

FISCAL POLICIES # 401-03

February 26, 2003

Purchasing and Fiscal Procedures

I. Purpose/Objective

The purchasing and fiscal policies guidelines are to assure that the Village of Lexington maintains lawful, prudent, and ethical methods to procure or dispose of supplies, materials, equipment, contract services, and construction projects for the Village.

II. Purchasing

- A. All purchases require that the appropriate funds are budgeted and sufficient funds are available at the time of purchase.
- B. No employee or any person shall make purchases or commit Village funds without authorization.
- C. All purchases that require a check drawn on Village funds shall have an accompanying purchase order presented prior to the processing of the check.
- D. All employees/designated persons making purchases or presenting claims less than \$20.00 are encouraged to seek reimbursement from the appropriate petty cash fund.
- E. Employees/designated persons are authorized to make purchases of goods and services up to \$100.00 with their Department Head or the Village Manager verbal approval.
- F. Department Heads are authorized to make purchases of goods and services up to \$500.00 provided the funds are budgeted and available.
- G. The Village Manager is authorized to make purchases of goods and services up to \$2,000.00 provided the funds are budgeted and available.
- H. The Village Manager is authorized to make emergency purchases of goods and services up to \$5,000.00.
- I. The Village Manager is authorized in the course of his duties to make expenditures within the bounds established by the line items of the Village budget.
- J. Expenditures greater than those listed above within a specific cost center of a fund budget requires the Village Manager to seek the verbal approval of the Village President and/or the Finance Committee Chairperson.

- K. Expenditures greater than those listed above that require transfers among cost centers of a fund budget must be approved by the Finance Committee in advance of any purchase or commitment of funds.
- L. Expenditures greater than what the Village has budgeted within its various fund budgets requires the Village Council approval in advance of any purchase or commitment of funds.
- M. Progressive or repeated purchasing from the same vendor is reviewed for processing at the anticipated annual amount purchased.
- N. The Village Manager shall report to Council the details of all purchases of goods and services or commitment of funds in excess of \$2,000.00 that exceed the scope of the line items of the approved budget.
- O. The Village Manager may impose a spending freeze on all discretionary purchasing if instructed by Council or determines it is in the best interest of the Village.

III. Fiscal Policies

- A. All purchases must have an accompanying receipt or invoice prior to issuing a check.
- B. All purchases above \$500.00 must have an accompanying detailed receipt or invoice prior to issuing a check.
- C. All planned expenditures above \$2,000.00 must have three accompanying quotes prior to selecting a vendor. The quotation selected is the one that provides the highest acceptable quality at the lowest price.
- D. All planned expenditures above \$5,000.00 must have three detailed written quotes prior to selecting a vendor. The quotation selected is the one that provides the highest acceptable quality at the lowest price.
- E. The requirement of having three quotes in section C. and D. above may be waived if in the opinion of the Village Manager efforts to obtain three quotes were exhausted or are impractical to obtain.
- F. All expenditures above \$5,000.00 must have an accompanying contract prior to any payments for purchases or services unless waived by the Village Manager when deemed impractical or otherwise inappropriate. All contracts above \$5,000.00 require Village Council approval unless stipulated otherwise herein.
- G. All checks issued by the Village shall have two authorized signatures recorded on its front surface before the check is valid.

