



Purchasing Policy

SUBJECT: Purchasing

EFFECTIVE DATE: 07/01/16; Revised 07/01/18

APPROVED BY: Admin. Services Director

DISTRIBUTION: All Regular and Probationary Employees

Purpose:

This policy is intended for use as a guide to the Town of Knightdale's purchasing methods and practices. The policies and procedures established herein will enable the Town to obtain needed materials, equipment, supplies and services efficiently and economically.

The goals and objectives of the Town of Knightdale's purchasing program are:

1. To comply with the legal and ethical requirements of public purchasing and procurement.
2. To comply with North Carolina General Statutes related to the purchase of goods and services, E-verify requirements for vendors, and the pre-audit certification for expenditure of public funds.
3. To assure vendors that impartial and equal treatment is afforded to all who wish to do business with the Town of Knightdale.
4. To receive the maximum value for each dollar spent by awarding purchase orders to the lowest responsible bidder, taking into consideration quality, performance, technical support, delivery schedule, and past performance.
5. To provide Town departments with the required goods, equipment, and services at the time and place needed and in the proper quantity and quality.
6. To professionally administer the search for sources of supplies, the development of new sources, the selection of supplies, negotiations, commitment, follow-up and adjustments.

7. To promote good and effective vendor relations, cultivated by informed and fair buying practices and strict maintenance of ethical standards.
8. To effect maximum feasible standardization of products used within and among departments in order to minimize stock levels and obtain better prices.
9. To verify that vendors and contractors are adequately insured when doing business with the Town and have obtained the proper licenses, if required.

I. APPROVAL AND SELECTION OF VENDORS

The Purchasing Agent approves and selects vendors. Department directors should make requests for the addition of vendors.

- A. The following completed documents are required prior to a new vendor being approved and added to the Town's accounting system:
 - a. Vendor Registration Form
 - b. IRS W-9 Form
 - c. E-Verify Affidavit
 - d. Certificate of Insurance (if required)
 - e. Iran Divestment Act Affidavit (if required)
- B. Contractors should not be given notice to proceed on any contract nor should goods or services be obtained from new vendors until the vendor is approved.
- C. Vendors will be selected on a competitive basis. Formal bids, informal bids, or telephone quotations will be solicited by the Purchasing Agent unless permission is given to the ordering department to participate. Bid awards, purchase orders and/or contracts will be issued to the lowest responsible bidder as outlined in purchasing process rules and regulations.
- D. Good vendor relations are valuable business assets established through mutual confidence and satisfactory business relationships between buyer and seller. An important contribution toward promoting and preserving these relations is a clear understanding of the method of contract between buyer and seller.
- E. The Purchasing Agent maintains a vendor file for recording the performance of vendors. Department directors should notify the Purchasing Agent to report any difficulties or complaints with a particular vendor. Written notification should include specific details. This information will be used to determine if the vendor shall remain on the vendor list.

II. PURCHASE ORDER REQUIREMENTS

Purchase orders are required to be obtained prior to entering into any purchase agreement for goods and services in the amount of \$250 or more except for items listed in section III below. A change order is required if the total amount to be invoiced exceeds 20% of the original purchase order total.

III. EXCEPTIONS TO PURCHASE ORDER REQUIREMENTS

Purchase orders are not required for the following transactions; however receipts for all transactions should be submitted to the finance staff as soon as possible with a description of the purpose, general ledger account number, and employee's signature.

- Any item costing less than \$250
Receipts with proper account number must be signed by purchaser and turned in to finance staff.
- Annual dues & licenses
- Employee Reimbursements
- Postage meter, copier, and printer expenses
- Utilities (includes garbage and recycling)
- Insurance premiums and fees
- Debt service payments
- Payroll related items
- Fees collected on behalf of other governments
- Refunds
- Developer bonds
- Grants/Aid
- Legal fees
- Lifeguards
- Employment expenses initiated through HR
- Umpires/referees scheduled by booking agent

IV. EMERGENCY PURCHASES

Emergency purchases are made to protect the public health of citizens or when immediate repair is necessary to prevent further damage to public property, machinery, or equipment. The need for expedited purchases because of poor planning, overlooked requirements, inaccurate usage history, and inadequate forecasting, may result in emergency purchasing but should be avoided whenever possible. Emergency purchases result in higher cost to the Town because of insufficient time for suppliers to carefully prepare a quotation or bid to provide the lowest possible price; higher transportation cost to expedite shipments; and suppliers' overtime costs. The use of emergency procedures should be limited.

