

STANDARD ADMINISTRATIVE POLICY AND PROCEDURES MANUAL

Title: Financial Policy
Section: Purchasing Policy

Date: July 1, 2020~~15~~
Resolution: ~~15-06-6820-06-XXX~~
~~Amended July 1, 2016 Resolution 16-06-88~~
~~Updated bid limits February 23, 2017~~
~~Amended July 1, 2017 Resolution 17-06-84~~
~~Amended July 1, 2018 Resolution 18-06-99~~
~~Amended January 1, 2019 Resolution 18-12-192~~
~~Amended July 1, 2019 Resolution 19-06-74~~
~~Updated bid limits January 1, 2020~~



SECTION 1 – PURCHASING POLICY

- A. It shall be the responsibility of the department head to ensure that their department follows all policies and procedures.
- B. The city's purchasing system is primarily decentralized (each department's responsibility) except for those goods, services and equipment that qualify or are designed for centralized purchasing.
- C. All applicable paperwork should be forwarded to the City Clerk/Finance Department promptly to expedite processing.
- D. No purchase made by an employee shall bind the city to receive and/or pay for services and supplies, vehicles, or equipment procured, unless authorized by the methods described herein.
- E. Noncompliance with these policies and procedures may result in the return of improperly authorized or prepared documents, nonpayment of vendor invoices, cancellation of purchase orders or purchasing privileges, or other sanctions as determined necessary after consultation with the department head and/or city manager.
- F. Transactions should not be split into smaller parts in order to circumvent the dollar limitations and requirements of this policy.
- G. The city does not prepay for goods or services or utilize prepaid devices such as gift cards.
- H. Employee reimbursements should be kept to a minimum (i.e. emergencies and travel/training). Sales tax will not be reimbursed on purchases for supplies or materials, or on items purchased at vendors with established accounts for the city of Oskaloosa. The only exception is for purchases on a personal credit card where there are no other payment options.

SECTION 2 – PURCHASING METHODS

All purchases must use one of the following purchasing methods. These methods of purchasing services and supplies, vehicles, or equipment are available for purchases not requiring formal bidding and council approval:

- Purchase order
- Blanket purchase order
- Petty cash
- Travel, training and/or conference reimbursement

- A. **Purchase order** – This is the preferred method of purchase. It requires a purchase requisition be completed and submitted for proper authorization by the department head or their designee. The purchase requisition is done prior to placing the order with the vendor.

Purchase order guidelines:

1. Purchases under \$ 2,000
 - a. No purchase order required
2. Purchases \$2,000 and over
 - a. Purchase order required
 - b. Department head approval required
 - c. City manager approval required

Exceptions to the use of purchase order for services and supplies, vehicles, or equipment:

- Purchases under \$2,000
- Monthly or quarterly recurring expenses (copier services, scheduled maintenance, utility bills)
- Employee physicals and medical expenses
- Publication expenses
- Dues and memberships
- Gasoline and fuel oil
- Court costs
- Bond and interest payments
- Insurance and insurance claims
- Taxes
- Recording fees
- Scheduled agency payments
- ~~Contracts and purchases approved by the Oskaloosa City Council~~
- Legal services

- B. **Blanket purchase order** – The blanket purchase order is issued in advance for a predetermined budget amount. Examples of a blanket purchase order are bulk items (sand, rock, asphalt) and limited contracted services (engineering, tree removal). The blanket purchase order will close once the amount is exhausted, and a new blanket purchase order will need to go through the regular requisition process. Blanket purchase orders should not be used for:

- a. Travel and training reimbursements
- b. Initiating on-going service contracts
- c. Purchasing capital items or projects requiring a formal bid process and/or council approval

- C. **Petty cash** – Petty cash may be used to make purchases under \$20.00. An itemized receipt with the numbered petty cash form must be completed in full for reimbursement. The department head must approve the petty cash purchase when the receipt is completed. The City Clerk/Finance Department has an authorized petty cash fund. Developmental Services, ~~the, the~~ Library, and the Police Department maintain cash funds for customer service needs only. Petty cash should not be used for:

- a. Travel and training reimbursements
- b. Purchases from a vendor where the city has a credit/charge account
- c. Employee reimbursements

- d. Cashing personal checks or overwriting a check to receive cash

D. **Travel, training and/or conference reimbursement** – Employees are reimbursed for approved travel, training and conference expenses as authorized by their department head. Employees are urged to use discretion and seek economical lodging, transportation and meals. The city is authorized to provide advance travel money not to exceed \$250 (Resolution No. 92-6-71).

