



Township Policy and Procedure

CHARTER TOWNSHIP OF CLINTON MACOMB COUNTY, MICHIGAN

PURCHASING AND BID POLICIES AND PROCEDURES

Scope

These *Purchasing Policies and Procedures* apply to all employees, appointed members of Township Boards and Commissions and elected officials of the Charter Township of Clinton.

Purpose

Cost containment and effective use of all Township resources is a top priority for the Township. This document states Township policy regarding procurement of supplies or services and establishes procedures to support an audit trail that is imperative for good internal controls. In addition, it outlines ethical standards for the conduct of both employees and vendors who seek to do business with the Township.

Responsibilities

- The Township Board is responsible for establishing this Policy
- Department Heads and authorized approvers are responsible for understanding and applying this Policy
- The Township is responsible for reimbursing vendors for necessary expenses in a reasonable amount of time.
- The Township assumes no obligation to reimburse vendors for expenses that are not in compliance with this Policy.

Employees who do not comply with this Policy are subject to disciplinary action, thus it is imperative that all Township employees authorized to make purchases on behalf of the Township fully understand the *Purchasing Policies and Procedures* before incurring expenses that may require payment.

Definitions

Contract is deemed any type of agreement, regardless of title for the procurement of supplies, services or construction (e.g. purchase orders and contract forms).

Department Head as referred to in this document are those individuals who have budget responsibility and generally include the following:

Supervisor, Treasurer, Clerk, Administrative Aide, Finance Director, Human Resources Director, Information Technology Director, Cable Director, Senior Citizens Director, Assessor, Building Director, Civil Service Director, DPW Director,

Engineer, Fire Chief, Police Chief, Planning Director, Recreation Director, Water & Sewer Director, and Elections Coordinator.

Originator refers to an employee who initiates a requisition for payment.

Lawful Expenditures

To safeguard against improprieties and to ensure that the township is operating lawfully and properly, **all expenditures must serve a valid public purpose and be authorized – either expressly or fairly implied – by law.**

Litmus Test for determining the legality of a government expenditure:

- The expenditure is authorized by statute.
- The expenditure is provided for in the General Appropriation Act (approved budget) of the Township.
- The Township receives something of specific value in return for an expenditure that achieves a public policy or benefits the entire township. (Article IX, S18 of MI Constitution)

Common expenditures with special statutory provisions

- Newsletter to disseminate factual, unbiased information regarding township improvements, activities and functions. (MCL 41.110c)
- Observances, under the control of the Township, to celebrate armistice, independence, memorial days, diamond jubilee or centennials.
- Membership dues to governmental associations that advise, inform and educate officials and employees.
- Meals and refreshments deemed a public purpose
 1. when working extended hours for emergency services by firefighters, police officers, and other emergency related employees;
 2. when dedicating public buildings;
 3. as part of the cost of training volunteers to perform emergency services within the township; or
 4. when part of authorized seminar of an educational nature to officials and employees.
- Registration fees, lodging, travel for attendance at useful public informational or educational workshops and seminars.

Unlawful expenditures by a governmental unit

- *Office Refreshments (coffee, donuts, sandwiches) during normal working hours is considered personal and improper.*
- *Retirement functions and recognition dinners for employees or officials*

- Office picnics
- Flowers to the sick or departed
- Mileage to/from residence to the township customary work site or meeting rooms

Selection of Vendors

In doing business with private vendors employees should follow two basic principles underlying the Township's policy:

- Contracts are to be awarded by a competitive process whenever possible. Open competition ensures that all qualified vendors have the opportunity to sell to the public sector.
- Contracts are to be awarded only to vendors proven to be responsible, as measured by such things as:
 1. Adequate financial resources to carry out the contract commitments
 2. Ability to comply with delivery requirements
 3. Satisfactory record of performance
 4. Satisfactory record of integrity
 5. Ability to secure adequate bonding and insurance if appropriate to the contract
 6. Being otherwise qualified and eligible.

Township Contracts with Private Business

Manufactured Goods

This includes any item used in the normal operations of the Township by one or more departments. The purchase of these items is handled in accordance with the vendor of choice negotiations for that fiscal year, if applicable, and by individual departments unless otherwise noted.

- Office & operating supplies
- Furniture
- Printed Materials
- Paper Products
- Copiers, Facsimile Machines, Telephone Systems, Computers (IT Dept.)
- Vehicles
- Capital Equipment
- Medical Supplies & Equipment
- Law Enforcement Products

- Recreational equipment
- Refreshments for programs of a public nature/benefit

Contracts for Services

- Recreational Facilities/Equipment
- Design and Construction of Capital Projects (Architectural, Engineering, Construction Management or General Contractor Services)
- Personal Service (maintenance, automobile service, etc.)

Fluctuating Commodities

- Gasoline or diesel fuel (Sterling Heights consortium)
- Utilities, internet, phone and cable services

Procurement Expectations

Departments initiating purchases are responsible for providing full and open competition. In addition, these departments are responsible for maintaining the significant history of the procurement process, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contractor price.

