

CITY OF O'FALLON
Purchasing Manual



Table of Contents

Section 1

Introduction

Statement of Policy	1
---------------------------	---

Section 2

Purchasing Policies

Code of Ethics	2
Conflict of Interest	3
Gifts and Gratuities	3
Cooperative Procurement Program ..	3
Local Vendors	4
Personal Purchases	4
Tax Exempt Status	4
Budget Overdraft	4
City Charge Cards	4

Section 3

Purchasing Process

Approval Levels	5
Competitive Quote Requirements	6
Purchase Order Requirements	7

Section 4

Competitive Quote Process

Soliciting Verbal Quotes	8
Sole Source Purchases	8
Emergency Purchases.....	8

Section 5

Sealed Bid Process

When a Sealed Bid is Required	10
Bid Preparation.....	10
Bid Opening Procedure	11
Post Bid Opening Requirements	11
Waiver of Competitive Bidding	12
Lowest Responsible Bidder	12
Termination of Contract	13

Section 6

Professional Services

RFP or RFQ Procedure.....	14
---------------------------	----

Section 7

Payment Processing

Direct Pay of Invoices	15
Purchase Orders	15
Petty Cash.....	15
Prepayments.....	16
Manual Checks	16

Appendix

Non-Collusion Affidavit.....	17
------------------------------	----

Introduction

Statement of Policy

The purpose of this purchasing manual is to provide the City of O'Fallon staff with guidelines and directions for the acquisitions of goods and services. When used with good judgment and common sense, the policies and procedures conveyed within will allow the City to obtain required supplies and services efficiently, economically, and in accordance with ordinances established by the City Council.

The manual is divided into sections dealing with purchasing policies and procedures. The policy section contains all the purchasing policies reviewed and recommended by the Finance Committee and adopted by the City Council, which must be adhered to by City employees. The procedure sections provide a "how to" guide for processing purchase orders, request for quotes, request for bids, request for proposals or qualifications, and other procedures regarding payment processing.

Employees are expected to read the Purchasing Manual and adhere to the policies and procedures contained within. In doing so, each department will efficiently manage, control and plan their available resources to meet present and future departmental needs and help the City meet these goals.

This manual is designed to be a fluid document and will be modified from time to time to conform to changes in legislation, technology and actual practice. Although it may not answer every question related to purchasing activities, it is considered to be a comprehensive guide. Employees who need help dealing with specific situations not covered by the manual should contact the Finance Director or other Finance Department personnel for assistance.

Purchasing Policies

Code of Ethics

All City personnel engaged in purchasing and related activities shall conduct business dealings in a manner above reproach in every respect. Transactions relating to expenditure of public funds require the highest degree of public trust to protect the interests of the City and the residents of O'Fallon. City employees shall strive to:

1. Ensure that public money is spent efficiently and effectively and in accordance with statutes, regulations, and City policies
2. Maintain confidentiality at all times
3. Not accept gifts or favors from current or potential suppliers, which might compromise the integrity of their purchasing function (see employee manual, Section 111B- State Gift Ban Act).
4. Specify generic descriptions of goods whenever possible in lieu of brand names when compiling specifications
5. Never allow purchase orders for identical goods or services to be split in order to avoid or delay required City Council or other required approvals or to avoid bidding.
6. Purchase without favor or prejudice
7. Ensure that all potential suppliers are provided with adequate and identical information upon which to base their offer or quotation and that any subsequent information is made available to all bidders and to make sure that companies located in the City of O'Fallon, IL are allowed to bid.
8. Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and selection is based upon the lowest responsible bidder (refer to section 5)
9. Offer a prompt and courteous response to all inquiries from potential or existing suppliers

It shall be the responsibility of the City administration to determine if a violation of this Purchasing Manual Code of Ethics has occurred and if any disciplinary action is necessary.

