



# **CITY OF SAULT STE. MARIE, MICHIGAN**

## **PURCHASING POLICY AND PROCEDURE**

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## **FORWARD**

This manual has been prepared for the guidance of department heads and other City employees who are authorized to requisition supplies and services.

Observance of the procedures outlined will facilitate purchasing, will assure that supplies and services are available when needed, and provide bidding opportunities to local vendors.

In addition to the actual ordering and receiving of supplies, other functions of the government must be understood. It is essential that a proper record of the order is kept so that the accounting office can pay for the supplies, be certain that the payment is correct and that the supplies as ordered, both quantity and quality, have been received by the City. It is necessary that the accounting record be complete so the auditors who audit the City's books at the end of each fiscal year have all the information to show the complete transaction, from the requisition through the check.

To this end, it is necessary that requisitions, and orders show sufficient detail, such as describing what is ordered, from whom it was ordered, a record of receipt which certifies the delivery of the supplies or services to the City, and the necessary financial information to be certain that the unit prices and the total amount are correct.

In the case of services, a work order or other documentation should be obtained and submitted with invoice as evidence that work was completed and the City is accurately billed.

The preparation of a complete record, adequate to the purpose for which it is needed, is essential in purchase order processing.

## **GENERAL PROVISIONS PURCHASING POLICY**

- 1.01 ESTABLISHING AUTHORITY. The purchasing policies of the City are established by the City Charter, Ordinance, and the City Manager with the approval of the City Commission.
- 1.02 PURPOSE OF MANUAL. This manual is designed to set forth in some detail the rules, regulations, and necessary procedure to adhere to these policies and facilitate the purchasing operation.
- 1.03 POLICY. A requisition must be completed and approved prior to any purchase over \$5,000.00. An original requisition shall be electronically prepared by the City Department Head and submitted for approval by the Deputy City Manager. Department Head or representative must determine that adequate budget is in the General Ledger Account, or the requisition may be rejected. Requisition cost in excess of \$10,000.00 require sealed bids and must be approved by the City Commission and submitted to the City Manager for electronic approval, requisition cost in excess of \$5,000.00 but less than \$10,000.00 will be submitted for approval by the Deputy City Manager with three (3) scanned images of competitive quotes/proposals for verification and final approval by City Manager, cost less than \$5,000.00 will be submitted to the Deputy City Manager for electronic approval. Upon verification and approval of the Requisition a Purchase Order will be generated authorizing the purchase of the requested item.

Budget balance must be applicable to the period or fiscal year or date of the purchase or obligation is committed. Operational budgets do not carry forward from prior fiscal year.

### **1.04 RELATIONS WITH SUPPLIERS' REPRESENTATIVES**

- 1. The relationship between the purchaser and the seller should be one of mutual understanding. Fundamentally, no contract that proves unsatisfactory to the vendor can be regarded satisfactory to the buyer. The departments should not be burdened with, nor encourage visits from suppliers.
- 2. Departments and Employees Relationship:
  - a. All suppliers' representatives will be received by the City Clerk's Office promptly and courteously.
  - b. The City Clerk's Office will be advised of contemplated purchases which may result from conferences between departments and suppliers.

- c. When necessary for City Departments to correspond with suppliers on some technical matter, copies of the communications will be forwarded to the City Clerk's Office.
- d. All employees of the City will keep themselves free of obligation by refusing to accept gifts or entertainment with a value of \$ 25.00 or more offered by any of the City's suppliers.

