

**PURCHASING AND PAYMENT
PROCEDURES MANUAL**



CITY OF EL PASO DE ROBLES

As of September 1, 2022

City of El Paso de Robles

PURCHASING AND PAYMENT PROCEDURES MANUAL

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City of El Paso de Robles

PURCHASING AND PAYMENT PROCEDURES MANUAL

In order to carry out the purchasing policy of the City, the purchase of supplies, services, equipment, or public works projects shall adhere to the procedures as set forth in this manual.

This purchasing and payment procedures manual has been drafted to provide consistency with the adopted Fiscal Policy and Title 6, *Purchasing*, of the City's municipal code.

As per Chapter 6.04 of the City's municipal code, the City's purchasing authority is the City Manager or their designated representative. All references in this manual to the City's purchasing authority shall automatically include "their designated representative".

Section 1.0 PURCHASE AUTHORIZATION LIMITS

Provided that there are adequate budget appropriations available, and no administrative restrictions have been imposed by the City's purchasing authority, the maximum purchasing limits shall be established as follows:

1. Purchases less than \$50,000: Executive Manager
2. Purchases \$50,000 to \$100,000: City Manager
3. Purchases more than \$100,000: City Council

Exceptions:

- a) All personal computers, accessories, hardware, and software, regardless of cost, must be purchased through the City's Information Technology division.
- b) All vehicle replacement and related upfits, regardless of costs, must be purchased through the City's Fleet division.
- c) All building repairs and maintenance, regardless of location, must be purchased through the City's Facilities division
- d) Purchasing parameters are suspended during state of emergency.

Preference to local vendors shall be encouraged given that quality, service, and price are similar.

Section 2.0 PURCHASE ORDERS

Purchase orders shall be issued for acquisitions of supplies, goods, contract services (including professional), equipment and/or public works projects wherein the estimated total purchase is expected to exceed \$10,000.

Purchase orders should be issued for the estimated total amount even when individual, reoccurring acquisitions are less than \$10,000. Examples include the transport of sewer sludge wherein any individual transport is less than \$10,000 but the estimated total annual cost exceeds \$10,000. Another example might be the purchase of chlorine.

Subject to the requirements and limits set forth in this manual, the City's purchasing authority may approve a purchase order for up to \$100,000 without City Council concurrence. Any purchase orders greater than \$100,000 shall require City Council concurrence.

Purchase orders may have multiple budgetary account numbers and multiple budgetary account numbers may include multiple departments/divisions. The issuance of purchase orders shall be made prior to any purchase commitment to the vendor. The department and/or division shall complete the electronic purchase order form providing all of the required data in the spaces provided. Upon completion of the purchase order, the purchase order shall be electronically signed by the executive manager or their designated representative and shall be forwarded to the City's purchasing authority for their electronic signatory approval. If not approved, the City's purchasing authority shall return the purchase order to the initiating department/division. Once approved, the purchase order can be distributed as appropriate.

Section 3.0 QUOTATION AND BIDS REQUIREMENTS

Quotation and bid requirements shall be based on the item being procured, such as 1) tangible goods, materials, equipment, and supplies; 2) services, such as attorney's, engineer's and/or architects; and 3) Public Works projects. If a purchase includes both goods AND services (e.g., architect that provides both design and construction services), then the most restrictive parameters set forth below shall apply:

	Equipment, Goods, Materials, Supplies	Services (e.g., attorney, engineers, architects, etc.)	Public Works Projects ¹
No Competitive Process Required	<\$10,000	<\$40,000	<\$60,000
Informal Quotes	\$10,000-\$100,000	\$40,000-\$150,000	\$60,000-\$200,000
Formal Request for Proposal	>\$100,000	>\$150,000	>\$200,000

Note 1: The Council approved Resolution 02-107 on June 4, 2002 adopting Uniform Public Construction Cost Accounting. This provides the opportunity for the City to undertake public projects under these procedures. As such, the City opts to utilize the Uniform Public Construction Cost Accounting method. State procedures governing this procedure shall supersede the City's purchasing procedures as identified herein.

