

CHAPTER 17
PURCHASING STANDARDS AND PROCEDURES

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17.01 PURPOSE

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

17.02 POLICIES

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

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

17.03 PURCHASE AUTHORITY

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

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

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

A. Purchases requiring budget transfers or amendments:

1. All purchases up to and including twenty-five thousand dollars (\$25,000.00) that will not be made in accordance with the approved budget, but are within the budget authority at the legal level of budgetary control, must be approved by the Village Administrator.
2. All purchases and contracts exceeding twenty-five thousand dollars (\$25,000.00) that will not be made in accordance with the approved budget, or those which exceed the budget authority at the legal level of budgetary control, in accordance with Section 3.13 D, require approval through the Board of Trustees.

17.04 PURCHASE ORDERS

A purchase order must be prepared for the following purchases:

1. Any purchase of goods or services in excess of \$5,000.00.
2. Any case where the vendor requires a purchase order.

Exclusive of the above requirements, a Department Head may request that a purchase order be prepared at any time they feel it is best or prudent to do so. Department Heads or designees must approve all purchase orders. The Finance Department will issue purchase orders for all purchases up to and including twenty-five thousand dollars (\$25,000.00) made in accordance with the approved budget. Purchase orders for purchases up to and including twenty-five thousand dollars \$25,000.00 that will not be made in accordance with the approved budget must be approved by the Village Administrator. Purchase orders for purchases in excess of twenty-five thousand dollars (\$25,000.00) when competitive bidding is required or one hundred thousand dollars (\$100,000.00) for any purchase, will be issued by the Finance Department following Village Board approval. Village Board approval is not necessary for purchase orders in excess of twenty-five thousand dollars (\$25,000.00), if the

purchase order is part of a multi-year agreement previously approved by the Board, within the approved budget for the given year, and for which an initial purchase order was properly issued.

A purchase order is prepared and submitted to the Finance Department. Following approval the purchase order is prepared with distribution as follows:

Vendor Copy: Mailed or delivered to vendor.

Department Copy: Available for review in the system.

Purchasing Copy: Retained in the system by the Finance Department.

Purchase orders shall be issued in numerical sequence by the Finance Department.

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

17.05 OPEN PURCHASE ORDERS

In certain circumstances where vendors are used frequently, an open purchase order may be set up as approved by the Finance Director. The vendor copy of the purchase order is mailed or delivered to the vendor.

17.06 VENDOR PAYMENTS

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

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

are later received, a photocopy of the original purchase order showing the partial shipment detail will be completed.

Unless otherwise noted on receiving documents, it will be assumed by the Finance Department that the ordering department is completely satisfied with the quality and condition of items received. All applicable quotation forms, vendor invoices, packing slips, purchase order requisitions, purchase orders, and any other pertinent backup documentation, must be entered and scanned into the financial software system by each department. Once an invoice has been approved for payment by the Department Head or designee, all documentation must be forwarded to the Finance Department for retention. Statements are not sufficient documentation to authorize payment of a vendor invoice. All other data, including material safety data sheets shall be kept by the ordering department. The Finance Department will ensure an IRS Form W-9 is on file when required.

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

1. Payment approval of invoices shall be completed in the financial software system on a regular basis.
2. All invoices presented for payment require the approval of the Department Head (or the Department Head's designee in his or her absence).
3. Invoices being charged to more than one line item require approval of the total dollar amount.
4. Invoices being charged to multiple departments will require approval of each Department Head for their portion of the payment. Department approval should only be processed for the department's portion of the payment.
5. All invoices approved by Monday of the week preceding a Village Board meeting will be processed for payment approval at the next Village Board meeting.
6. To allow for an evenly distributed workflow, invoices should be approved for payment on a regular

basis, and should be forwarded to the Finance Department as they are approved.

B. **MANUAL CHECK REQUESTS:** The same payment approval procedures requiring Department Head approval should be followed as indicated above under Section 17.06A. A note to the invoice should also be added, listing the reason a manual check is required. Valid reasons for issuing a manual check are reimbursement of employee out-of-pocket expenses, in order to take advantage of an early payment discount, in order to prevent a late payment penalty, and any other time sensitive issue.