Research of Competitive Prices for purchases of \$0 to \$749.99

All departments are expected to make use of the internet, catalogs, sale papers and/or telephone query to ensure good value in their procurement of services or supplies. Employee work time is valuable and should not be used “to drive around” in search of the best deal. Shipping & delivery are to be a part of all quotes. Department Head approval, or their designee, is required for all purchases.

Competitive Quotes for purchases of \$750 to \$9,999.99

Three quotations are to be secured by the department seeking service or supplies. The award can be made after the evaluation of the quotes without approval of the Township Board only if there are available dollars in the approved budget. Quotes must be documented and maintained for 3 years in the department initiating the purchase.

Sealed Bids for all contracts for which the Township Board anticipates a total obligation of \$10,000 or more.

A minimum of three sealed bids are secured through formal quotations subject to the requirements in the *Township Resolution Establishing Competitive Bidding Policy* (January 24, 1994). Bids shall be opened in public at the time and place stated in the public notice. Where less than three bids are received, a written explanation by the department head shall be furnished to the Township Board. The Township Board has sole authority to accept or reject any and all bids. Bid documents should be forwarded to the Clerk’s Office and a duplicate copy should be maintained for 3 years in the department initiating the purchase.

Exceptions to the Competitive Bidding Requirement

- Intergovernmental contracts.
- Contracts for professional services.
- Emergency purchases of supplies or services when a threat to public health, welfare or safety exists. In each instance as much competition as is practical under the circumstances shall be factored into the decision. Written documentation specifying the nature of the emergency must be included in the contract file and approved on a retrospective basis.
- Change orders, additions or extensions to existing contracts where the Township Board determines that such action is reasonably necessary to meet the principal objectives of the original contract to be performed.
- Renewals of insurance contracts or other contracts where the Board makes one or more of the following determinations:
 1. Renewal will assure that goods or services will be made available which otherwise may be unavailable at a reasonable cost as the result of absence of a long-standing contractual relationship.
 2. Renewal will provide a long-term cost savings or long-term cost savings and additional services which otherwise are unavailable through competitive bidding.
 3. Renewal will provide goods or services at a reasonable cost and avoid inconvenience and cost associated with changes in equipment, fixtures, or procedures resulting in costs associated with replacement, installation, training and other related changeover costs. (E.g., computer software)
- Contracts with utilities including but not limited to telephone service.
- Contracts involving unique items, such as a particularized item of used equipment or demonstration item where no reasonable market exists for procuring additional quotes for substantially similar items.

Cooperative Purchasing & Bulk Mail

When possible, purchasing items included within cooperatively bid State, County and local contracts is encouraged. These bid procedures should reflect the Township's procurement policies and procedures, including acquiring and maintaining evidence that an appropriate bid process was used and that the prices obtained do in fact tie back to the competitively bid contract. This evidence must be maintained for 3 years in the department initiating the purchase. The practice of merely having vendors indicate that the price is "contract pricing" is insufficient.

The United States Postal Service Bulk Mail options should be utilized whenever possible. The Township has Permits for First-class Presort mail, Standard Mail, and Business Reply Mail (postage-paid return).

Payment Policy

The Township will seek to make payment within thirty (30) days under normal circumstances and barring any provisions to the contrary in the contract. Vendor invoices should indicate purchase orders when applicable and must be authorized by the appropriate department head, with final approval being given by the Board of Trustees for all bills.

Early check releases are allowed on recurring bills payments (e.g. utilities, insurance & communications plans) to avoid late payment charges and in other limited circumstances when a written request by the originating Department is made, stating the reason for early release. A request for early release must be approved by both the Finance Director and Treasurer, or their designees.

Ethical Conduct

Any attempt to realize personal gain through public procurement by conduct inconsistent with the proper discharge of the employee's duty is a breach of public trust. Any effort by a vendor to influence any public employee, including an elected or appointed official or unethical conduct is also a breach of ethical standards. It shall also be a breach of ethical standards for any individual, including an elected or appointed official, drawing a salary or wage from the Township, to become or be an employee or to have a financial interest in any entity contracting with the governmental body. Financial interest is defined as ownership of any interest or involvement in any relationship from which, or as a result of which, a person within the past year has received or is presently or in the future entitled to receive, more than \$100.00 per year, or its equivalent; ownership of 5% or more of any property or business; or holding a position in a business such as officer, director, trustee, partner, employee, or the like, or holding any position of management. Any potential conflict must be disclosed to the Township Board of Trustees. The Board of Trustees may allow for an exception to this rule by a majority vote.

Accounting Procedures

Requisitions

Under almost all circumstances, a requisition must be created within the financial system to initiate a purchase. It is the responsibility of the originator of the requisition to ensure that all appropriate information is forwarded and accurate. Once the requisition has been entered it will be forwarded electronically to an authorized approver within the department. Each required approver, beginning with the lowest level of approval to the highest, will be alerted that a requisition is awaiting approval. Approval of a requisition is completed on-line in the financial system by an authorized individual within the department.