Conflict of Interest

Except as may be disclosed to and permitted by the City Council, it shall be a breach of ethical standards for any employee to participate directly or indirectly in the purchasing process when the employee knows that:

1. The employee is contemporaneously employed by a bidder, vendor or contractor involved in the procurement transaction; or
2. The employee or employee's relative holds a position with a bidder, offeror or contractor such as an officer, director, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction, or owns or controls an interest in the company such as an officer, manager or director; or
3. The employee or employee's relative has a financial interest arising from the procurement transaction; or
4. The employee or the employee's relative is negotiating, or has an arrangement concerning, prospective employment with a bidder, vendor or contractor.

The employee's relative shall be defined as any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage (as listed in Section 111A of the Personnel Code Ordinance No 3834).

It shall be the responsibility of the City administration to determine if a violation of this Conflict of Interest policy has occurred and if any disciplinary action is warranted.

Gifts and Gratuities

(Refer to Personnel Manual, Section 111B, State Gift Ban Act)

Cooperative Procurement Program

City employees are encouraged to use cooperative/joint purchasing programs. These include programs such as the National Purchasing Cooperative, GSA Cooperative Purchasing, State of Illinois Department of Central Management Services or other similar programs. When purchases/services are available through the programs, it is not necessary for City employees to obtain quotes or to competitively bid the goods or services; however, it is the recommendation of the City's administration that the employee contact local vendors for possible purchasing opportunity of said item.

Employees are permitted to purchase items jointly with other units of government when the price of the goods or services sought is competitive and the quality meets the City standards.

Local Vendors

It is the desire of the City to purchase from O'Fallon vendors whenever possible. This can be accomplished by insuring that local vendors who have goods or services available which are needed by the City are included in the competitive bid process. A "local vendor" means (1) any person, firm, partnership, corporation (including franchises or branches) licensed to conduct business with the City, (2) physically operating within the corporate boundaries of the City, and (3) subject to City taxes. At the beginning of each fiscal year, the spreadsheet indicating all large purchases over \$15,000 that were approved by the council for that current budget year will be posted on the City website so local vendors or any other vendors can notify the appropriate department of their interest in providing a bid. The City has a responsibility to its residents to ensure that the maximum value is obtained for each public dollar spent. As such, when considering purchases, the City of O'Fallon reserves the right to forgo the lowest and responsible bid in favor of a local vendor when the lowest bidding local vendor's bid is higher than the nonlocal vendor by no more than two percent (2%) or two thousand dollars (\$2,000), whichever is less, then that local vendor shall be the lowest responsible bidder. This provision shall not be applied to a contract if the funding source prohibits it through law, rule, or regulation.

Personal Purchases

Personal purchases for employees by the City are prohibited. City employees are also prohibited from using the City's name or the employee's position to obtain special consideration in personal purchases.

Tax Exempt Status

The City is exempt from all local and state sales taxes or Federal excise taxes. The Finance Department will provide the necessary exemption documents to any vendor, upon request.

Budget Overdraft

Department Heads who are contemplating a purchase that will exceed a budgetary account should contact the Finance Director to ensure that provision is made for the necessary budget allocation prior to initiating the purchase.

City Charge Cards

The City holds charge cards and business charge accounts from a limited number of vendors. Those vendors are primarily used for small day to day purchases. Credit card purchases are normally used for on-line purchases and where direct bill accounts are not established. A listing of all business charge/credit card accounts are maintained by the Finance Department. This list shall identify those employees who are authorized to use those accounts.

Purchasing Process

Approval Levels

No employee shall purchase goods or services on behalf of the City without first seeking approval as required by this policy. All purchases shall require advance approval of the appropriate Supervisor, Department Head, Finance Director, City Administrator or City Council as outlined below.

<u>Dollar Limits by individual item</u>	<u>Required Approvals</u>
Up to \$4,999.99	Department Head (or designee)
\$5,000 - \$9,999.99	Department Head (or designee), Finance Director (or designee)
\$10,000 - \$14,999.99	Department Head (or designee), Finance Director (or designee), City Administrator (or designee)
\$15,000 or greater	Department Head (or designee), Finance Director (or designee), City Administrator (or designee), City Council

At the discretion of the Department Head, approvals for purchases less than \$5,000 may be delegated to a supervisory level employee of the respective department. In addition, any person responsible for approving purchases at any level may delegate their approval authority to a designee in the event they are unavailable to approve purchases. Documentation of this delegation and the time frame of the authority should be available upon request.