V. PURCHASING VIOLATIONS

If a violation of this policy occurs, the responsible department director will submit a memo to the Town Manager acknowledging the violation with all supporting documentation. The memo should include a brief description of the plan implemented to prevent future occurrences. Depending on the nature of the violation, appropriate disciplinary action may be taken.

VI. STATE OF NORTH CAROLINA TERM CONTRACTS

A Term Contract is a binding agreement between the State of North Carolina and a vendor to buy and sell certain items at agreed contract prices, terms, and conditions. In accordance with the North Carolina Administrative Code, the North Carolina Division of Purchase and Contract makes these contracts available to non-state agencies (local governments).

It is the policy of the Town of Knightdale to participate in North Carolina Term Contracts whenever feasible and possible. The Purchasing Agent may utilize the State of North Carolina Department of Administration Purchase and Contract Division or approved joint purchasing agreements whenever possible for procurement of capital and non-capital items. This system expedites the purchase of goods, offers pricing compatible with quotes received from formal and informal bids, and satisfies North Carolina General Statutes. Examples of goods available on state contract are: law enforcement vehicles, office furniture, copiers, janitorial supplies, copier paper, and office supplies.

It is suggested that the appropriate department director reviews all term contracts applicable to their respective department prior to any recommendations or decisions being made to become party to that contract. In some cases, it is more beneficial for Local Governments to purchase items through an informal bid procedure than to rely on Term Contract pricing.

A complete listing of all items available on Term Contract is available at the NC Division of Purchase and Contract website.

VII. SERVICE CONTRACTS

All service contracts, for which the contractor will perform work while on Town property, must be accompanied by a standard contract form. The contract must follow all signature procedures and contain all necessary insurance and payment options. The completed and signed contract must be forwarded to the Purchasing Agent prior to the approval of the purchase requisition and release of the purchase order.

VIII. SPECIAL PROCUREMENT PROCEDURES

The Purchasing Agent will issue blanket purchase orders for contracts and to selected vendors for the procurement of large volume items and regular recurring monthly or quarterly contracted services. Blanket purchase orders should not be used for items normally carried in stock and will not be issued for items that can/should be purchased.

Requests for blanket purchase orders must, in addition to the required information, indicate the following: items covered by the blanket purchase order, a Not to Exceed (NTE) amount in the appropriate column, and an attached listing of all personnel approved to purchase from the blanket purchase order. The issued blanket purchase order should instruct the vendor that unauthorized purchases will not be allowed. It is the responsibility of the individual authorized to purchase under a blanket purchase order to ensure that an unspent balance remains to cover the purchase to be made. Any purchase that exceeds the funds available under a blanket purchase order will require a new purchase order be approved or will be classified as an unauthorized purchase.

IX. PURCHASE ORDER CUT-OFF DATES

Purchase requests for materials, supplies, services and equipment (not included in blanket purchase orders or contracts) for the ending current fiscal year must be turned in to the Purchasing Agent by the date authorized by the Finance Officer. Purchase requests of a routine nature that could have been scheduled prior to the cut-off date and are not critical, will be returned to the department for disposition in the new fiscal year. This procedure affords the finance staff the opportunity to complete fiscal year end activities in a timely and proper manner to ensure compliance with NCGS budget requirements.

X. COMPETITIVE BIDDING

It is the policy of the Town of Knightdale to employ the competitive bidding process to procure goods and services not available through the use of Term Contracts or cooperative purchasing in accordance with procedures outlined in this manual.

Competitive bidding forms the foundation of any successful purchasing program. Used consistently, the Town can be assured of always receiving the lowest available price for any items and/or services purchased. Other factors considered in making an award include guaranteed delivery schedules, services required, warranties/guarantees offered, and value of trade-ins (where applicable). Whenever awards are made on the basis of "lowest available price" (meeting specifications), the objective of "conserving public funds" has clearly been met. Open, competitive bidding also ensures fairness in making award of public contracts and prevents the possibility of collusion when making an award.

Laws that govern all purchasing activities made by Local Governments are governed by North Carolina General Statutes. These laws and regulations are divided generally into two categories: Informal Contracts and Formal Contracts.

In accordance with the NC General Statute 143-129, invitation for formal bids will be used for purchases of \$90,000 and greater (\$500,000 and greater for construction and repairs). This includes advertising and receiving sealed bids.