The following items **do not** require purchase requisition and order, but must include appropriate back-up documentation showing proof of service or payment/overpayment:

- Refunds (require copy of department's original receipt of payment)
- Personal expense reimbursements (according to Travel & Expense Reimbursement Policy)

- Utility & Phone bills
- Mandated payments (bonds, leases)
- Membership dues, Subscriptions
- Contractual payments
- Purchasing Card expenditures

Purchase Orders

Once a requisition is generated, completed and approved, it will be converted by the approver to a purchase order (PO), then posted and printed out. The purchase order will be used to support payment for goods and services once they are received and/or completed.

When the purchase order is posted, an encumbrance is posted to the general ledger account and the remaining budget is reduced by the amount of the purchase order. It is the responsibility of each approver to maintain the status of all purchase orders within the department. A purchase order remains open in the financial system until such time as an invoice is received and entered for payment.

When the original invoice is received, it should be initialed by the Department Head or their designated approver and forwarded to the Accounting department with the purchase order attached. If an invoice is received without a purchase order attached (see above exceptions), the invoice will be returned to the department for proper documentation. Once the PO and invoice is received in Accounting, it will be entered for payment and made ready for approval at the next Board meeting. The check will be released or mailed on the next business day following the Board meeting.

If there are changes to the amount of the purchase order, the correct amount should be written on the purchase order. If the purchase order is being partially paid, this should be noted on the purchase order so that the remaining balance is left open.

Authorized Purchasing Agents of the Township

Department Heads are responsible for identifying those individuals who are authorized to make purchases on behalf of the Township, initiate and approve requisitions, generate purchase orders and approve invoices for payment. Department Heads must advise the Accounting Office, in writing (electronic notification is acceptable), of the individuals who have been authorized to act at each step in their process. The Accounting Office shall document and code the department's process into the purchase order program.

As employees transition into or out of the Township, or take various forms of vacation or leave, changes to the department's process will need to be implemented. Changes may be temporary in nature, long-term, or permanent. In all instances, departments must notify the Accounting Office in writing (electronic notification is acceptable) of changes in their process at least one week prior to the needed change. Documentation should include the period of time that the change will be in effect. The Accounting Office will make the necessary changes in the purchase order program. Failure to request appropriate changes in advance could result in a delay in purchasing goods and paying outstanding invoices.

Department Heads or their designee are responsible for approval of expenditures for payment. A Department Head, however, may not approve his or her own expenditure. For example, a Department Head's personal expense report or purchasing card report must be approved by the Township Supervisor, except for the Administrative Aide, whose report must be approved by one of the four Trustees.

Storage of purchasing/payment documentation

Original invoices, receipts and payment documentation will be filed in the Accounting office and made available for viewing or copying whenever needed by departments.

Purchases Under \$10

Purchases under \$10.00 should be made with petty cash or the Township Purchasing Card. Petty cash reimbursements will not require a purchase order but expenditures are to be individually listed on the Township Petty Cash Reporting Form with original itemized receipts attached.

Blanket Orders

Blanket purchase orders are used for repetitive items consumed over an annual period and are allowed within the program. No commitment is made other than for goods and/or services ordered. When the blanket purchase order has been completely spent, a new blanket requisition will be required at that time to accommodate additional purchases from that account.

Invoice Submission/Late Fees

Department Heads are responsible for the approval and submission of all invoices within 5 days of receipt to ensure adequate turn-around time for payment within thirty (30) days. Frequent late fees incurred as a result of a department's tardy submission of invoices can result in disciplinary action.

Tax Exemption

Department Heads are responsible for checking all invoices to ensure that the Township is not charged sales tax. Copies of the Township tax exempt form are available from the Accounting department.

Auditing of Invoices

All invoices are subject to audit. Audits will confirm lawful township purpose of expense, supporting documentation (original itemized invoices/receipts), Department Head approval and bidding policy compliance when applicable.

It is the responsibility of the approving Department Head to ensure the completeness of all documentation submitted for payment. Receipts must be provided for all expenditures and are to be reviewed prior to an expenditure being approved.

Errors found as a result of audit will require corrective measures to be taken by the approving Department Head. Ongoing errors/incomplete documentation being submitted by a Department Head, disregard for Township Policy, or altering of receipts will result in disciplinary action up to and including termination.

ANNUAL LIST OF VENDORS OF CHOICE

The Township will identify items that are repetitively consumed township-wide over an annual period and negotiate annually for the best possible pricing available for the collective purchases. All departments, including Police and Fire, will be required to utilize the vendors of choice where identified.

Items to be negotiated for a preferred vendor:

- Office supplies
- Copy paper, regular envelopes
- Toilet paper, C-fold paper towels
- First Aid supplies – Note: Only those supplies required for emergency first aid are to be purchased, not convenience items for employees that may in fact carry liability issues when dispensed.
- Fire Extinguisher annual checks
- Printing of non-specialized items - Examples: business cards, flyers, township stationery & envelopes