There are several purchase situations where the above approval level process is not required. These are listed in the table below. Regardless of the purchase level approval, **all** purchases must follow the competitive quote process outlined in the next section.

Exceptions to the Approval Level Process:

<u>Type of Purchase</u>	<u>Required Approvals</u>
Recurring charges such as but not limited to: utilities (water, telephone, gas, electric, cable), postage, fuel charges, tax rebates, vending supplies, loans and leases, IT annual software licenses	Accounts Payable Clerk – these are included in the annual budget packet and approved by City Council
Tuition reimbursement	Department Head and Human Resources
Department Head travel expenses – cannot approve their own	Finance Director or City Administrator
Large Item Spend detailed in the annual budget packet	Department Head – these are included in the annual budget packet and approved by City Council
Professional services < \$25,000	City Administrator

Competitive Quote Requirements

Competitive quotes are required based on the type of purchase – not approval level. Only the City Council may waive the requirements for obtaining quotes and bids displayed in the table below. All quotes must be available upon request.

<u>Type of Purchase</u>	<u>Quote Required</u>
Tangible purchase greater than \$5,000	3 verbal quotes (Refer to Section 4)
Contract for service greater than \$25,000 (excluding Professional Services)	Request for Proposal or Qualification (Refer to Section 6)
Contractor agreement for project greater than \$50,000	Sealed Bid (Refer to Section 5)
Cooperative Procurement Program	Refer to Section 2
Sole Source	Refer to Section 4

Emergency	Refer to Section 4
-----------	--------------------

Purchase Order Requirements

NO purchase will require the data entry of a purchase order in the Finance system – except for the situations listed below. Each Purchase Order will be approved based on the Approval Levels section above.

Purchase order data entry is required when:

1. Large Item Spend that is NOT detailed in the approved budget packet valued \$10,000 or greater per individual item
2. A vendor requires an approved PO document for order confirmation

If a vendor requires a PO Number for **reference only**, you may avoid creating a purchase order in the Finance system by generating your own number that follows this format:

YYYY-MMDD-XX-N

YYYY = Four-digit fiscal year

MMDD = Month/Day

XX = two-digit department/fund number

N = number of PO's generated that day (1, 2, 3...)

2017-0615-52-1....2017-0615-52-2....2017-1021-08-1....2017-1021-02-2

Additional Requirements

An approved purchase or project that increases more than 20% of the original amount up to \$14,999.99 must follow the approval level process. Change orders will be considered individually, not cumulatively for the approval process. So as to not delay the project, City Council will be notified of any individual change order over \$15,000 at next available committee meeting. If needed, a resolution amending the budget will also be prepared.

Any substantial change in scope of a project resulting in an increase of more than a 20% of the original approved amount up to \$14,999.99 must follow the approval level process. Should the substantial change in scope of the project be \$15,000 or greater, City Council approval and a resolution authorizing a budget amendment will be required prior to proceeding with project.

Competitive Quote Process

Soliciting Verbal Quotes

Employees are responsible for obtaining quotes for purchases in the instances outlined in Section 3, Competitive Quote Requirements. Items purchased more than once during a fiscal year (e.g. forms, copier, supplies, etc.) do not need quotes every time a purchase is made. However, competitive quotes for these items shall be sought every three - five years to ensure that vendors are competitive.

While there is no official form, quotes must include details such as the vendor name, address, phone #, employee name, description or item specifications, date contacted and amount. Competitive quotes must be available upon request.

Sole Source Purchases

Contracts for parts, supplies or equipment that are available only from a single source are referred to as sole source purchases. Competitive purchasing procedures may be waived by the City Administrator. In the event of a purchase from a “sole source vendor”, the Department Head must document why only one company is capable of providing the goods or service required.

Sole source procurements may arise from the following circumstances:

1. Equipment for which there is no comparable competitive product or is available only from one supplier; or
2. Public utility services from natural or regulated monopolies; or
3. A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer; or
4. An item where compatibility is the overriding consideration, such considerations will be explained to the city council.