## **PROCEDURES USED IN PURCHASING**

### **REQUISITION**

- 2.01 **PURPOSE.** The requisition serves to inform the City Clerk's Office of the needs of the requisitioning department and to define exactly the material to be supplied or service requested. All requisitions will be numbered by the Purchasing software.
- 2.02 **WHEN PREPARED.** Requisitions shall be prepared after competitive prices have been obtained, except where cost is below minimum threshold. Technical or department specific purchases shall be handled at the departmental level.
- 2.03 **WHO PREPARES.** All requisitions shall be entered into the Purchasing System by the Department Head, or someone authorized to act for him/her.
- 2.04 **HOW TO PREPARE.** A properly processed requisition shall be entered electronically by the Department and contain the following information:
  - 1. Date - Insert the date the requisition was prepared.
  - 2. Quantity requested - Specific quantity must be stipulated as well as unit of quantity (dozen, gross etc.).
  - 3. Description - A complete and accurate description of the item requisitioned must be given in common non-technical language. If blanket purchase order, see section 6.01.
  - 4. The cost shall be given. When definite cost figures are not available, a reasonable estimate shall be given. This includes unit cost and extensions for each item. The total of all extensions must be a given.
  - 5. Company name and address and/or vendor number from whom it is desired the purchase be made must be complete and accurate.
  - 6. If the Vendor is not set up in the accounting system, give the vendor's name, address, phone number, e-mail address, and taxpayer ID# (if available) to the City Clerk's Office for proper set-up.

7. The general ledger account number to which this purchase is to be charged shall be designated.
- 2.05 ROUTING. An original requisition shall be electronically prepared by the City Department Head and submitted to the Deputy City Manager. Prior to processing requisitions, the Department Head must determine that adequate budget is in the General Ledger Account, or the requisition will be rejected.
1. Purchases in excess of \$ 10,000.00:
    - a. Purchases for the requirements and operation over \$10,000.00 of all departments including component units of the City require sealed bids and City Commission approval, as stated in 12.1 of the City Charter.
    - b. All purchases will be of a quality to suit the intended purpose at the lowest cost.
    - c. All purchases and sales in excess of \$10,000.00 shall be evidenced by a purchase order as stated in Section 12.1 of the City Charter.
    - d. Purchases that exceed \$10,000.00 shall be published one-time in The Sault News and posted on the City's Web Site for a minimum of one (1) week in order to give notice to vendors.
    - e. Requisitions in excess of \$10,000.00 must be approved by the City Commission and the City Manager before Department Head or project manager commits to purchase.
  2. Purchases over \$ 5,000.00 but less than \$ 10,000.00:
    - a. Purchases for the requirements and operation over \$5,000.00 but less than \$10,000.00 of all City Departments require three (3) competitive quotes/proposals.
    - b. Any single asset purchase in excess of \$5,000.00 will require the Department Head to attach three (3) competitive quotes/proposals to the requisition and submit to the Deputy City Manager via attachment.
    - c. Competitive quotes will not be required but are encouraged for the following: professional services, advertising, single source providers, single asset purchases less than \$5,000.00. The Exception Authorization Form must be completed and approved by the City Manager prior to the purchase (see Exhibit C).
    - d. All purchases will be of a quality to suit the intended purpose at the lowest cost.

- e. All purchases and sales in excess of \$5,000.00 shall be evidenced by a purchase order as stated in Section 12.1 of the City Charter.
  - f. Purchases that exceed \$5,000.00 shall be posted on the City's Web Site for a minimum of one (1) week in order to give notice to vendors.
  - g. Requisitions in excess of \$5,000.00 must be reviewed and verified by the Deputy City Manager with the City Manager giving final approval.
3. Purchases less than \$ 5,000.00:
- a. Purchases under \$5,000.00 may be purchased at the discretion of the Department Head.
  - b. All purchases will be of a quality to suit the intended purpose at the lowest cost.
- 4. The requisitioner shall not split purchase orders to circumvent any provisions of the City Charter, this manual, or any policy established by the City
  - 5. All purchases will require Requisition Entry submitted through the Department Head or someone authorized to act for him/her.
  - 6. Problems arising in connection with the preparation and handling of requisitions are to be referred to the Deputy City Manager or Accounts Payable Clerk who shall instruct the personnel or agency in the proper procedures.
  - 7. Any commitment made in violation of this policy shall be construed as a personal liability of the individual making the commitment and may be cause for disciplinary action up to and including dismissal (see Exhibit B).

## 2.06 LOCAL BID ADJUSTMENT AND AWARD. Sec. 2-185. Local bid adjustment and award.

(1) This section applies to purchases only.