No Competitive Process Required: Executive managers may exercise their own discretion with regard to vendor choice for these types of purchases.

Informal Quotes: For these purchases, executive managers shall endeavor to solicit quotations from three vendors. The purchase order or an attachment to the purchase order should note the vendors contacted and the amount of their quote.

Formal Request for Proposals: The executive manager shall solicit competitive bids wherein a legal notice shall be published in the City's officially designated newspaper and the bid(s) shall be submitted directly to the City Clerk's office, who shall hold said bid(s) until the advertised date and time of opening. For purchases up to \$100,000, the bid shall be awarded by the City's purchasing authority. For purchases greater than \$100,000, the bid shall be awarded by the City Council.

Local Vendor Preference. The City endeavors to stimulate the local economy by using its purchasing power to support local businesses and promote the creation and retention of local jobs. To that end, the City may grant a preference to local vendors when comparing bids or

quotations for the City's purchase of discretionary goods and services, subject to the guidelines set forth in this section.

The preference shall only apply to the City's procurement of materials, supplies, equipment, and services as set forth in this procedure manual. In addition, the preference shall not apply to procurement that is restricted by Federal or State laws or regulations that proscribe such a preference, or to public projects subject to the California Public Contracts Code.

The preference may be granted only if the City's Executive Manager determines that the local vendor is able to provide comparable goods or services as the next lowest bidder. In determining whether to grant the preference, the Executive Manager may take into account the criteria set forth in Section 6.04.370 of the City's Municipal Code.

The preference shall be five percent (5%) of the local vendor's bid or quotation, provided, however, that in no event shall the total preference exceed \$5,000 for any single purchase order or contract. This means that when comparing bids or quotations, a local vendor's bid or quotation will be deemed reduced by 5% (or \$5,000 if the 5% reduction equals or exceeds \$5,000). The 5% preference will be used solely to determine to whom the contract should be awarded and will not in any way alter the final contract amount.

A 'local vendor' must meet all of the following criteria:

1. The vendor owns, leases, rents, or otherwise occupies a fixed office or other commercial building, or a portion thereof, having a street address within the City. A post office box shall not qualify as a local business address.
2. The vendor possesses a valid and verifiable business license issued by the City that reflects the vendor's local address.
3. The vendor's business is staffed during business hours by an employee, or employees, employed by the vendor and conducting the vendor's local business.
4. Where State sales tax will be paid for the purchase, the vendor must possess a valid resale license from the State Franchise Tax Board reflecting the vendor's business address within the City and evidencing that payment of the local share of the sales tax will revert to the City.

To qualify for the preference, a vendor must certify in writing, in its bid or quotation to the City, that it meets the criteria of a 'local vendor.' The City's Purchasing Authority, in consultation with the Director of Administrative Services, shall determine if a vendor qualifies as a 'local vendor.' Any vendor falsely claiming to qualify as a 'local vendor' shall be ineligible to transact any business with the City for a period of not more than 24 months as determined by the City's Purchasing Authority. The Purchasing Authority may also terminate all or part of any contract entered into with such a vendor. The decision of the Purchasing Authority may be appealed pursuant to the review process used for bid protests."

Section 4.0 PROFESSIONAL SERVICES

The procurement of professional services shall be based on qualifications. Such professional services shall include, but not be limited to those provided by: engineers, management services for construction projects, architects, geologists, hydrologists, land surveyors, landscape architects, rate consultants and assayers, real estate appraisers, licensed environmental assessors and ecologists, accountants and providers of financial services, actuaries, personnel and insurance consultants, psychologists, medical doctors, entertainers and performers, claims consultants, and attorneys at law. If the cost of the work to be performed is of an estimated value in excess of \$100,000, the purchasing authority shall obtain the approval of the City Council prior to issuing a purchase order pursuant to Section 2.0. If the cost of the work to be performed is not estimated to exceed \$100,000, the City's purchasing authority may issue a purchase order pursuant to Section 2.0 without City Council concurrence."

Section 5.0 SOLE SOURCE VENDORS

In the case of sole source vendors, quotation and bid requirements may be waived by the City's purchasing authority when in their judgment the City is best served by a particular vendor.

