

Purchase Policy Guidelines

Objectives

The objectives of the Village/Town of Mount Kisco's Purchase Policy Guidelines are as follows:

1. To exercise timely and effective budgetary control, to prevent unauthorized purchases, and to properly plan and coordinate procurement of goods and services at the lowest cost.
2. To comply with applicable purchasing and procurement laws, regulations and guidelines of the State of New York.
3. To ensure that the purchases of all goods and services are properly authorized and documented for independent review and verification.

Authority

The authority and responsibility to make appropriate purchases and to obtain necessary services on behalf of the Village rests with the respective Village Department Heads. Department Heads are responsible for ensuring that all purchases are in compliance with the Village's Purchase Policy Guidelines; are within the budgetary control authorizations established by the Board of Trustees; and are properly documented. All purchases of goods and services in excess of \$5,000 require the prior approval of the Village Manager. The Village will not be liable for any purchases made without appropriate authorizations.

Requirements to Issue a Purchase Order

The Village's purchase order policy applies to the purchase of all goods and services of \$1,000 or more. Purchases of less than \$1,000 can be processed directly under the Village's claim process, unless the vendor requests a purchase order. Purchases cannot be split to circumvent the required issuance of a purchase order. Department Heads should consider the annual aggregate purchases of similar types of items and/or services as the guide for ensuring compliance with the requirement to issue a purchase order.¹

¹ This may require considering the issuance of a "blanket purchase order" as described in a section below.

The following types of purchases are exempt from the purchase order requirements:

1. Employee personal services paid on a payroll.
2. Employee benefits required by law or authorized by a collective bargaining agreement or employment contract, as well as medical examination fees.
3. Employee expenses, such as conference expenses, mileage and other reimbursable expenses occurred in the performance of day-to-day duties.
4. Reasonable costs for prisoner meals.
5. Utility bills (Con Edison, New York Power Authority, monthly telephone charges).
6. Fuel and heating oil purchased under state contract and subject to a set delivery schedule.
7. Postage and freight charges.
8. Reimbursement of petty cash funds. Payments to employees from the petty cash fund shall be limited to \$25.00. Any employee reimbursements in excess of \$25.00 shall be paid on a claim voucher.
9. Interdepartmental charges, such as rental charges included in the budget.
10. Debt service principal and interest payments.
11. Service contracts for legal services authorized by the Village Manager.
12. Fire, ambulance and paramedic contracts, provided that the budgetary accounts are used exclusively for such contract payments.
13. Recurring monthly equipment lease and rental charges, and annual service maintenance agreements. However, the initial acquisition of the equipment is subject to issuance of a purchase order.
14. Emergency or urgent purchases for which it is not possible to issue a purchase order beforehand. Under such circumstances, purchase orders should be issued after the fact with an explanation attached.²

Although purchase orders may not be required in these instances, it is still the responsibility of the Department Head to ensure that only those purchases of goods and services necessary to carry out the mission and functions of the Village are made, and that the best possible price is obtained.

Preparation and Approval of Purchase Order

All purchase orders must be prepared at the time of purchase by the Department Head or his/her designee, and signed by the Department Head. By signing a purchase order, the Department Head certifies that the purchase was made in compliance with the Village Purchase Policy Guidelines (exceptions or non-compliance must be noted on, or attached to, the purchase order), and that sufficient budgetary appropriations are available for the purchase. If sufficient budgetary appropriations are not available for the purchase, a memorandum requesting a budgetary modification must be prepared and submitted along with the purchase order. Additionally, all purchases of goods and services in excess of \$5,000 require prior approval of the Village Manager.

² Additional guidance is provided below under the section Exceptions to the Procurement Requirements.

Blanket Purchase Orders

Blanket purchase orders may be prepared by the Department Head. The purpose of a blanket purchase order is to eliminate the issuance of separate purchase orders for groups of items, which are purchased frequently from the same vendor (examples: automotive supplies, hardware supplies). Use of blanket purchase orders allows the department to purchase such items on an as-needed basis when there is no provision to maintain an inventory.

Verbal Orders

A verbal order, subject to confirmation by a written purchase order, may be given directly to a vendor in cases where necessity for immediate action exists. Such deviation from the normal process should be limited in use. The Department Head placing such order shall explain the need for his/her action; lack of proper planning shall not be considered a valid reason for this purpose. A written confirmation purchase order should be issued as soon as possible, and should be clearly marked "confirmation".