In accordance with NC General Statute 143-131, verbal or written quotes will be used for purchases of \$5,000 to \$89,999 with or without advertising.

In accordance with NC General Statute 143-131, purchases of less than \$5,000 will be made in open market with or without necessary resort to formal invitation for bids or request for quotations. However, every effort will be given to obtain the best price for purchases of less than \$5,000. All supporting documentation should be included with the requisition.

In order to maintain integrity of the competitive bidding process, all purchases with estimated expenditures of \$500.00 or more may be subject to the informal bidding process. This will insure that the Town always receives the lowest available price for any items and/or services purchased.

Table 1: North Carolina Local Government Contracts Subject to Competitive Bidding

	Contracts for the purchase of apparatus, supplies, materials, or equipment	Construction and repair contracts
Formal bidding (G.S. 143-129)	\$90,000 or above	\$500,000 or above
Informal bidding (G.S. 143.131)	\$30,000 to less than \$90,000	\$30,000 to less than \$500,000
Competitive bidding not required	Less than \$30,000	Less than \$30,000

Dividing contracts or purchases in order to evade formal or informal bid requirements and procedures is prohibited.

A. INFORMAL BID PROCEDURES

The informal bid procedure is required on all contracts as follows:

1. Construction or repair work within estimated expenditures of \$30,000 to \$89,999.
2. Purchases (or lease-purchases) of any “apparatus, supplies, materials, or equipment” with estimated expenditures of \$30,000 to \$89,999.
3. Purchases of gasoline, diesel fuel, alcohol fuel, motor oil, or fuel oil regardless of the size of the purchase.

All contracts as listed above may be awarded only after informal bids have been secured. Informal bids may be secured by telephone or in writing. A record of all bids received must be maintained. When obtaining bids or quotations, certain requirements must be followed to insure that the bid procedure is fair and open to all qualified bidders and to prevent collusion in the making of an award.

It is standard procedure to obtain a minimum of three (3) bids/quotation for any items/services required. In some rare circumstances, lack of competition may inhibit this procedure. However, if this occurs, then it should be fully documented for audit purposes. The Purchasing Agent is tasked with obtaining bids and quotations for goods and services. If a Department director would like to obtain bids or quotations, this should

be communicated with the Purchasing Agent, documented, and and forwarded to the Purchasing Agent. Documentation of bids received may be in the form of one of the following:

- Written memo
- Notes attached to purchase requisition
- Email
- Copy of quotation received from vendor

Negotiation is prohibited except in the case of insufficient funds to cover the purchase. In this case, negotiation is allowed only with the lowest responsible bidder and then purchase can be made only if the lowest responsible bidder agrees to sell at the negotiated price.

All bids are to remain confidential until time of bid opening and/or award of contract. Informal bids become public record at the time the contract is awarded. After that time, all bids are to remain open for public inspection. Only information noted as “proprietary” is excluded from public inspection.

Exception:

Purchases from the United States Government or from any other governmental unit or agency are exempt from the informal bid procedure requirement. (GS-143-129)

B. FORMAL BID PROCEDURES

The formal bid procedure is required on all contracts as follows:

1. Construction or repair work when estimated expenditure is \$500,000 or more.
2. Purchase or lease purchase of apparatus, supplies, materials, or equipment when estimated expenditure is \$90,000 or more. (GS 143-129)

The following requirements must be met whenever the Formal Bid Procedure is employed:

1. The bids must be publicly advertised.
2. All bids must be sealed (if so specified in the bid).
3. All bids must be accompanied by a cash bid deposit or a bid bond of at least 5%. (except for purchase contracts)
4. Bids must be opened in public at a specified time and place.
5. Bids must be recorded in minutes
6. Award of contractor bid must be approved by Town Council.

Specifications for formal bids must do at least four (4) things:

1. Identify minimum requirements
2. Encourage competitive bids
3. Be capable of objective review
4. Provide for an equitable award at the lowest possible cost.

Specifications shall be as simple as possible while maintaining the degree of exactness required to prevent bidders from avoiding supplying the goods or services required or otherwise taking advantage of their competitors.

All specifications utilizing a “Name Brand” must include the term “or approved equal” to avoid being restrictive and eliminating fair competition from the bidding process.

Different methods of structuring specifications include:

- Qualified Products on acceptable vendor list (QPL)
- Specification by blueprint or dimension sheet.
- Specification by chemical analysis or physical properties.
- Specification by performance, purpose or use.
- Specification by identification with industry standards.
- Specification by samples.