The executive manager shall submit a purchase order and a written explanation as to justification of sole sourcing to the City's purchasing authority for approval. Sole source justification includes, but is not limited to, replacement part for a specific piece of equipment (e.g., a Ford engine for a Ford vehicle); consistent with current inventory (e.g., all police cruisers being the same make/model); manufacturer is primary company in the market (e.g., Motorola communications systems); and/or consultants whose work is reimbursed by a third-party entity (e.g., developer reimbursing the City for a traffic study). If approved by the purchasing authority, a copy of the written explanation shall be attached to the electronic purchase order that is forwarded to Administrative Services for final approval.

Section 6.0 PETTY CASH

Executive managers shall be responsible for the management and accounting of petty cash funds according to the internal control procedures established by the Administrative Services Department. Petty cash funds may be used for any purpose including non-overnight travel and meetings or for residual final travel accounting amounts due an employee. Petty cash vouchers and petty cash reconciliation forms will be provided by the Administrative Services Department. A \$100 limit shall be established for each separate use of petty cash funds except that said limit may be waived by either the purchasing authority or the Director of Administrative Services.

In recognition that City employees cannot be expected nor required to use personal funds to make petty cash purchases on the behalf of the City, petty cash advances may be made. In the case of petty cash advances, the City employee receiving the advance will promptly upon making the purchase, return the receipt and any cash change to the petty cash fund and complete the petty cash voucher. Receipts are required for all petty cash expenditures. Travel per diems wherein receipts are not required is not an appropriate use of petty cash funds. However, amounts due employees less than \$100 as determined by completion of the final accounting section of a pre-authorized travel and meeting expense claim may be reimbursed from petty cash funds.

Requests for the replenishment of petty cash funds used shall be made to the Administrative Services Department on petty cash reconciliation/reimbursement request forms provided by

Administrative Services. The request shall summarize the amount to be replenished by budgetary account number and have attached all expenditure receipts. The Administrative Services Department shall process said requests in accordance with the payment processing as established by the Administrative Services Department.

Section 7.0 WARRANT REQUESTS

In recognition that needs arise for the issuance of a City warrant for purposes that may not be appropriate for the issuance of a purchase order (i.e., deposit refunds, receipt overpayments, payroll related needs, etc.), the Administrative Services Department shall establish a warrant request procedure for issuing a warrant payment without a purchase order. Warrant requests shall be processed on a basis consistent with the payment processing schedule as established by the Administrative Services Department. Exceptions may be made by the Director of Administrative Services when the best interests of the City might be best served by the accelerated issuance of a warrant payment.

Section 8.0 TRAVEL, MEETINGS AND EDUCATION AUTHORIZATIONS

It shall be the practice of the City to reimburse expenses incurred by officials, officers, and employees of the City when expenses are incurred while on authorized travel, meetings, and educational events for City business. The allowances and amounts advanced to persons traveling or meeting on official City business shall be established on the basis of specific guidelines set forth in a standalone Travel and Training Policy and Procedures.

Section 9.0 PAYMENT REQUIREMENTS

The issuance of warrants for petty cash, warrant requests and travel and meeting authorizations shall be made by the Administrative Services Department upon receipt of the properly completed documentation and in accordance with the payment schedule as established by the Administrative Services Department.

Authorization to Pay

Typically, payments require the review/acknowledgement and approval of at least two employees, one who has verified that the goods were received, or services rendered, and the division supervisor/manager; however, additional review and authorization may be required depending on the purchase.

Purchases with a Preapproved Purchase Order

Acknowledgement #1: City staff member who has verified goods were received or services rendered

Approval #1: Department Supervisor, Manager or Executive Director

Approval #2: Department Director (for invoices \$10,000 or more)

Approval #3: Administrative Services Director (for invoices \$50,000 or more)

For purchases that have a preapproved purchase order, payment is authorized when the Administrative Services Department receives an invoice from the vendor with approvals from the employee who verified that the goods were received or services rendered, and the Division Supervisor or Manager. Department administrative staff can acknowledge the receipt of goods received or services rendered on behalf of a department employee. If the total invoice amount is

\$10,000 or more, regardless of the approvals received, the Department Director approval is also required. If the total invoice amount is \$50,000 or more, the Administrative Services Director approval is required.