Reimbursement guidelines:

1. Registration fees for approved conferences or training seminars will be paid by the city.
- ~~2.~~ Textbooks and other materials provided in registration fees or paid by the city will become property of the city.
- ~~2-3.~~ The city will reimburse employees for exams required for their position and approved by their department head upon submission of proof of successful exam completion.
- ~~3-4.~~ The city will pay single room occupancy rate unless two city employees share a room; the city will then pay the double occupancy room rate.
- ~~4-5.~~ Use of commercial carriers will be limited to the least expensive class. Employees are urged to purchase tickets in advance to obtain the best travel rate. Costs for taxis, buses, rental cars or other local transportation necessary for city business will be allowed.
- ~~5-6.~~ Use of personal vehicles.
 - a. Employees may use their personal vehicle for business travel only if the use of a city vehicle is not available.
 - b. Reimbursement for mileage on personal vehicles will be at the rate set by the city manager and shall be computed using the most direct route.
 - c. Employees using personal vehicles for business purposes will be reimbursed based on miles traveled, less the employee's normal to and from work commuting miles and at the allowable rate established by the city manager. This rate is regularly reviewed and adjusted by the city manager. IE: An employee normally drives 5 miles each morning to work and 5 miles back home. If they instead drive to a conference 20 miles away, then they would be eligible for reimbursement of 30 miles for the conference (20 miles to conference, 20 miles from conference, less 10 commuting miles).
 - d. If the employee elects to use a personal vehicle when a city vehicle is available for use, the employee may only be reimbursed for the lesser of actual gas receipts or mileage.
- ~~6-7.~~ Meals are reimbursed as follows:
 - a. The maximum reimbursement each day is \$25.00
 - b. Actual expenses not exceeding \$10.00 for breakfast, \$10.00 for lunch, \$15.00 for dinner will be reimbursed to employees. Breakfast expenses will only be reimbursed on overnight stays.
 - ~~c.~~ Meals reimbursed for single-day trips (not requiring overnight stay) are taxable as wages. Meal reimbursements will be paid through Accounts Payable and taxed through the regular Payroll process.
 - ~~e-d.~~ For multiple employees attending the same meeting, each person needs to pay their own expenses and have their own individual receipts. The city will only reimburse individual employees for their meal/travel expense.
 - ~~e-e.~~ The city manager may approve payment of actual costs of a higher amount in special circumstances (Employee Handbook adopted July 1, 2013, page 50)
 - ~~e-f.~~ Original, itemized receipts must be provided for reimbursement
 - ~~f-g.~~ The city does not pay or reimburse employees for alcoholic beverages or snacks between meals
 - ~~g-h.~~ Tips shall not exceed 15% of the total meal cost

~~h.~~ Meal reimbursement is not applicable if the meal expense is included within a conference or meeting registration fee.

~~7-8.~~ Parking fees are allowed for storage of a city, personal vehicle or rental car as part of business-related travel. Fines for parking violations are the employee's responsibility.

~~8-9.~~ Employees will be reimbursed for authorized travel and training expenses by completing a travel expense voucher with original, itemized receipts. Department heads must approve all employee travel expense vouchers. The city manager must approve all department head travel vouchers. The city manager must also approve any employee reimbursements over \$2,000.

SECTION 3 – PURCHASING PROCEDURES

A. Regular purchase order (purchase \$2,000 or more, or requested by vendor)

Step 1 – A purchase requisition is submitted in the financial software. All information must be completed, including freight/shipping charges and all notes/documents pertaining to the purchase. Notes for each requisition are required, and will include the remaining budget amount for the GL line item. Documentation can be scanned into the requisition regarding quotes and other relevant information to the purchase. The information is reviewed and approved by all required levels.

Step 2 – A purchase order is issued by the department and signed originals are sent to the city manager and City Clerk/Finance Department. The city manager will sign all purchase orders over \$2,000.

Step 3 – The department orders the services and supplies, vehicles, or equipment.

