

Purchasing and Contracting and Allocation of Funds Policy

Objective: To establish policy and procedure for the procurement of goods and services by and for the Metro Utility Department.

Policy:

The basic responsibilities and procedures for an economical and efficient purchasing system are set forth in TCA 5-21-118 through 5-21-129 to enforce internal controls and GAAP compliance. The primary objective of centralized purchasing are cost savings through uniform consolidated purchasing practices and verification of funds availability prior to obligation. No contract, purchase, or obligation of Metro Utility Department for supplies, materials, equipment, contracted services, or rentals shall be made without the prior execution of a purchase order except in the narrow definition of emergency purchase as defined later in this policy.

Purchasing Ethics

Purchasing materials and goods occupy a special position of trust and responsibility at Metro Utility Department. In order to avoid the potential problems of unethical behavior, strict adherence to a sound purchasing Code of Ethics is required and practiced.

Ethics demand that we, as employees of Metro Utility Department, who make or influence decisions for the Utility System respect the rights of others and still maintain complete loyalty to MUD.

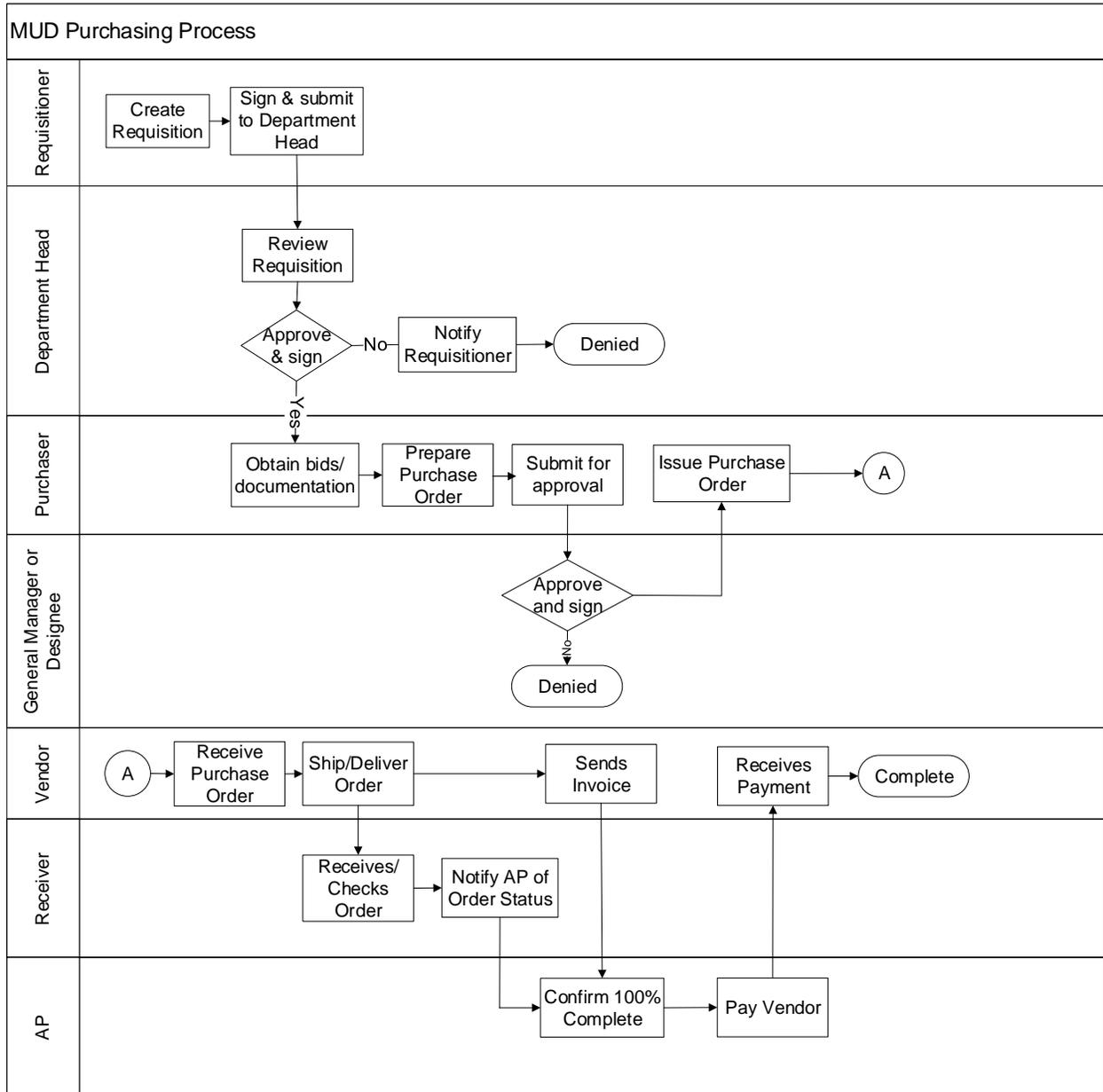
Any MUD employee who makes purchases or transactions on behalf of Metro Utility Department, will adhere to the following standards:

- Strive to conduct all business with honesty, fairness, integrity and loyalty to the system and our profession.
- Ethical behavior and processes are practiced consistently.
- Conduct ourselves in such a manner as to merit the respect of our employer, co-workers and peers.
- Refuse any transactions resulting in personal benefit.
- Exercise skill and good judgment to obtain the maximum value for each dollar of expenditure.
- Treat with discretion all information obtained in confidence.
- Strive for standardization to reduce cost and further the development and methods of products that emphasize high quality, safety and effectiveness of utility services.

MUD staff members will follow this Code of Ethics at all times when undertaking business on behalf of MUD.

The general flow of the procurement process is as follows:

MUD Purchasing



Requisitions:

A purchase requisition informs the Purchasing Agent in detail about the proposed purchase. A requisition is required for making purchases, requesting price information, initiating a bid request, and requesting governing body approval on all expenditures. Requisitions shall be prepared far enough in advance so that the Purchasing Agent can obtain competitive prices and the vendor has enough time to make the delivery. Requisitions shall originate in the requesting department and must be signed by the requisitioner and the department head. The department head shall forward the requisition to Purchasing for appropriate bids (or with appropriate bids) and procedures and then preparation of the purchase order. The purchase order is then forwarded to the General Manager or his/her designee for approval before the order is placed. Approval Limits are as follow for non-routine orders. The manager must insure a budgeted line item exists to cover the amount of purchase.

Department Heads	----	Up to \$2,500
General Manager/Asst Manager	----	Up to \$9,999
Utility Board	----	>= \$10,000

For routine orders (items used in everyday job responsibilities), items such as water chemicals, copper pipes, the Purchasing Agent has authority up to \$5,000. Over \$5,000 requires approval by the General Manager or his/her designee.

Attachment A is the requisition that must be filled out completely. The requisition includes:

- Date Issued: the date the requisition is prepared;
- Date wanted: state a definite delivery date. "At Once", "ASAP", and "Rush" are vague instructions and don't give the sufficient information. Prepare far enough in advance to avoid emergencies;
- Requisition number: The date in format MM/DD/YY. Department: the complete name of using department;
- Requisitioner: notation of the person initiating the purchase request;
- Suggested vendors: if there are more than three (3) suggested vendors, the supervisor should list them on a separate sheet;
- To be delivered to: be specific. If vague or indefinite, confusion may result in costly delays;
- Item number: numerical order of items listed;
- Quantity: the number required;
- Unit: dozen, lineal feet, gallons, etc.;
- Description: Give a clear description of the items, including size, color, type, etc. If the purchase is of a technical nature, specifications should be attached to the requisition. If the item can't be described without a great amount of detail, a brief description should

be given followed by a trade name and model number on an acceptable item or “approved equal”. Requisitions must not give specifications that will favor one supplier to the exclusion of any others. NOTE: Incomplete information in this area will result in the requisition being returned to the using department for clarification;

- Account to be charged; complete budgetary code;
- Unit price: price for each individual item;
- Amount: a total of quantity unit price.
- Signatures: Requisitioner, Department Head, or Manager

A requisition must be completed before a purchase is made except for emergency purchases which are covered later in this policy. The Purchasing Agent will obtain prices after it has received a departmental requisition. All requests for prices will be processed in this matter. Suggested vendors and prices will be of great assistance to the Purchasing Agent and will be given full consideration and should be included on the requisition. This information will allow the buyer to process the requisition quickly. Knowing the approximate cost of items will help buyers know if bids are required. If a requisition is incomplete or prepared improperly, it will be returned to the issuing department for completion. An incomplete requisition can cause unnecessary delays. The requisitioner **shall not** split orders to avoid any provision of the county code or charter, this manual, or any policy established by the county, **nor shall** requisitions be submitted for the sole purpose of using up budgetary balances. The requisitioner shall keep a copy of the document for their records.