Purchases without a Preapproved Purchase Order

Acknowledgement #1: City staff member who has verified goods were received or services rendered

Approval #1: Department Supervisor, Manager or Executive Director

Approval #2: Department Director (for invoices \$10,000 or more OR exceeding the department Manager's or Supervisor's payment approval limit, whichever is less.)

Approval #3: City Manager (for non-recurring invoices \$50,000 or more) or Administrative Services Director (for recurring invoices \$50,000 or more)

In addition to the approvals outlined above, purchases that do not have a preapproved purchase order and the total invoice is more than \$50,000, require the City Manager's approval prior to payment. If payments are for recurring invoices (i.e., those determined to be routine and noncontroversial such as, but not limited to, rent or lease payments, electricity, bulk fuel purchases, payroll taxes and employee deductions, or pass-through assessments), then the Administrative Services Director may approve payment in-lieu of the City Manager.

Section 10.0 CITY-ISSUED CREDIT CARDS

Purchases made by a city-issued credit card shall be made in conformance with the City's established Fiscal Policy, the purchasing rules and restrictions as identified in Section 1.0 through 9.0 and shall in no event exceed or circumvent the regulations set forth therein. A single purchase by credit card shall not exceed \$2,500 or the credit card account limit, whichever is *less*.

Purchases less than \$5.00 should not be made using a city-issued credit card. These purchases should be made using petty cash.

A city-issued credit card account limits will be between \$2,000 and \$10,000 per month. Account limits apply to the account, not the card. For example, an account may have a limit of \$5,000, with two cards issued. Therefore, the aggregate spending total of both cards must not exceed \$5,000 per month. Each Executive Manager will be informed of the limits placed on accounts issued to their department and or divisions. Requests to increase a city-issued credit card account maximum limit is addressed below (Requests for Initial, Additional or Changes to Credit Cards).

Purchases will be denied by the card issuer for any account that is delinquent or has exceeded its account limit.

Departments/divisions must track their monthly spending so that they do not exceed the credit card account limit.

1. Business Use Only

City-issued credit cards are to be used for City purchases ONLY. Employees should take whatever precautions are necessary to ensure that the card is not "accidentally" used for personal purchases.

Should the employee, in spite of precautions taken, accidentally use the card for a personal purchase, they shall, no later than the time the credit card payment is due, remit, in cash

or by check, the amount of the purchase, along with a copy of receipt or charge slip to the Administrative Services Department. A receipt will be issued by the Administrative Services Department and the revenue will be posted to the general ledger account on which the expense was posted. The receipt, along with the *original* charge slip shall be attached to the monthly statement, by the department/division. The account code assigned should be the Customer Deposit account code.

2. Conditions for Use

The total of a single purchase to be paid using a city-issued credit card may be comprised of multiple items and cannot exceed the authorized single invoice limit. Purchases will be denied if the authorized single purchase limit is exceeded. Payments for purchases are not to be split in order to stay within the single purchase limit.

All materials, supplies and services purchased over the counter and paid for by using the card must be immediately available. No back-ordering is allowed.

All materials, supplies and services purchased by telephone order to be paid for by credit card must be delivered by the merchant/vendor within the 30-day billing cycle. The order should not be placed without this assurance. (Please see "Telephone Purchase Procedures" below).

City-issued credit card use for employee travel must comply with established City travel policy.

3. Telephone Purchase Procedures

Telephone purchase procedure, as used in these instructions, means a procedure where an order is placed or a purchase is made by telephone. The supplies or services are provided by the merchant/vendor and payment is made using the credit card.

When placing a telephone order to be paid using the credit card, employee will:

- a. Confirm that the merchant/vendor agrees to charge the credit card when shipment is made so that receipt of the supplies may be certified on the monthly Statement of Account.
- b. Instruct the merchant/vendor to email, fax, or mail the charge slip to the card holder when the credit card is charged.