B. Blanket purchase order (purchase \$2,000 or more, or requested by vendor)

Step 1 – A purchase requisition is submitted in the financial software similar to a regular purchase order. The blanket purchase order is issued only for the current fiscal year. This will encumber the GL line item of the purchase and cannot exceed the amount available in the budget. The information is reviewed and approved by all required levels.

Step 2 – A purchase order is issued by the department and signed originals are sent to the city manager and City Clerk/Finance Departments. The city manager will sign all purchase orders over \$2,000.

Step 3 – The department orders the services and supplies, vehicles, or equipment. Each invoice received against the purchase order reduces the amount available until the purchase order amount is exhausted.

C. Petty cash

Step 1 – The purchase should not exceed \$20.00.

Step 2 – The petty cash custodian will issue the money to the employee and note the amount withdrawn.

Step 3 – The employee returns the itemized receipt to the petty cash custodian, who attaches it to the petty cash slip. The employee signs the petty cash slip.

Step 4 – The department head completes the petty cash slip and approves the purchase.

Step 5 – The petty cash custodian reimburses the petty cash fund as needed. Reconciliation forms should be completed and submitted with receipts at least once every three months or more frequently as needed.

D. Travel, training and/or conference reimbursements

Conference/training expenses:

The city will issue payment for registration fees and/or hotel/motel costs prior to the conference. A Request for Check with detailed documentation for the payments must be submitted to the City Clerk/Finance Department in a timely manner.

Reimbursement to employee:

1. The employee completes the travel expense voucher and attaches original, itemized receipts. The department head approves the voucher and submits to the City Clerk/Finance Department. All expense vouchers for department heads must be submitted to the city manager for approval. Any employee expense vouchers over \$2,000 must also be submitted to the city manager for approval.
2. The City Clerk/Finance Department reviews the voucher and issues payment to the employee. Automatic deposit for employee reimbursement is required.

SECTION 4 – PURCHASING LIMITATIONS

A. Informal Quotation Process (Informal)

1. The purchase of any services and supplies, vehicles, or equipment with a total value between \$2,000 and \$4,999 requires two quotations. These quotations can be either telephone quotations or from a suppliers catalog. These quotations need to be documented on the purchase requisition.
2. The purchase of any services and supplies, vehicles, or equipment whose total value is between \$5,000 and \$39,999 shall require written quotations from two suppliers. Quotations should be retained by the City Clerk/Finance Department with other related paperwork and be documented on the purchase requisition.
3. Purchases for public improvements qualifying under Chapter 26.3 of the Code of Iowa that are less than \$50,000 for highway, bridge, or culvert work, less than \$57,000 for buildings, utilities, sidewalks, trails, etc. or have been declared *emergency repair work* qualify for informal quotations. These purchases shall adhere to the following requirements:
 - a. The contractor must provide a performance and payment bond for a public improvement project of more than \$25,000 (Chapter 573.2 of the Code of Iowa).
 - b. The city manager shall solicit city council affirmation of public improvement contracts over \$25,000 at the next regularly scheduled or special called meeting.
 - c. Competitive quotations shall be required for any public improvement having an estimated total cost more than \$36,000, but less than \$50,000. Departments need to refer to Iowa Code 26.14 for the competitive quotation process required by the State of Iowa.
4. All purchases involving a sole source bid (no competitive bids) where informal quotes are required shall be accompanied by written justification from the department head detailing the reason for a sole source purchase.

5. All purchases requiring the informal quotation process do not require council approval.

B. Competitive Bid Process (Semi-Formal)

1. The purchase of any services and supplies, vehicles, or equipment with an estimated value in excess of \$40,000 shall require the taking of competitive bids based on written bid specifications with the cooperation of the City Clerk/Finance Department.

All bid documents shall receive prior approval from the city manager or their designee. All amendments to bid specifications shall be made in writing. In the event it is deemed necessary to verbally inform a vendor of a bid specification change, such verbal communications shall be immediately followed up with written confirmation of the change. A notice to bidders may be published in an authorized publication, but is not required. It is recommended that all bid opportunities are posted to the city's website.