Competitive bid guidelines are as follow:

All purchases over \$10,000 require three (3) competitive bids. Requisitions for items estimated to cost more than \$10,000 **will not be** subdivided to circumvent the requirement for competitive procurement.

Bid procedures shall include the following essential elements:

- a) Preparation of bid specifications with appropriate department
- b) Preparation of invitation for bid including clear specifications
- c) The Buyer will make the award based on the bid that is most advantageous to the Utility, price and other factors considered
- d) The Utility reserves the right to reject any and all bids.
- e) The Utility Board must approve before purchase is placed.

Exceptions to Bid Requirement: State law provides several exceptions to bid requirements.

- **Professional Services:** Contracts for legal services, auditing services by certified public accountants, and similar services by professional persons or groups shall not be based on competitive bids but shall be awarded on the basis of recognized qualifications of competence and integrity. Any contract service should have a W-9 form completed prior to making payment, unless services are from an incorporated entity.

- **State approved Contracts:** Metro Utility Department can accept statewide contract pricing, TVPPA Fleet pricing, or National Fleet Contract pricing in lieu of advertising for bids on replacement or new vehicles. Each sales dealership who participates in these approved fleet pricing programs shall accept the Utility supplied configured specifications and price accordingly to the pre-negotiated contract. This allows Metro Utility Department to participate in programs that produce savings with volume discounts. (ref. MTAS State Service Guideline 150)
- **Perishable Goods and Commodities:** Perishable goods are exempt from competitive bidding requirements when purchases are made in the open market. This exemption is not designed to discourage competitive bidding.

Purchases above \$50,000 involving Capital Projects:

Any capital project work exceeding \$50,000 to be performed by a 3rd party contractor must be advertised in the local newspaper a minimum of 30 days and may also be advertised, but not mandated, in various trade websites to solicit bids for the project. After the 30 day notice, sealed bids will be opened at a public meeting and building at an advertised-- specified time.

Purchases between \$1,000 and \$9,999:

When initiating purchases between \$1,000 and \$9,999, a minimum of three informal bids must be documented and kept on file. The bid that is decided on must be attached to the original requisition. This information can be obtained by telephone, soliciting informal quotes, by consulting catalogs, or other methods.

It shall be the duty of each office or department to anticipate needs for equipment, materials, supplies, contracted services or other needs and place requisitions with advance time for procurement under an orderly purchase procedure.

- **Blanket Requisitions:** Departments frequently have a need for recurring goods or services. Blanket requisitions may be issued for such needs. This assures continuity of the goods and services and also reduces paperwork. However, the same bid guidelines will be followed for blanket requisitions.

Generally, the need for blanket requisitions is determined at the beginning of the fiscal year. The department head and General Manager will reach an agreement on the blanket requisitions, vendors, and the monthly amount of charges. Once approved, purchase orders will be issued for the blanket requisitions on an as needed basis. In no case may charges to the purchase order exceed that approved for the monthly blanket requisition. The department head is responsible for tracking the charges. He/she is also responsible for anticipating departmental needs and for issuing a separate requisition for those goods and services that exceed the approved blanket requisition.

- **Departmental Requisitions of Less Than \$1,000:** Single purchases of items on a departmental requisition totaling less than \$1,000 may be purchased without comparative prices by the Purchasing Agent. **This does not mean consideration of price is unnecessary,** nor should one vendor be favored over another where quality, price and service are comparable. The department head must insure the dollars of the purchase are sufficient in his annual budget to place the order.

Emergency Purchases

- a. **Purpose** – Emergency purchases are to be made only when normal functions and operations of the department would be hampered by submitting a requisition in the regular manner, or when property, equipment, or life are endangered through unexpected circumstances, and materials, services, etc. are needed immediately.