4. Internet Purchase Procedures

Internet purchase procedure, as used in these instructions, means a procedure where an order is placed or a purchase is made by internet website access.. The supplies or services are provided by the merchant/vendor and payment is made using the credit card.

When placing an internet order to be paid using a city-issued credit card, employee will:

- a. Confirm that the web site utilizes security protection software.
- b. Confirm that the merchant/vendor agrees to charge the credit card when shipment is made so that receipt of the supplies may be certified on the monthly Statement of Account.
- c. Print out a hard copy of the order confirmation before exiting the site.

5. Documentation, Reconciliation and Payment Procedures

a. Documentation

Any time a purchase is made that will be paid using a city-issued credit card, whether it is done over the counter or by telephone or by internet, a document must be retained as proof of purchase. The documents will later be used to verify the purchases shown on the credit card monthly statement.

When a purchase is made over the counter, the employee is to obtain a customer copy of the charge slip, as well the separate invoice if any, which will become the accountable document (make sure all carbons are destroyed).

b. Missing Documentation

If for some reason the employee does not have documentation of the transaction to send with the statement, they must attach a signed affidavit that includes a description of the item, date of purchase, merchant's/vendor's name and why there is not supporting documentation. If documentation is received after the statement has been sent for payment, the employee should send the documentation to the Administrative Services Department with a note referencing the date of the statement to which it should be attached.

6. Credit Card Restrictions

The following list covers purchases for which a city-issued credit card use is **prohibited**:

- a. Gasoline and oil purchases. Gasoline and oil purchases for City vehicles only must be made using a **gas** credit card.
- b. Cash advances through bank tellers or automated teller machines.

7. Payment and Invoice Procedures

- a. Purchases made by employees will be paid by the accounts payable section of the Administrative Services Department once the employee certification and Executive Manager or his/her designee's verification has been completed, and account coding assigned for each transaction. Account codings shall be summarized by budget account.
- b. Original statements and receipts or charge slips should be sent to the Administrative Services Department. If the employee Department/Division wishes to retain a copy of the statement, a copy should be made before the original statement is sent to Administrative Services Department.
- c. The "Statement of Account" requires the Department/Division to review the statement and to note any errors on the bill. The Department/Division should attach to the statement receipts (sales drafts/charge slips) received at the time of purchase with the budget account number noted on each. Travel expense charges must include a copy of the final accounting of the travel authorization form, as well as receipts

pertaining to travel purchases made by credit card. They stamp the statement with an "Approved for Payment" stamp (*to be issued by Administrative Services Department*), assigns account codes for each item, writes the grand total of the amount to be paid in the "amount" area provided by the "Approved for Payment" stamp, attached the summary by budget account and secures the signature of the Executive Manager or his/her designee certifying items purchased and received and forwards to the accounts payable section of the Administrative Services Department within five (5) working days after it is received. Noncompliance may mean denial of future use. *Executive Managers must notify the Administrative Services Department, in writing, the names of designees authorized to sign approvals* (See Attachment 3).

- d. The Executive Manager will be responsible for receiving completed statements from all divisions, reviewing them, resolving any questions on the purchases, reconciling and signing the statements, and forwarding completed account statements with all attachments to the accounts payable section of the Administrative Services Department within five (5) working days after receipt of the statement in the mail. Account statements will all close on the last day of each month and will be mailed by the issuer shortly thereafter. Statements will be mailed directly to each department and will generally be received on about the same date each month.
- e. If an account has no purchase activity for a particular billing cycle and shows a "zero" balance, the statement should be sent to Administrative Services for filing in the merchant/vendor file. "*File Only — Zero Balance*" should be clearly marked on the front of zero balance statements.

7. Approval

Approval of the transactions that employees have made using a city-issued credit cards will not be totally defined in these procedures. Executive Managers, because of their knowledge of the job responsibilities of employees, are required to look at each employee's purchases, and at the merchant who made the sale in order to determine if these items were for Official Use and if they were items allowed to be purchased in accordance with the instructions provided. If, for any reason, the Executive Manager questions the purchases(s), it is his/her responsibility to resolve the issue with the employee. If they cannot be satisfied that the purchase was necessary and for Official Use, then the employee must provide a Credit Voucher proving item(s) have been returned for credit, or a personal check or cash for the full amount of that purchase. Resolution for improper use of a city-issued credit card will be the responsibility of the Executive Manager to resolve, and disciplinary action for misuse will also be his/her responsibility to process.