Specifications for formal bids must be thorough, accurate and detailed. Failure to write specifications in this manner may result in the bid being rejected, re-advertised and time delayed. For example, it would not be sufficient to request bids on “copy paper.” An appropriate request would include the following information: Quantity needed, paper weight, paper size, paper color, recycled or virgin paper requirements, delivery and packaging requirements, and shipping instructions. Care must be taken in writing specifications so that the bids do not become restrictive and only one vendor and/or manufacturer can comply with requirements. Any brand names and/or model number listed in specifications should be listed only as an aid to the bidder and should only be given to more clearly indicate the quality of the desired item.

Exceptions to Formal Bid Procedures:

1. Purchase of gasoline, diesel fuel, alcohol fuel, motor oil or fuel oil may be purchased using the informal bid procedure regardless of the size of the expenditure.
2. Purchases made under a State Contract if the local government has become a party to the contract. (GS 143-49 and -129).
3. Cases of special emergency involving the health and safety of the people and their property.
4. Purchases made from the US Government or any other governmental unit or agency within the United States.
5. Contracts with the North Carolina Department of Transportation for street construction and repair. (GS 136-41.3)

XI. SOLE SOURCE SUPPLY

In the event there is only one vendor capable of providing a particular good or service, the competitive pricing procedures outlined in this policy may be waived with the approval of Town Council. Whenever a Department director or his/her designee determines to purchase goods or services from a sole source, he/she shall document the reason only one company or individual is

capable of providing the goods or services required. The provisions of G.S. 143-129 will be followed.

XII. PROFESSIONAL SERVICES

Normal competitive procedures cannot be utilized in securing professional services such as attorneys, planners, engineers, certified public accountant and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process.

XIII. STANDARD OPERATING PROCEDURE FOR PURCHASING

A. The Purchase Cycle

1. The need is recognized, perceived, or indicated.
2. Specification or description is developed.
3. Requisition is prepared.
4. Requisition enters purchasing.
5. Purchasing Agent reviews specifications/descriptions and requisition for accuracy and completeness.
6. If accurate and complete, Purchasing Agent checks to see if available from excess or from required sources of supply (Federal Gov. FAR 8.001, NC State Contract, etc.)
7. Purchasing Agent determines method of purchase.
8. Purchasing Agent requests quotations, bids, or proposals.
9. Purchasing Agent evaluates quotations, bids, or proposal and makes award.
10. Purchase order and/or Contract are processed.
11. Purchasing Agent administers the contract.
12. The goods or services are received and inspected.
13. The vendor is paid for goods or services.

A requisition is prepared and sent to Department director for 1st level approval. After approval, the requisition is forwarded to the Purchasing Agent. If the materials requested are available from inventory, materials are furnished accordingly. If materials are not available from inventory, Purchasing Agent ascertains possible vendors and conditions and estimates price. If material can be purchased on State Contract, then the purchase order is issued accordingly. If materials cannot be purchased on State Contract and the requisition is \$250 or more, but under the formal bid requirement, Purchasing Agent obtains informal bids. Once informal bids are received, award is made based on the lowest responsible bidder. Copy of written bids and/or documentation of verbal bids remain in the purchase order file. If material cannot be purchased on State Contract and requisition is at or above the formal bid amount, Purchasing Agent obtains formal bids. The purchase order is issued by the Purchasing Agent.

B. Processing

Routine purchase requisitions are normally processed within 3 days after receipt of an electronic purchase requisition if accompanied by all required documentation.

1. Items with an estimated cost of \$5,000 to \$89,999.99 for construction and repair contracts or the purchase of supplies, materials, apparatus and equipment require informal bids and may require a 60 day lead time.
2. Items with an estimated cost of \$90,000 and above for purchases of supplies, materials, apparatus and equipment or \$500,000 and above for construction or repair contracts requires use of the formal bid procedure and require a 90 day lead time.
3. When the requisition process has been completed, a purchase order will be issued. In most cases, the Purchasing Agent will place the order with the vendor. Purchase orders may be faxed, mailed, emailed, or phoned in. A copy of all purchase orders will be maintained in finance and purchase order copies will be supplied to departments upon request.