(2) A city or county local bidder is defined as either a bidder who owns land in the City or Chippewa County; and upon such land its business is located; and who owned the land continuously for the 12 months prior to the bid; and who is current on all obligations and property taxes owed to the city or the county as the case may be; and has paid in full any real property taxes which were due to the city or county in the 12 months prior to making the bid.

(3) A city or county local bidder is defined as either a bidder who is a tenant under a fully signed written lease on land located in the City or Chippewa County; and upon such land its business is located; and which lease was in existence continuously for the

12 months prior to the bid; and who is current on all obligations owed to the city or the county as the case may be.

(4) Any bid made by a local bidder as defined above shall be provided a competitive adjustment to their bid at the time of tabulation:

If a city local bidder, then equal to 5% of the low bid amount not to exceed \$10,000.00.

If a county local bidder, then equal to 3% of the low bid not to exceed \$10,000.00.

(5) The competitive adjustment for purposes of determining the award of the bid shall reduce the local bidder's bid artificially as means of determining if the award to the local bidder is in the best interest of the city.

(6) Lowest responsible bidder defined under subsection 2-177(g), and award to other than low bidder under subsection 2-177(h) shall include the competitive adjustment of this section in their application to the bid award decision.

(7) To receive the benefit of this section the local bidder shall agree to lower its bid at the time of bid award to match the actual bid submitted by the non-local bidder.

### **PURCHASE ORDERS**

3.01 PURPOSE. A purchase order for purchases over \$5,000.00 **authorizes** the vendor to ship and invoice for materials or services, or both, as specified.

3.02 WHEN ISSUED. Purchase orders will be generated by the Deputy City Manager for all purchases.

3.03 PREPARATION. Upon receipt by the department of origin, the purchase order is checked by the Department Head and forwarded to the Finance Department for payment. The corresponding invoice(s) will be verified and entered into the accounts payable software system by the Finance Department awaiting payment approval by the Department Head.

3.04 PURCHASE ORDER INFORMATION. Department Heads will be able to check status of all requests for payments through the accounts payable software system.

### **CREDIT CARD PURCHASES**

4.01 POLICY. Any single asset purchase in excess of \$ 1,000.00 will not be permitted on the city credit card (excluding travel expenditures). Individual asset purchases in excess of \$ 1,000.00 will require three (3) competitive



quotes/proposals, verification approval by the Deputy City Manager, and final approval by the City Manager.

### **CASH DISBURSEMENT VOUCHER**

- 5.01 PURPOSE. Purchases of items in the amount of Fifty Dollars (\$50.00) or less may be acquired by employees with the use of personal funds and reimbursed from petty cash. The employee will need to fill out a Cash Disbursement Voucher, indicating the date, amount spent, General Ledger account number to which it should be charged, and authorizing Department Head signature. The receipt for such purchase is to be attached, and the voucher turned in to the Finance Department. Upon receipt of the voucher, Finance Department will disburse funds from petty cash, requiring signature of recipient or representative in the Petty Cash Ledger at this time.

### **BLANKET PURCHASE ORDERS**

- 6.01 DEFINITION. A blanket purchase order is one issued for the purchase of miscellaneous items, materials, supplies, parts, and/or services i.e., telephone, insurance etc., for City Departments in instances where the quantity or apportionment cannot be anticipated or where it is impractical to provide adequate storage. This process allows the department to encumber funds for the purchase of various supplies and services giving them the ability to call for supplies etc. when they are needed.
- 6.02 CLASSIFICATION. Blanket orders are issued to cover certain purchases which might be classified as follows:
1. Regular contractual payments
  2. Those items or supplies for which a price has been previously agreed upon by purchaser and seller and for partial delivery as needed.
  3. Those items or supplies which sell for the same price at all outlets or fair price items unless a company discount is given.
  4. Those purchases which are applied to a price agreement covering a fixed sum of money for items such as bituminous material, ready mixed concrete, sand, and gravel, etc.
    - (a) Purchases can only be made on those items noted in the price agreement and on which unit prices are indicated.
  4. Those purchases for a specific sum of money covering office supplies, plumbing supplies, automotive parts, etc., which vary in price.