Emergency Purchases

The bid procedures outlined in this manual may be waived under emergency conditions. True emergency situations are rare. Occasionally, equipment will require emergency repairs or other circumstances will necessitate purchasing

which cannot await compliance with these regulations. Department Heads faced with an emergency purchase are to notify the City Administrator as quickly as possible.

Emergencies are defined as events that could not have been foreseen where immediate action is necessary. Equipment failure, vehicle breakdown, storm damage and anything jeopardizing public safety and welfare are considered emergencies. In the event of an emergency affecting the public health and safety, the City Administrator or designee must authorize purchases necessary to address the emergency. Emergency purchases over \$15,000 must be submitted to the City Administrator and reported to the City Council at the earliest opportunity. All emergency purchases must be thoroughly documented.

Sealed Bid Process

When A Sealed Bid Is Required

Sealed bids are typically required anytime the City enters an agreement with a contractor for a construction project or at City Council's request. When goods or services are bought under the formal sealed bid process, specifications must be prepared. Specifications, regardless of the type, should do the following:

1. Identify minimum requirements
2. Allow for a competitive bid
3. Be capable of objective review
4. Provide for an equitable award at the lowest possible cost

Bid Preparation

1. Bid document is prepared by the applicable department
2. Bid document should contain the following:
 - a. Notice to Bidders
 - b. General Terms, Conditions and Instructions
 - c. Specifications of the item/service
 - d. Bid Proposal Form
 - Addendum Acknowledgement
 - Schedule of Quantities and Pricing
 - Non Collusion Affidavit (see Appendix)
 - Bid Bond
3. Applicable department makes official notification

- a. Legal notice to newspaper for publication no less than ten (10) business days prior to the bid opening
- b. Additional methods, when appropriate, including web postings

Bid Opening Procedure

1. Bid openings will be held in the Council Chambers of City Hall or other publicized location
2. All sealed bids shall be publicly opened by the City Clerk or designee at the time stated in the legal notice
3. At least one other employee shall serve as a witness and tabulate the bid results on the tabulation form
4. Any deposits received are returned after the bid is awarded

Post Bid Opening Requirements

After the bid opening has taken place, the responsible employee shall prepare a memorandum that explains the purpose of the bid, includes the names and addresses of the companies who submitted bids as well as the amount each company bid, and recommends which company should be awarded the bid. The recommendation should be based on the following:

1. The ability, capacity, and skill of the bidder to perform the contract to provide the service required
2. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference
3. The character, integrity, reputation, judgment, experience and efficiency of the bidder
4. The quality of performance of previous contracts of services
5. The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service
6. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service
7. The quality, availability, and adaptability of the supplies or contractual service to the particular use required
8. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract
9. The number and scope of conditions attached to the bid
10. Whether the bidder has a place of business in the City
11. Responsiveness to the exact requirements of the invitation to bid

12. Ability to work cooperatively with the City and its administration
13. Past records of the bidder's transactions with the City or with other entities as evidence of the bidder's responsibility, character, integrity, reputation, judgment, experience, efficiency and cooperativeness

Once the memo is approved by the Department Head, it should be given to the City Clerk for placement on the City Council's agenda.

After an appropriate period of time, the bid files will be stored where they can be accessed when necessary (State law requires bid files to be maintained for ten (10) years following the bid opening). After City Council approval of the contract, the applicable department will notify all bidders of the bid results and will contact the successful bidder to have the City's contract signed and to obtain performance bonds and certificates of insurance when required.

Signed contracts, certificates of insurance and performance bonds must be obtained from the contractor before work begins. It is the responsibility of the applicable department to ensure that the City's contract has been signed, and certificate of insurance and performance bond obtained before the work begins.

The applicable department shall be responsible for handling bid deposits. The bid deposit of the accepted bidder is to be returned only after acceptance by the City of a satisfactory surety bond where such bond is required or completion of contract where no surety bond is required. In the event of a bid for a contract for public works of any kind to be performed for the City and costing in excess of \$50,000.00, the surety bond shall be provided in accordance with the Public Construction Bond Act (30 ILCS 550/1). The remaining bid deposits of each contractor should be returned after the City Council has awarded the contract.