The written bid documents will include the time, place, and manner for filing bids, which may be received by mail, fax, or e-mail. A report outlining all bids received, including the vendor names and the amount of the bids shall be submitted. If the bid is being awarded to a vendor other than the low bidder, the report shall also state why the bid is not being awarded to the low bidder. The report shall also include the amount budgeted for this purchase. The city manager or their designee may award the contract bid, execute the contract, authorize work to proceed under the contract, and/or approve performance and payment bonds. The city manager shall solicit city council affirmation of all semi-formal bids, contracts, and purchases that are not previously included in the council approved Capital Improvement Plan (CIP) at the next regularly scheduled or special meeting.

2. Purchases for public improvements qualifying under Chapter 26.3 of the Code of Iowa that are between \$57,000 and \$139,000 and have not been declared *emergency repair work* and are not for highway, bridge, or culvert work qualify for competitive bidding (semi-formal) and shall adhere to part B-1 of this section. The contractor must provide a performance and payment bond.
3. All purchases involving a sole source bid (no competitive bids) where competitive bids are required shall be accompanied by written justification from the department head detailing the reason for a sole source purchase.

C. Competitive Bidding (Formal)

1. Purchases for public improvements qualifying under Chapter 26.3 of the Code of Iowa that are in excess of \$139,000 or are for highway, bridge, or culvert work in excess of \$50,000 must use formal bidding as defined by Chapter 26 of the Code of Iowa, unless the improvements are declared *emergency repair work*.
2. Formal bids must be taken with the cooperation of the city manager and the City Clerk/Finance Department using the following steps:
 - a. Detailed and written plans and specifications and a detailed cost estimate must be prepared for the public improvement project, approved by the city manager, and placed on file with the city clerk's office.

- b. A notice to bidders must be posted by the city clerk not less than thirteen (13) days and not more than forty-five (45) days before the date for filing bids. Notice to bidders must be posted in: (1) relevant contractor plan room service with statewide circulation; (2) a relevant construction lead generating service with statewide circulation; and (3) an internet site sponsored by the city or a statewide association that represents the city. Notices must include:
 - i. Time and place for filing sealed proposals
 - ii. Time and place sealed proposals will be opened and considered on behalf of the governing body
 - iii. The general nature of the public improvements on which bids are being requested
 - iv. In general terms, when the work must be commenced and when it must be completed
 - v. Bid security and bid bond requirements
- c. A notice of public hearing on plans, specifications, form of contract, and cost estimate must be published by the city clerk not less than four days and not more than twenty days before the public hearing.
- d. A formal opening and announcement of sealed bids on the published date by the city manager or their designee; review, consideration, and recommendation of bid award by city manager or their designee; city manager or their designee prepares report of bids received.
- e. A public hearing on plans, specifications, form of contract, and cost estimate on the published date by the city council.
- f. City council receives report of bids received.
- g. City council passes or rejects resolutions to adopt plans, specifications, form of contract, and estimate of cost, to award construction contract, and to approve construction contract and bond with the lowest responsive, responsible bidder who has met all bid security and bid bond requirements following the public hearing.
- h. All purchases involving a sole source bid (no competitive bids) where competitive bids are required shall be accompanied by written justification from the department head detailing the reason for a sole source purchase.

D. Miscellaneous

1. Bid and quote thresholds for Iowa cities are updated every other year by the State of Iowa Threshold Committee. Updated bid and quote thresholds for horizontal and vertical infrastructure may be found at http://www.iowadot.gov/local_systems/publications/bid_limits.htm. These thresholds become effective January 1 of the year following the year the adjustments are made.
2. Contracting for professional services (legal, engineering, etc.) or for ongoing technical services (maintenance, utilities, etc.) may be done on a negotiated basis. Where practical, however, those vendors providing such services should be asked to submit formal proposals to provide the

services requested. Such proposals shall be evaluated on the basis of the vendor's reputation, experience, and understanding of the work to be done. Price, while being a factor, should not be the primary factor. City manager and city council authorization or affirmation is still required at the same dollar limitations as semi-formal or formally bid contracts.