Emergency purchases, either verbal or written, may be made directly by the using department without competitive bids, provided sufficient funds are available and necessary approvals have been secured. The General Manager or his/her designee may authorize an emergency purchase.

- b. **How to Make Emergency Purchases** – After determining a true emergency exists, the following procedure should be used:
 1. Notify the Purchasing Agent with a complete requisition with a description of the emergency and approval by the department head. “Confirming Emergency Purchase” must be marked plainly on the requisition.
 2. Using department must use sound judgment about prices when making emergency purchases of material and supplies and for labor on equipment. Orders should be placed with vendors who have a good track record with the department;
 3. Suppliers shall furnish sales tickets, delivery slips, invoices, etc. for the supplies or services rendered. Term of the transaction, indicating price and other data, shall be shown;
 4. As soon as the buy is complete, on the same or following business day the using department must:
 - Give the Purchasing Agent a complete requisition with a description of the emergency and approval by the department head. “Confirming Emergency Purchase” must be marked plainly on the requisition, along with the purchase order number;
 - The sales ticket, delivery slips, invoices, and material receiving report confirming the purchase must be attached to the emergency requisition form;

- The Purchasing Agent will issue the vendor a purchase order marked “Confirmation”;
5. If an emergency should occur during a time when the Utility is normally closed, the using department will follow the above procedure with the exception of the first step. The evidence of purchase, such as sales slip, counter receipt, delivery slip, invoice, etc., that the supplier normally furnishes, shall be attached to the completed and approved requisition form and be forwarded to the Purchasing Agent along with a material receiving report;
 6. As soon as possible, the person authorizing the emergency purchase must prepare a report to the General Manager specifying the amount paid, the item(s) purchased, from who the purchase(s) was made, and the nature of the emergency.

Capital Outlay Purchases

1. All Prior policies and approvals apply for capital outlay.
2. In addition, all capital outlay major project expenses that require Engineering Bid Packages must be approved by the Metro Utility Board before any work commences. A project plan description will be included that details how the cash to fund the project is to be paid and how the capital is raised. Any debt entered into must also be approved by the Metro Council related to grants, rural development, bond issues, or private institutions prior to the commencement of any work.
3. Any single item capital expense less than \$2,500 must be expensed to the income statement of the department performing the infrastructure upgrade unless it is part of a major capital bid project. In this case, the expense may be accumulated in the project work order Construction-In-Process (GL# 12190-0000) account to be capitalized.
4. After the project is complete and all expenses are recorded to the project work order, the funds are cleared from the Construction-In-Process account into the capital asset account (GL# 12100-0000) and Depreciation is commenced.

General Information - Emergency purchases are costly and should be kept to a minimum.

Once the Purchase Order has all approvals and the order is placed, a copy of the Purchase Order is forwarded to Accounts Payable.

Petty Cash Fund

- The petty cash fund is to buy items from businesses that don't issue invoices or have charge accounts.

- This fund is administered by Office Manager.
- Any receipts or request for monies from this fund must contain the departmental charge code and be signed by the department head and approved by the Office Manager or designee. This fund should be used only if other purchasing methods are not applicable.

Receipt of Goods

- Metro Utility Department does not have central receiving location.
- Vendors/Suppliers deliver or ship goods directly to the site specified on the Purchase order.
- Upon Receipt of goods, each location will designate a person and a backup person to receive, verify goods to packing list, and sign packing list indicating the goods received. If items are missing or damaged, this must be clearly noted. Only these designated persons are to verify the shipment.
- Inventory counts are maintained by the Assistant Manager.
- The verified packing list (receipt) is then forwarded to Accounts Payable. Insure that the Purchasing Order Number is on the packing list.

Invoicing

The supplier/vendor is responsible for providing invoices to Accounts Payable.

Payment

- Accounts Payable will match the Purchase Order, the Receipt, and the Invoice for exactness. If all documents match, then a check for payment will be issued based on the negotiated terms of payment.
- The review, authorization, and signing of checks requires the signature of the General Manager or Metro Mayor.
- Checks will be mailed and/or ACH paid online by Accounts Payable/Office Manager.

Enforcement

Failure to follow this policy will be subject to disciplinary action up to and including dismissal.