Waiver of Competitive Bidding

The City Council, by the statutorily-required vote, may waive bidding procedures and enter into a contract or agreement. Requests for bid waivers shall be made only when goods or services are proprietary (i.e. sole source), in emergencies as defined in this manual or when it is in the best interests of the City (as determined by the City Council in its sole discretion) to do so. In any instance, a statement justifying the need for a bid waiver shall be included in the department's recommendation and accompany the materials submitted for inclusion on the City Council's agenda.

Lowest Responsible Bidder

The award of a purchase contract will be made to the lowest responsible bidder meeting specifications. However, there may be instances when the low bid meeting specifications is not from a responsible bidder. In determining whether a bidder is the lowest responsible bidder, the Department Head should consider the following factors in the making its determination.

Section A

1. The ability, capacity and skill of the bidder to perform the contract to provide the service required
2. Whether the bidder can perform the contract or provide the service promptly, or within a time specified, without delay or interference
3. The character, integrity, reputation, judgment, experience and efficiency of the bidder

4. The quality of performance of previous contracts or services
5. The previous and existing compliance by the bidder with laws and ordinances related to the contract or service
6. The sufficiency of the bidder's financial resources and ability of the bidder to perform the contract or provide the services
7. The quality, availability and adaptability of the supplies or contractual services to the particular use required
8. The ability of the bidder to provide future maintenance and service for use of the subject of the contract, if applicable
9. The number and scope of the conditions attached to the bid

Section B

In addition, a bidder shall be found to be not responsible and not eligible to enter into contracts with the City or serve as a sub-contractor to an acceptable bidder if;

1. The bidder is involved in any current or pending litigation or legal disputes with the City
2. The bidder is in arrears to the City for any debt or contract
3. The bidder has failed to perform faithfully in any previous contract or sub-contract with the City
4. The bidder or officer or owner has a conviction or civil judgment for commission or tempted commission of fraud or a criminal offense in connection with obtained, attempting to obtain or performing a private or public contract or sub-contract
5. The bidder or officer or owner has violated or attempted to violate any Federal or State statutes or any other legally applicable law, regulation or rule relating to the submission of bids, proposals or claims
6. The bidder has made or attempted to make any false, deceptive or fraudulent material statement in any bid rendered to the City or any other governmental body or agency

Each bidder must provide satisfactory evidence that it possesses or complies with the requirements of the Internal Revenue Service, Illinois Department of Revenue and/or Registration, and Illinois Department of Employment Security Registration.

Termination of Contract

Should the City award a contract to the bidder and thereafter while the contract is in place determine the factors as set forth in Lowest Responsible Bidder Section B listed above existed at the time the bid was awarded, the City, at its option, may terminate the contract with the bidder.

Professional Services

Normal competitive procedures cannot be utilized in securing professional services such as attorneys, engineers, certified public accountants, appraisers, planners, and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process.

Request for Proposal or Qualification Procedure

A Request for Proposal (RFP) or Request for Qualification (RFQ) can be prepared much the same way as the sealed bid process (refer to Section 5) including requirements and minimum standards for the services to be provided. When a RFP or RFQ is issued, a limited number of qualified professionals known to the City will be invited to submit a proposal setting forth their interest, qualifications, and how they can meet the City's needs. The RFP/RFQ will also be posted on the City website. It is the primary goal of the Department Head to obtain these services from a provider who has a proven record of providing, in a professional way, those services required. A contract will be negotiated with the professional deemed to best meet the City's needs. If an agreement on the cost and conditions cannot be reached, then these negotiations will be terminated and negotiations will commence with the next most qualified professional.

The City Administrator is authorized to approve contracts for Professional Services valued at under \$25,000. Contracts over \$25,000 must be approved by City Council.