Purchase Order Document

All purchase orders must contain, at a minimum, the following information: vendor name and address, vendor number, date of order, detailed description, number units ordered (if applicable), prices, budgetary appropriation code, and authorized signature(s). Required price quote documentation or state contract information, if any, must be attached to the purchase order. The completed purchase order package, including budget modification request (if needed), shall be submitted to the Finance Department for review and approval. If the purchase order package is in compliance with the Village's Purchase Policy Guidelines, the Treasurer or Deputy Treasurer shall assign a purchase order number. Under certain circumstances, the Finance Department may assign a purchase order number over the phone in advance of receipt of the purchase order documents. Department Heads are responsible for ensuring that the supporting purchase order documentation is subsequently provided in a timely manner.

The original (white) copy of completed purchase orders shall be returned to the Department Head for release to the vendor. The yellow copy of completed purchase orders shall be returned to the Department Head for his/her files. The pink copy of completed purchase orders, along with supporting documentation, shall be retained by the Finance Department. The Finance Department shall encumber the amount of the purchase order on the accounting records. If there is a cancellation or change in the purchase order, the Department Head should notify the Finance Department of these changes. Prior to the close of the fiscal year, Department Heads shall review and verify the status of all outstanding purchase orders issued so that the encumbered funds may be carried over to the next fiscal year.

Completion and Audit of Claims

Upon receipt of the purchased item or completion of the purchased service, as applicable, a completed and approved claim form with attached invoice shall be submitted to the Finance Department for inclusion on the Warrant of Claims submitted to the Board of Trustees for audit and approval for payment.

A claim shall be considered complete when the following conditions are met:

1. The claim shall be itemized in sufficient detail to permit a proper audit. The claim form prescribed by the Treasurer shall be used. The claim form shall contain the vendor name and number, remittance address, invoice date, invoice number, short description of purchase,³ and budget appropriation code.
2. An original vendor invoice shall be attached to the claim voucher. Additionally, signed receiving copies should be attached, where applicable.
3. The assigned purchase order number, if any, shall be written on the claim form in the upper right corner, and circled in red flair pen.
4. Any claim for employee reimbursement (e.g., mileage reimbursement, uniform/boot allowance, tuition reimbursement, conference/training reimbursement, vision allowance), or any claim from an individual without an invoice (e.g., election worker or handyman) shall be signed by the individual claimant (vendor) on the certification line.
5. The Department Head shall approve all claims with his/her original signature certifying that the goods/services purchased were received/provided and that the amounts charged are correct.⁴
6. All claims shall be pre-audited by the Treasurer or Deputy Treasurer prior to submission to the Board of Trustees for audit and approval.

³ Vendor product trade names shall not be used; generic product descriptions are to be reported.

⁴ Department Heads may delegate signature authority to a departmental staff person. Any delegation of signing authority should be on a temporary basis (e.g., vacation or sick). This person should sign his/her name noting that it is "for" and the Department Head's name (i.e., John Smith for Jane Jones). Any delegation of signing authority to a subordinate should be communicated to the Finance Department in writing.

Payments Not Requiring Board of Trustees Audit and Approval

In accordance with the exceptions provided by law, the following types of payments are not required to be submitted to the Board of Trustees for audit and approval:

1. Employee personal services paid on a payroll.
2. Payment of employee benefits required by law or authorized by a collective bargaining agreement or employment contract.
3. Debt service principal and interest payments.
4. Payments due which are held by the Treasurer in a custodial or trust capacity, such as remittance of payroll deductions and School/County real property tax collections.
5. Payment of Housing Assistance Payments under the Village's Section 8 Housing Program.
6. Interfund transfers and reimbursements made pursuant to the adopted budget.

Prior to payment of unaudited bills, the Treasurer shall ensure that all such payments are sufficiently itemized, documented and approved. The Village Manager may require periodic reviews of such payments.

Procurements Requiring Competitive Bids

Competitive bidding laws are designed to guard against favoritism, improvidence, extravagance, fraud and corruption and to foster honest competition in order that the best goods and services are obtained at the lowest possible price. Section 103 of the General Municipal Law provides that all purchase contracts for materials, equipment and supplies involving an estimated annual expenditure of over \$10,000 and all public work contracts of over \$20,000 are subject to competitive bidding requirements.⁵

Contract awards are required to be made to the "lowest responsible bidder furnishing the required security" after public advertising requesting submission of sealed bids. In determining the necessity for competitive bidding, the aggregate amount to be expended for an item or commodity to be purchased in a fiscal year period must be considered. In other words, the anticipated purchase of similar items or services throughout the fiscal year should be aggregated to determine whether the \$10,000 or \$20,000 dollar threshold criteria apply. At a minimum, advertisements for bids must be published in the Village's official newspaper. Direct solicitation using bidders' lists can also be used, however, great care needs to be taken to assure that all known prospective bidders are included and that bidders are not arbitrarily excluded from the list. Since the primary objective of the competitive bidding process is to promote competition, it is recommended that additional appropriate advertising media is utilized to attract qualified bidders.