3. Bids solicited by the United States of America or an agency thereof, the State of Iowa, Mahaska County, or another governmental unit may be used as a replacement to the bidding requirements unless bidding is required by the Code of Iowa, the city council, or the city manager. The availability of a bid from another government agency does not preclude the city from seeking and obtaining bids in a manner provided through this policy.
4. All purchases funded through a state or federal grant must follow all additional procedures required by the grantor. All bid specifications for a purchase that is funded through a state or a federal grant must list all additional specifications for the services and supplies, vehicles, or equipment that are required by the grantor. Contractors must be evaluated when the bids are received on their ability to meet these state or federal requirements. In addition, no purchases to be covered by the grant can be made prior to the execution of the grant agreement unless approved by the grantor.
5. Purchase transactions for services and supplies, vehicles, or equipment with a city employee (the employee, employee's spouse, or employee's business) are limited to ~~\$1,500~~ \$6,000 per fiscal year per employee in total ~~as per state law~~ under Chapter 362.5 of the Code of Iowa. Any transactions with an employee that will exceed this limit are required to go through formal bidding requirements.
6. For any given purchase, due to the nature of the contract, the competitiveness of the vendors, or for other reasons, the department may choose to use the bidding procedures for a higher dollar threshold than which the purchase falls under. The department may not, however, select bidding procedures for a lower dollar threshold than what is prescribed.
7. *Emergency repair work* is declared via resolution by the city council and a certificate from an external, registered, professional engineer certifying that the emergency repairs are necessary.

E. Local Purchasing Preference

1. The city of Oskaloosa currently purchases many products, services, supplies, equipment, tools and other various items. The city staff and city council are directed to make purchases based on the lowest responsive bid. The council approves a local preference as follows:
 - a. Vendors, suppliers or service providers will be given a credit on their bid equal to 5% of their bid, or \$500, whichever is less.
 - b. On bids over \$10,000, the maximum credit will be \$500.
 - c. In order to qualify as a local vendor, a bidder must maintain offices within Oskaloosa or within two miles of the corporate limits of Oskaloosa.
 - d. Purchases, which are made through the formal bid process (i.e. public improvement projects), must be awarded to the lowest responsive bidder as required by Iowa Code Chapter 26.

- e. If the purchase is subject to federal, state or county grant requirements, the applicable provisions of the grant supersede the city's local purchasing preference.

F. Contract Administration

1. The city manager or their designee will advertise and bid all contracts qualifying for formal bidding procedures. The city manager or their designee will oversee receiving, opening, and announcing all formal bids. Bids received late will be immediately returned to the late bidder unopened.
2. All contracts or agreements that are presented to the city council or the city manager for approval must be signed by all parties prior to submission. Authorization by the city representative should be the last signature obtained on the contract/agreement. Any change orders or amendments to contracts/agreements should also have all signatures prior to authorization by the city representative. All contracts, agreements and change orders placed on the council agenda for approval must be filed with the city clerk with all necessary signatures prior to the council meeting.
3. Formally bid contracts will be executed by the mayor and attested to by the city clerk. The city manager or their designee shall execute all other contracts on behalf of the city as permitted by state law. Copies of all contracts should be forwarded to the City Clerk/Finance Department.
4. The city manager or their designee will administer all contracts on the authority of the city council.
5. The city manager or their designee will approve all change orders to contracts. City council must approve all change orders for contracts that were bid using formal bidding procedures, unless a contingency amount has been approved by the city council during the award of contract. In the event of an approved contingency, the city manager will approve all change orders up to the contingency ceiling.
6. Contractual payments on formally bid contracts must be approved, individually, by city council action. Other contractual payments must be approved by the city manager or their designee and listed on the formal claims list presented to city council.
7. Where appropriate, retainage shall be withheld on contracts for public improvements as provided for by state law or on other contracts as deemed appropriate or necessary. Retainage on a contract may not exceed 5% of the cost of the public improvement. An application by a contractor for early release of a retainage requires city council consideration and approval.
8. The final acceptance (certificate of completion), the final contractor payment, and the release of retainage authorization (unless early release applied for) of a formally bid contract shall be approved by city council action.

G. Amendment of Threshold Numbers Established

1. Any dollar amount or limitation as set forth in the above Purchasing Policy which is fixed or established by reference to the Code of Iowa, specifically including Iowa Code §26.3; §573.2; Chapter 314; or otherwise dependent upon periodic action by the State of Iowa, shall be deemed to be adjusted and amended in accordance with any changes to those amounts made by the State of Iowa without any formal amendment or addition to this Purchasing Policy.