
| | Recommended Approval: |
| | City Administrator |
| | Finance Director |
| | Council Approval Date |

INFORMAL (PHONE) BID FORM

| Date: | - |
|---------------------------|---------------|
| Items to be purchased: | |
| | |
| | |
| | Price / Terms |
| Vendor#1 | |
| Vendor #2 | |
| Vendor #3 | |
| | |
| Person soliciting quotes: | |

This same information can be entered onto the PO eliminating the need for this form

City of Marshalltown Fixed Asset Acquisition Form For J.D. Edward's Software

| Asset No | | | | |
|---|---------------------|---|--|--|
| Department | | (if applicable) Purchase Order No | | |
| Vendor(s) | _ | Expend Acct No. | | |
| Description | | | | |
| Date Acquired | | Unit No | | |
| Serial No | | Model No | | |
| | | _ Title Number | | |
| Acquisition Cost (including trade in value | Salvage Value_) | Life(in months) | | |
| | Special Co | oding for Reports | | |
| | ecial Category | by Finance. The blanks are represented by special Coding" report for a list of current codes set up in requested. | | |
| *C1-Acctg Class | C2-Equip Class | s *C6-Asset Type | | |
| C7-Activity | C8-Dept Head | *C9-Fund Type | | |
| C0-Contrib Cap | Contrib | outor | | |
| C21-Project No | Project | Name | | |
| C22-Location No | Locatio | n Name | | |
| | Insuran | ce Information | | |
| Date added | | Coverage for Vehicles | | |
| Insurance Type | | Insurance Number | | |
| Insured Value | | Premium Amount | | |
| | <u>Finan</u> | ce Use Only | | |
| Company Number | | Responsible CC | | |
| Asset CC/Obj/Sub | | A/C CC/Obj/Sub | | |
| Date Paid | | Check Number | | |
| Approved by | | Date | | |
| (Dept. Head or C | riner Authorized | Signature) | | |

City of Marshalltown

Fixed Asset Disposition, Retirement or Transfer Form

| Method of Disposal: [] Transferred [] Sold [] Traded In [] Stolen/Lost [] Obsolete [] Replaced during repair/maint | Delete from: [] Fixed Asset Listing [] Insurance [] Both | |
|--|---|--|
| AS | SSET INFORMATION | |
| Date Disposed | Department | |
| Asset No | | |
| Description | | |
| Serial Number | | |
| License Plate Number | Title Number | |
| Orig Acquisition Date | Orig Acquisition Cost | |
| GFAAG Funding Source (Finance) | | |
| | DISPOSAL INFORMATION | |
| Council Approved Date: | | |
| Sold/Transferred/Traded to: | | |
| Address: | | |
| | _ | |
| Cash or Dollar Value Received: | | |
| | TRADE-IN INFORMATION | |
| Information concerning new asset receive | ved on trade-in: | |
| Description | | |
| Serial No. | | |
| Asset No. | | |
| Approved by(Dept Head or Other Authorized | _ Date Signature) | |

PURCHASING POLICY RECAP - Revised May, 2014

| <u>Purchase Type</u> | <u>Cost</u> | <u>Method</u> | <u>Approval</u> | <u>Review</u> | Contract Signed by |
|------------------------------------|--|---------------------|--|--|--|
| | Greater than \$130,000 | Formal bid | Council | | Mayor |
| | Between \$36,000 and \$130,000 | Quotation | Council | | Mayor |
| Vertical Public | Between \$10,000 and \$36,000 | Quotation | Department Head / City Administrator | Council Packet* | Department Head |
| Improvement | Between \$5,000 and \$10,000 | Quotation | Department Delegee / City Administrator | Council Packet* | Department Head |
| (Does not | Below \$5,000 | Deminimus* | Department Delegee | Council Packet* | N/A or Department Delegee |
| include repairs) | All Change Orders to boriginal contract. | e approved and repo | rted in the same | manner as the | Person that signed the original contract |
| | Performance Bonds (7 to 25% if the contract | | | | bond may be reduced |
| | Emergency – means a | 0 1 1 | THE RESERVE ASSESSMENT OF THE PARTY OF THE P | THE RESERVE OF THE PARTY OF THE | Almost never applies. |
| Motor Vehicles Requires council | Greater than \$100,000 | Formal bid | Council | | Mayor |
| pre approval prior to | Between \$5,000 and \$100,000 | Quotation | Council | | Mayor |
| requesting quotes /bids | Less than \$5,000 | Deminimus* | Department Delegee | | N/A or Department Delegee |
| | Greater than \$100,000 | Formal Bid | Council | | Mayor |
| All Other | Between \$35,000 and \$100,000 | Quotation | Council | | Mayor |
| Purchases (except Grants) | Between \$10,000 and \$35,000 | Quotation | Department Head / City Administrator | Council Packet* | Department Head |
| | Between \$5,000 and \$10,000 | Quotation | Department Delegee | | Department Head |
| | Less than \$5,000 | Deminimus* | Department Delegee | | N/A or Department Delegee |
| Grants | Council approves grantime of grant application receipt of grant funds; with grant terms. | on or award, | Council | | Mayor |

^{*}Council Packet — state statute requires public improvements less than \$36,000 listed in the council minutes. Legal advice is to include a listing of all contracts in the packet. Language on agenda and in minutes is "All contracts approved by Dept heads or City Administrator since the last meeting were/are presented to council for review."

*Deminimus allows use of local preference.

- General rule: Bid everything, unless a conscious decision has been made the bidding process is not worthwhile being either 1) too cumbersome, or 2) unlikely to save money.
- Multiple year contracts for recurring purchases may use the same purchase order number throughout terms of the contract.
- Sole source may be used for OEM and warranty repairs
- Contracts for services with cost between \$5,000 and \$35,000 - submit insurance certificates and quotation memo with the purchase order.
 Finance keeps payment information ten years.