17.07 PURCHASING PROCEDURES

A. **PURCHASES IN EXCESS OF \$25,000.00:** Village ordinance requires that certain purchases made from one vendor for work, items and services exceeding a cost of twenty-five thousand dollars (\$25,000.00) per purchase within the fiscal year, must be accomplished through procedures as specified in Chapter 9 of this Code. If doubt exists as to whether formal bidding is required, the Finance Director shall be contacted before any purchase is initiated. The splitting of a purchase into two or more purchase orders for the purpose of avoiding the bidding process is prohibited.

B. **PURCHASES UP TO AND INCLUDING \$100,000.00:**

1. Purchases that are not subject to formal, competitive bidding, in excess of five thousand (\$5,000.00) up to and including one hundred thousand dollars (\$100,000.00) per purchase within the fiscal year: At least three quotations are required to be submitted with the purchase order requisition before a purchase order will be issued.

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

In the event a Department Head feels that a purchase under this category should be made from

one certain vendor rather than through quotations, a recommendation to do so is to be directed to the Finance Director, who would seek approval from the Village Administrator, if the Finance Director agrees with the recommendation. In effect, this is a quotation waiver.

2. Purchases less than and including \$5,000.00 per purchase within the fiscal year: Purchases in this category can best be described as those day-to-day purchases needed to perform a job or service.

Although day-to-day, purchases less than and including five thousand dollars (\$5,000.00) may be done without a purchase order and without prior approval, the responsibility still exists for making the most economical purchases. Spot price checks and surveys must be made from time to time to ensure that the price being paid is the best price available and that the quality is the best that is available at that price.

Day-to-day purchasing should be made through that vendor who offers the best usable product at the lowest price. Also, accepting deliveries should rate preference over picking up where no delivery/premium charges are involved and there is no immediate need for the item. When receiving an item purchased under informal buying, a receipt or packing slip should be obtained. This receipt is to be turned in to the Department Head for payment approval.

C. EMERGENCY PURCHASES: An emergency condition is described as a condition where the health, safety, and/or welfare of the Village or its residents are affected. If it is determined that an emergency condition exists, the Department Head may make a purchase to remedy the emergency if verbally authorized by the Village Administrator. The Department Head must make a full written report regarding the emergency purchase to the Village Administrator as soon as possible. The written report should describe the emergency condition, the actions taken to remedy the condition, and the full costs incurred. If the costs incurred exceed twenty-five thousand dollars (\$25,000.00) when competitive bidding would be required, or exceed one hundred thousand dollars (\$100,000.00) for any emergency purchase, the Village Administrator

will report the emergency condition to the Village Board for approval of a bid waiver.

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

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

17.08 JOINT PURCHASING

Joint purchasing is encouraged whenever possible.

A. **STATE PURCHASING:** Certain items are annually let for bids by the Procurement Division of the State of Illinois. Any unit of government in the state may avail themselves of these bid prices. Purchasing through State Purchasing may satisfy the requirement for bidding even though the purchase may be in excess of twenty-five thousand dollars (\$25,000.00).

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

B. **COOPERATIVE PURCHASING:** It may also be beneficial for the Village to join with other units of local government, the Northwest Municipal Conference, the Northern Illinois Purchasing Cooperative, and/or other councils of government in securing price quotations and in bid letting. Purchasing through Cooperative Purchasing may satisfy the requirement for bidding even though the purchase may be in excess of twenty-five thousand dollars (\$25,000.00).

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

17.09 CAPITAL ASSETS

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

1. The asset must be either tangible, software, or an easement.
2. The asset must provide a benefit for more than one fiscal year.
3. The acquisition cost of the asset, using a standard unit of measure, must be greater than or equal to the capital asset dollar threshold for the category in which the asset would be included as follows:

Computer Hardware & Software	\$25,000.00
Equipment	\$25,000.00
Vehicles	\$25,000.00
Buildings & Building Improvements	\$50,000.00
Land	\$1.00
Land Improvements	\$50,000.00
Storm Sewers	\$250,000.00
Streets or Roadways	\$250,000.00
Water Infrastructure	\$250,000.00

The acquisition cost shall include the direct cost of the asset plus those costs necessary to place the asset into its location or condition such as freight charges, installation charges, engineering costs, etc. Easements shall be recorded at 10% of the value of the underlying land involved.

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

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

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Amended December 10, 2015

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