8. Disputes

If items purchased with a city-issued credit card are found defective or the repair of services faulty, the employee has the responsibility to return the item(s) to the merchant for replacement or to receive a credit on the purchase. If the merchant/vendor refuses to replace or correct the faulty item, then the purchase of this item will be considered to be in DISPUTE.

The Executive Manager, or their designee, shall notify the credit card issuer in accordance with the instructions on the "Employee Statement of Questioned Item" for adjustment. The form should be attached to the statement of account, with a copy retained by the Department for follow-up the following month to be sure the proper credit is received on the statement of account.

It is essential that the time frames and documentation requirements established by the credit card issuer be followed to protect the employee's rights in dispute. Dispute policies and procedures issued by the credit card issuer will be provided at the time credit cards are issued to employees.

9. Requests for Initial, Additional, or Changes to City-issued Credit Cards

All requests for new accounts, additional cards or changes in account names or limits will be done by submitting a written request to the Administrative Services Director.

10. Periodic Inventory of Credit Cards

The Administrative Services Department will periodically provide a list of credit cards issued to the Executive Manager. Executive Managers will conduct a physical inventory of credit cards, photocopying each card, and provide a report to the Administrative Services Department of the results of the inventory.

11. Lost or Stolen Credit Cards

Should any employee lose or have a credit card stolen, it is the responsibility of the Executive Manager to immediately notify the credit card issuer of the loss. The telephone number of the credit card issuer will be provided when the credit card is issued.

In addition to notifying the credit card issuer, the Executive Manager must notify the Administrative Services Department of the lost or stolen credit card WITHIN ONE WORKDAY after discovery of the loss or theft of the card.

12. Terminating Employee

The Executive Manager shall be responsible to collect city-issued credit cards from terminating employees.

In the event the Executive Manager is not able to collect a city-issued credit card when an employee leaves, the Executive Manager shall notify the Administrative Services Department immediately by telephone and follow-up with a memo to take action to ensure the credit card is voided. The Administrative Services Department will notify the credit card issuer to void the credit card to prevent any purchases after the employee leaves.

Section 11.0 CONTRACT CHANGE ORDERS

To establish a uniform procedure for documenting review and authorization of Change Orders for construction contracts these procedures shall apply to changes in the work that result in alterations, amendments or deviation from an awarded contract thereby modifying the scope of the contract, the cost, completion schedule, material and/or equipment furnished under the awarded contract.

A Change order is the written authorization that changes the awarded contract as noted above. The Change Order shall be for similar kinds of work as that awarded in the original contract and shall only arise in good faith from unforeseen items and/or events since the time of the bid award. Request for Change Order authorization to the City's purchasing authority shall be accompanied by a purchase order.

Change Order authorization limits are established as follows:

Contracts < \$150,000: 25% of contract or \$25,000 whichever is greater

Contracts \$150,000 - \$500,000: 25% of contract

Contracts > \$500,000: 10% of contract or \$125,000 whichever is greater

The limits noted are for Change Order amounts in the “aggregate”. Change Orders for amounts in excess of these limits must be approved by the City Council as a regular agenda item.

In all cases where a change order would increase the cost of the project beyond the existing budget resources, the change order shall be presented to Council along with an appropriation resolution to the Council for their consideration and approval.

Section 12.0 CONTRACTS WITH OTHER PUBLIC AGENCIES/COOPERATIVE PURCHASING ARRANGEMENTS

It may be beneficial to contract with other public agencies for goods and services. In such cases, the purchasing authority may waive normal bidding procedures if can be shown, via the quotation procedures contained in Section 4.0, that contracting directly with another public agency is equal to or less than the cost of a private sector competitively bid contract.

To lessen the administrative burden of conducting informal bid or formal request for proposals, staff may utilize cooperative purchasing arrangements, such as Source Well pricing, to meeting the bidding requirements of this policy.