- H. All checks issued by the Village in excess of \$1000.00 shall have the signature of the Village Manager or his/her designee.
- I. It is the intent of the Village to engage in the settlement of accounts payable on Wednesday of each week. Request for payments submitted prior to 10:00 a.m. on Tuesday should be available the following Thursday at 2:00 p.m.
- J. Employee reimbursements, except those reimbursed from a petty cash fund, in amounts less than \$100.00 are paid the last week of the month for those expenses occurred during that month. Reimbursements greater than \$100.00 will be made according to III I above.
- K. Petty Cash Funds in the amounts of \$100.00 are established within the Administrative Services office for general fund purchases, within the Water Department office for DPW type fund purchases, within the Water Department for water fund purchases, and within Mobile Home Park Department for mobile home park fund purchases. Minor purchases up to \$50.00 may be reimbursed from the petty cash fund upon presentation of the paid receipt to the respective department. Petty cash funds must be reconciled at least monthly by the appropriate department staff and submitted to the Staff Accountant for reimbursement.
- L. All purchases in excess of \$10,000.00 require the development of a Request for Quotation, Request for Proposal, or Request for Bid except when deemed impractical or otherwise inappropriate by the Village Manager or in the case of an emergent need. In the event that the contract amount is greater than \$20,000.00, the Village will comply and follow the requirements of Public Acts 167 and 168 of 1993. (See attached resolution).

IV. Bid Procedure

- A. A notice inviting bids shall be published in local publications at least ten days preceding the date set for receipt of the bid.
- B. Bids shall be solicited from responsible prospective suppliers who have requested that their names be added to the bidder's list. Invitations shall be limited to vendors whose commodities or services are similar in character and ordinarily handled by the trade group to which the invitations are sent.
- C. Bids shall be sealed and identified as a bid on the envelope and submitted to the Village Clerk.
- D. Late bids, at the Village's discretion, may be returned unopened to the bidder.
- E. Purchases of supplies, equipment, and contractual services greater than \$10,000.00 must be from sealed bids/proposals. In any case where competitive bidding is not practical or it is to the Village's advantage to contract without competitive bidding,

the Village, upon recommendation of the Village Manager, may authorize the execution of a purchase without competitive bidding.

- F. All bid openings are conducted by the Village Clerk with a representative of the department making the purchase present. Bid openings are at 11:00 a.m. of the date advertised unless otherwise specified in the public announcement.

V. Award of Contract and Rejection of Bid

- A. The Village shall have the authority to reject any and all bids when the best interest of the public is served.
- B. The Village shall not accept the bid of a contractor who is in default on the payment of taxes, licenses, or other monies due the Village.
- C. In determining the best responsible bidder, in addition to price, the Village shall consider the ability, capacity, and skill of the bidder to perform as contracted; whether the bidder can perform in a timely manner consistent with Village requirements; the character, integrity, reputation, judgment, experience, and efficiency demonstrated by the bidder; the performance experienced with previous contracts; and the predictable ability of the bidder to provide future maintenance and service.
- D. When the award is not given to the lowest bidder, a statement of the reasons for placing the order with the successful contractor shall be prepared and filed with other award documentation.
- E. After a bid is awarded, a contract will be executed with the successful bidder. A performance bond, certificate of liability insurance or worker compensation maybe required if applicable and appropriate for the contracted service.

VI. Performance Bonds

- A. The Village shall have the authority to require a performance bond before entering a contract in an amount necessary to protect the interests of the Village.

VII. Co-operative Purchasing

- A. The Village shall have the authority to join with other units of government in a co-operative purchasing plan when the best interest of the Village would be served.

VIII. Legal and Professional Services

- A. Only the Village President or the Village Manager is authorized to purchase legal or professional services that are not otherwise already contracted for execution.

IX. Conflict of Interest - Employees

- A. No employee will participate directly or indirectly in a procurement when the employee knows that the employee or any member of the employee's immediate family has a financial interest to the procurement; when a business or organization in which the employee, or any member of the employee's immediate family, has a financial interest pertaining to the procurement; or when any other person, business or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
- B. Upon discovery of an actual or potential conflict of interest, an employee shall promptly file a written statement of disqualification and shall withdraw from any further participation in the transaction involved. Failure to do so could result in immediate dismissal.

X. Conflict of Interest – Councilpersons

- A. The Village of Lexington can enter into a contract with a vendor which a councilperson has a conflict of interest as defined in IX above. In entering into a contract with this vendor the councilperson must not vote on the contract and must disclose any pecuniary interest. A vote of two thirds of the full Village Council must approve the contract.

ADOPTED BY COUNCIL
February 24, 2003

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