- 6.03 PREPARATION. Requests for blanket purchase order shall be made in the usual manner as are other purchases. The blanket order request shall be made on the standard requisition form being used by the City and shall contain the following information:
1. Description of the item or items to be purchased.
  2. The period of time the blanket order will remain valid. No blanket order shall exceed a period of time beyond the current fiscal year with the exception of Capital Projects.
  3. If it is found the amount will be exceeded, the additional amount needed will be requisitioned by the Department in the same manner as the original Blanket Purchase Order was requested.
- 6.04 HOW USED. After the blanket purchase order is issued, the City Department shall draw on the Purchase Order. Departments will be able to check balance of Purchase Orders through the purchasing software.
- 6.05 USER RESPONSIBILITY. All competitive pricing requirements described in this policy apply to blanket PO's. The City Department will be responsible for assuring that the city is not over billed and that the purchase order is not overdrawn.

### **EMERGENCY PURCHASES**

- 7.01 DEFINITION. Emergency purchases are those made by departments only when normal functioning and operation of the department would be hampered by the delay caused by the submission of a requisition in the normal manner or where property, equipment or life are endangered through unexpected circumstances and materials, contractual services, etc., are needed immediately. Apply to purchase over \$5,000.
- 7.02 AUTHORITY. Only the Department Head or someone authorized by him/her may make emergency purchases. The Department Head will be held responsible for all purchases made by his/her department in any manner other than the normal purchasing procedure.
- 7.03 EMERGENCY PURCHASE PROCEDURES:
1. When purchase is made an invoice shall be obtained by the purchaser.
  2. At the first opportunity, no later than the next working day, an electronic requisition shall be submitted to the Deputy City Manager, indicating an "Emergency Purchase".

3. Within 24 hours of the emergency purchase, the Department Head must complete the "Emergency Repair Form" and submit to the Deputy City Manager (see Exhibit A).
  4. Emergency purchases in excess of \$5,000.00 and less than \$10,000.00 will require prior City Manager approval.
  5. Specific Emergency Purchases in excess of \$10,000.00 will be approved by the City Manager and will be reported to the City Commission.
- 7.04 GENERAL INFORMATION. When an emergency purchase is made, the department will make the purchase at the best possible price. In most cases the order should be issued to the vendor from whom materials and supplies have previously been purchased.

The use of emergency purchasing procedures, because of failure to anticipate normal needs, is to be avoided.

### **INVOICES**

- 8.01 DEFINITION OF AN INVOICE: An invoice is an itemized listing of quantities and charges for the purchases of supplies, materials, equipment, or services which have been furnished to the city. An invoice is the means by which the supplier informs the purchaser of his obligation, and it should contain the same basic information as the purchase order plus any conditions imposed by the supplier, such as discounts, time of expected payment, etc.
- 8.02 WHAT AN INVOICE SHOULD CONTAIN:
1. Purchase order number.
  2. Invoice date.
  3. Date of order.
  4. Date of delivery of materials, etc.
  5. Destination of delivery (including City department).
  6. Itemized list of materials or services rendered.
  7. Quantities, prices (both unit and total), terms and any other charges contained in the purchase order.
  8. Delivery company or medium should be listed separately from the materials and supplies section.

9. The City is not required or eligible to pay State of MI Sales Tax. All invoices should be presented without tax or processed for payment net tax. If a vendor needs evidence an exemption certificate will be provided by the City Clerk's Office.

#### 8.03 INVOICE PROCESSING PROCEDURE:

1. Purchase orders:
  - (a) Upon receipt by the department of origin, the purchase order is checked by the Department Head and forwarded to the Finance Department for payment. The corresponding invoice(s) will be verified and entered into the accounts payable software system by the Finance Department awaiting payment approval by the Department Head.
  - (b) Finance Department will prepare a check for payment and mail.
  - (c) Periodically, requests for checks to be issued in between scheduled check runs will be accepted by the Finance Department. These requests should follow the purchasing guidelines and all necessary payment information and documentation should be furnished.
  - (d) If vendor requires alternative mailing or delivery of payment, Department Head will need to provide special handling instructions.