Payment Processing

Direct Pay of Invoices

The vendor invoice must be approved by the appropriate Department Head or designee. The approving authority must initial the invoice and indicate the general ledger account to be charged. The approved vendor invoice is forwarded to the Accounts Payable Clerk for processing. In order to maintain an efficient bill payment process and to minimize the potential for late payment penalties, pay requests with proper documentation and authorized approvals will be processed weekly. The invoice is placed on the weekly warrant report to be reviewed and approved for payment processing by the Finance Director. A weekly payment register will be forwarded to the entire City Council for review before checks will be mailed. Formal warrant approval of paid invoices will be obtained at the next available City Council meeting.

Regular Purchase Orders

Because the Purchase Order was approved based on the levels and process outlined in Section 3, the Department Head or designee only needs to initial the vendor invoice and reference the approved Purchase Order Number. The general ledger account to be charged is indicated by the Purchase Order. The approved vendor invoice is forwarded to the Accounts Payable Clerk for processing. The invoice is placed on the weekly warrant report to be reviewed and approved for payment processing by the Finance Director. A weekly payment register will be forwarded to the entire City Council for review before checks will be mailed. Formal warrant approval of paid invoices will be obtained at the next available City Council meeting.

Petty Cash

On occasion, there is a need for immediate available of funds. Petty cash funds should be used to avoid the time and expense of charging small dollar items. Petty cash funds will be set up at the approval of the Finance Director. Petty Cash receipts are to be completed by the person responsible for the fund in each department; these should include the amount, description of item, general ledger account to be charged, and signatures of the persons receiving the funds and the person issuing the funds. Petty cash funds will be replenished as needed and included in the weekly warrant report to be reviewed and approved by the Finance Director. , A weekly payment register will be forwarded to the entire City Council for review before checks will be mailed. Formal warrant approval of paid invoices will be obtained at the next available City Council meeting.

A check will be prepared, made payable to Petty Cash and given to the person responsible for the department's petty cash. It will be that person's responsibility to cash the check and assure that the funds are placed back into the departmental petty cash fund. The Finance Department will periodically conduct unannounced audits of petty cash funds to assure that monies are being properly accounted for. The use of petty cash funds for personal use, even for very short periods of time, is not allowed and is grounds for termination.

Prepayments

The City will not pay for goods and services until the goods are received or the service is rendered.

Exceptions:

1. Jobs requiring an initial deposit before work can commence
2. Memberships and books or periodicals
3. Payments to local, state, and federal government entities
4. Purchase of new vehicle or equipment when payment is expected at time of title transfer
5. Prepaid items such as insurance and annual maintenance contracts
6. Approval by the Finance Director or City Administrator

Manual Checks

Manual checks are interim checks issued to vendors as payments for goods delivered or services performed. The checks are issued between normal accounts payable cycles when an emergency or other extenuating circumstance as determined by the Finance Director or City Administrator makes it impractical or unreasonable to process the payment following normal payment methods. Manual checks are labor intensive and time consuming to issue, therefore, their use as a method of payment shall be restricted to unique or special circumstances. If a manual check is issued, the vendor invoice must follow the approval process as outlined in the Approval Levels table in Section 3. The invoice must include the initial of the appropriate personnel and the general ledger account against which it is being charged and forwarded to the Accounts Payable Clerk for processing.

APPENIDIX

NON-COLLUSION AFFIDAVIT

STATE OF ILLINOIS

ST. CLAIR COUNTY

The undersigned bidder or agent, being duly sworn, on oath says that he/she has not, nor has any other member, representative, nor agent of the firm, company, corporation, or partnership represented by him/her entered into any combination, collusion, or agreement with any person relative to the price to be bid by anyone at such letting, nor to prevent any person from bidding nor to induce anyone to refrain from bidding, and that this bid is made without reference to any other bid and without any agreement, understanding, or combination with any other person in reference to such bidding.

He/she further states that no person, persons, firms, or corporation has, have or will receive directly or indirectly any rebate, fee, gift, commission, or thing of value on account of such sale.

(Bidder or Agent)

for:

(Firm or Agent)

Subscribed and sworn to before me this _____ day of _____, 20__.

My Commission expires:

(Notary Public

CERTIFICATION

The bidder hereby certifies that the bidder is not barred from bidding on this contract as a result of a violation of either the bid-rigging provision of Article 33E or the criminal Code of 1961, as amended.

(Signature) (Date)