⁵ The New York State Office of State Comptroller provides further guidance defining "purchase contracts" as the procurement of commodities (e.g., equipment, materials, supplies) and "public work contracts" as encompassing contracts for services, labor or construction.

General Municipal Law also requires that at least five days must elapse between the first publication of the advertisement and the date specified for the opening and reading of bids. As authorized by the Board of Trustees, the Village Manager shall receive and open all sealed bids. After careful review and analysis of such bids, the Village Manager shall report all bids received to the Board of Trustees along with his/her recommendation for awarding the contract or for not awarding a contract at this time. Then, the Board of Trustees shall by resolution make the final contract award determination.⁶

Procurements Requiring Price Quotes

For goods and services, which are not subject to competitive bidding or purchased under state or county contract, the following methods of purchase will be used to assure the prudent and economical use of Village funds:

<u>Estimated Annual Purchase Contract Amount</u>	<u>Price Quote Requirement</u>
\$1,000 - \$2,999	2 verbal quotations
\$3,000 - \$9,999	3 written/fax quotations or request for proposals (RFPs)

<u>Estimated Annual Public Works Contract Amount</u>	<u>Price Quote Requirement</u>
\$1,000 - \$2,999	2 verbal quotations
\$3,000 - \$4,999	2 written/fax quotations
\$5,000 - \$19,999	3 written/fax quotations or request for proposals (RFPs)

The Village policy requires that a good faith effort shall be made in all instances to obtain the required number of proposals or quotations. If the required number and/or form of quotations cannot be obtained, a written explanation from the Department Head documenting the attempts made is then required.

As with competitive bids, documentation and an explanation is further required whenever a contract is awarded to other than the lowest responsible price quote. This documentation will include an explanation of how the award will achieve savings or how the rejected bidder was not responsible. With the advice and approval of the Village Manager, the Department Head shall make a determination that the bidder is not responsible.

⁶ Additional guidance for complying with New York State’s competitive bidding requirements can be found in Article 5-A of the General Municipal Law.

Exceptions to the Procurement Requirements

1. Purchases made under Emergency Conditions

In the case of emergencies, as defined below, compliance with the competitive bidding statutes and procurement policy (price quotes) may be waived under certain circumstances. However, an attempt should be made to comply with the purchase order policy, acknowledging that the documentation may have to be prepared after the fact.

As provided by the General Municipal Law, all three of the following criteria must be met in order to qualify as an emergency:

- The situation must arise out of an accident or unforeseen occurrence or condition; and
- The circumstances must affect public buildings or property or the life, health and safety or property of Village residents, employers, employees and visitors; and,
- The situation must require immediate action which cannot await competitive bidding or obtaining price quotes.

To meet these criteria, there generally must be a present, immediate and existing condition which is creating an imminent danger to public or private property, or the life, health and safety of the residents, employees of Village businesses, and/or visitors in the Village, and which makes further delay to comply with competitive bidding and procurement requirements unwarranted. Generally, only the Village Manager, Mayor, or Chief of Police (or their designees), in this order, shall determine if an emergency situation exists which precludes compliance with the competitive bidding and procurement requirements.

Note that, even in an emergency situation, it is in the public interest that purchases are made at the lowest possible cost. Thus, Village officials and Department Heads should seek competition by informal solicitation of quotes, to the extent practicable under the circumstances.

2. Purchases made under State and/or County Contract

Competitive bidding is not required for purchases made through New York State's Office of General Services contract program. This program affords the opportunity for the Village to purchase numerous items at the same prices and under the same terms and conditions as the State. This exemption is further extended to purchases made under county contracts. In both cases, it is critical to ensure that the vendor is currently listed with the State or county and that the contract terms are extended to the Village. Even if a price can be obtained that is at or below the State or county specified contract price, this does not preclude compliance with the Village's Purchase Policy Guidelines.

3. Purchases of Professional and Legal Services

The procurement of professional services, as defined below, are not subject to the competitive bidding requirements as it is not considered as a “purchase contract” or “contract for public work.” Professional services involve a specialized skill, training and expertise, use of professional judgment or discretion, and/or a high degree of creativity. Some services exempt from competitive bidding under this exception include: engineering, architectural, land surveying, insurance, legal, accounting and medical. As with any Village purchase, cost should also be considered in selecting the best provider of the service.

4. Sole Source Purchases

Sole source procurements are exempt from the competitive bidding process in certain circumstances when there is no other substantial equivalent source for the required good or service. In other words, a Department Head, acting in good faith and without intent to arbitrarily inhibit or restrict competition, may determine that a particular item is required and that such item is available only from one supplier. Department Heads shall seek the advice and approval of the Village Manager when making a sole source purchase.

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