#### 8.04 GENERAL INFORMATION. All invoices shall be processed as expeditiously as possible. Particular care shall be taken to ensure that the City does not lose any discounts allowed by the suppliers.

1. The Finance Department will complete the processing of payment, making sure the invoice is attached and mail the supplier their check for payment.
2. The Finance Department has a schedule for purchase order deadline date and check release date. The departments should be made aware of these dates and process their invoices and POs accordingly.

### **RESPONSIBILITIES**

#### 9.01 CITY CLERK'S OFFICE RESPONSIBILITIES:

1. Aid and cooperate with departments in the procuring of needed materials or services.
2. Prepare and distribute purchase orders from departmental requisitions.

3. Prepare bid documents.

#### 9.02 FINANCE DEPARTMENT RESPONSIBILITIES:

1. Ensuring good communication with departments and vendors.
2. Follow up as needed on complaints, outstanding POs, and budget deficiencies.
3. Assist departments with GL #'s and questions about activity.

#### 9.03 CITY DEPARTMENTS' RESPONSIBILITIES:

1. Allow ample time for the City Clerk's Office to prepare bid documents. Make full and accurate description of materials, equipment, or services to be purchased and provide Deputy City Manager electronic copy for web posting.
2. Notify the City Clerk's Office of all department quotes and bids being requested and/or received prior to acceptance.
3. Submit agenda memo requesting bid award, when needed ensuring sufficient budget is in place or requesting budget along with bid award.
4. Timely processing of invoices for payment to ensure appropriate account of expenditures.
5. Obtaining the appropriate liability and workers compensation insurance and submitting certificates to the City Clerk's Office.

#### 10.00 EXCLUDED FINANCIAL TRANSACTIONS FROM PURCHASING REQUIREMENTS:

1. City Administration is authorized to conduct the following financial transactions without utilization of the purchasing policy: utility billing, telephone billing, advertising payments, credit card payments, travel advances, payroll deduction checks, emergency payments, debt payments, petty cash reimbursement, appropriations, payments authorized by an approved contract, water refund, tax refund, payment of claim, insurance claims, miscellaneous refunds, and all other similar transactions.

**CITY OF SAULT STE. MARIE  
EMERGENCY REPAIR FORM**

DATE: \_\_\_\_\_

DEPARTMENT: \_\_\_\_\_

VENDOR: \_\_\_\_\_

REASON FOR EMERGENCY REPAIR: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

AMOUNT: \_\_\_\_\_

ACCOUNT NUMBER: \_\_\_\_\_

\_\_\_\_\_  
Department Head Signature

\_\_\_\_\_  
Deputy City Manager

\_\_\_\_\_  
City Manager

**CITY OF SAULT STE. MARIE  
VIOLATION OF PURCHASING POLICY**

**DATE:** \_\_\_\_\_

**TO:** \_\_\_\_\_

**FROM:** Robin R. Troyer, Deputy City Manager

**PURCHASE REQUISITION #:** \_\_\_\_\_

1. The above referenced Purchase Requisition appears to be for goods that have already been ordered and/or received and cannot be processed further as these goods/services were not procured in accordance with the City of Sault Ste. Marie purchasing procedures. If you are unable to pay for these goods/services from personal funds (without the promise to receive reimbursement) and wish to pursue authorization for this purchase, you must forward a Requisition along with a written explanation that addresses the following:
  - a. The circumstances that lead to the unauthorized purchase outside the City of Sault Ste. Marie Purchasing Policy.
  - b. Why it is in the best interest of the City to use City funds to pay for these goods/services.
  - c. What will be done to prevent recurrence of similar unauthorized purchases.

**CITY OF SAULT STE. MARIE  
PURCHASING POLICY EXCEPTION  
AUTHORIZATION FORM**

DATE: \_\_\_\_\_

TO: \_\_\_\_\_

FROM: \_\_\_\_\_

REASON FOR EXCEPTION: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

AMOUNT: \_\_\_\_\_

ACCOUNT NUMBER: \_\_\_\_\_

\_\_\_\_\_  
Department Head Signature

\_\_\_\_\_  
Deputy City Manager

\_\_\_\_\_  
City Manager