C. Receiving an Order

Items that require a purchase order should be shipped to Town Hall for receiving purposes unless the size of the item requires delivery to another town location. Orders will be checked in the same day they are delivered and the ordering department will be notified for pick up. Any item delivered to another town location requires documentation of receipt submitted to finance staff as soon as possible so that it can be matched with the invoice.

D. Forms

All purchasing related forms can be found at S:\Common\Forms

1. Quote Form (to record quotes obtained from vendors)
2. Check Request Form (to initiate a payment)
3. Petty Cash Request Form (to request reimbursement for small purchases)
4. Travel Reimbursement Form (to request reimbursement for travel expenditures)
5. Request for Quote Form (to request quotes from vendors)
7. Credit Card Form (to record purchases on major credit cards)

E. Credit Card Purchases

There are two types of credit cards available for town use outlined below.

1. Major credit cards are issued to the Town Manager, Assistant Town Manager, Public Information Officer, Purchasing Agent, and each department director. These cards are to be used when deemed appropriate by the user and non-emergency purchases should be kept to a minimum. Major credit cards should not be used for purchases where the Town has a local account and/or the vendor will invoice the Town.

Major Credit Card purchases are subject to purchasing procedures as follows:

- Purchases of \$250 or more must have a purchase order issued before the purchase is made.
- All credit card receipts should be turned in to finance staff at the end of each month attached to the credit card statement.
- All credit card receipts should be signed by the user and include a description of what the purchase is for and the general ledger account number for the expense.

2. Local store credit cards are available for check out from the Purchasing Agent and are subject to purchasing procedures as follows:

- Purchases of \$250 or more must have a purchase order issued before the purchase is made.
- All credit card receipts should be turned in to finance staff as soon as possible.
- All credit card receipts should be signed by the user and include a description of what the purchase is for and the general ledger account number for the expense.

F. Meal Purchases

All receipts for meals purchased must include a list of attendees.

G. Change Orders/Cancellations

A change order is required if the total amount to be invoiced exceeds 20% of the original purchase order total. It is not necessary to complete a requisition form in order to initiate a change order. If a change in quantity, price, ship to location, etc. is required, the Purchasing Agent should be notified immediately. At that time, a change order will be issued and a copy will be forwarded to the department director.

Change orders will not be issued for the following:

- After the scope of services has been rendered or materials have been received.
- To increase a blanket purchase order.
- To alter the procurement procedures used in the original process.

To cancel a purchase order, the department director should notify the Purchasing Agent and vendor immediately.

XIV. Delivery and Performance

A completed and accepted purchase order by the parties concerned must produce the intended results or objectives before it can be considered a successful or completed purchase. The terms and conditions must clearly define the delivery and performance requirements of the services, supplies or equipment.

Delivery requirements will be clearly written and fully understood by all vendors. If several items are required by the purchase order, there may be a different delivery schedule for each item. It is necessary to clearly indicate the delivery location on the purchase order.

Some purchase orders may list several items. It is possible the vendor may complete timely delivery on some items, which are referred to as “partial deliveries.” Partial deliveries should be noted accordingly on a copy of the purchase order form.

If a vendor fails to meet any requirements of the specifications or terms and conditions of the contract or purchase order, the vendor can be cited for non-performance. The seriousness of non-performance will be evaluated based upon the circumstances of each violation.

The Purchasing Agent maintains a vendor file for recording the performance of vendors. Department directors should notify the Purchasing Agent to report any difficulties or complaints with a particular vendor. Written notification should include specific details. This information will be used to determine if the vendor shall remain on the vendor list.

- A. Inspection and testing
Successful operation of equipment and supplies may depend upon how well a purchased item meets the design and performance specifications. Goods and materials should be checked at the time of receipt for damages or defects. The inspection shall include assuring goods comply with the specifications. If damage is found or the goods fail to comply with the specifications, the item(s) shall be rejected.
- B. Rejection
In order to protect the Town’s rights in the event of rejection, for whatever reason, the vendor shall be informed immediately. Reasons for the rejection must be documented in memo form, attached to a copy of the purchase order and forwarded to Purchasing Agent in a timely manner. The Purchasing Agent will notify the vendor of the reason for the rejection.
- C. Damaged Goods
One of the major reasons for immediately inspecting the goods or materials upon receipt is to detect any visible damage. When it is apparent that the extent of the damage causes the goods to be worthless, they will not be accepted. It is necessary that all damage including evidence of concealed damage shall be documented by memo, attached to a copy of the purchase order and forwarded to the Purchasing Agent.