MAIDENCREEK TOWNSHIP

PURCHASING AND ACCOUNTING POLICY

DRAFT

The purpose of a purchasing and accounting policy is to clearly define the process by which services and commodities are procured, contracted for, received, audited during invoice processing and, ultimately, approved for payment. It also ensures proper record keeping. The policy implements budgetary controls, controls on aggregate spending and safeguards against special interests. The procedures outlined in this policy will apply to negotiated contracts and competitive bidding, as well as routine purchases.

The goal of the purchasing function is to procure the highest quality in commodities and services, meeting the specifications, at the least expense to the Township. It encourages open, competitive pricing and savings or cost avoidance through bulk or quantity purchases. The vendor list will ensure that all vendor and contractors comply with the procedures outlined in this policy, as well as any additional contractual obligations. Aggregate spending will limit unnecessary stocking of supplies by departments for daily use.

All purchases will be made in accordance with the 2nd Class Township Code, with respect to competitive bidding policy and procedures.

The procedures outlined in this document will serve to strengthen internal controls by segregating the various tasks, while virtually eliminating the duplication of tasks and paper handling. The procedures make the departments responsible for the respective budgets and ensure timely payment of invoices through a streamlined procedure. Proper data input results in financial information that can be sorted by vendor or types of purchases, giving more accurate data for compiling the annual budget.

I. <u>BIDDING PROCEDURES:</u>

1. Except as authorized by the Township Code, all materials, equipment, supplies and contractual services, when the estimated cost thereof exceeds the current bidding threshold ($19,400 in 2015), shall be purchased by formal written contract from the lowest responsible bidder. All sales of personal property which have become obsolete and unserviceable, when the estimated value shall exceed $2,000, shall be sold by formal written contract to the highest responsible bidder. Sales of real estate valued at $1,500 or more shall be sold by formal written contract to the highest responsible bidder. All awards shall be made by the Township Supervisors.
2. For materials, equipment, supplies and contractual services (except for those items specifically excluded in the Township Code) that are estimated to have a value over $10,000, the Township must request three written or telephonic bids from qualified and responsible

contractors. If the Township is unable to obtain written quotations for the goods and/or services, the Township Secretary will document the record of the telephone quotations, noting the date and time of the quotation, name of the contractor, a detailed description of the goods and/or services that are being quoted, and the price quoted. This documentation must be kept on record for at least three (3) years.

3. When the award is not given to the lowest responsible bidder, a full and complete statement of the reasons for placing the contract elsewhere shall be placed in the minutes of the Supervisors' meeting following the award. In interpreting this action, the burden of proof rests with the Township, if other than the lowest responsible bidder is awarded the contract.
4. For contracts that fall under the mandatory bidding requirement, notices inviting bids shall be published in a newspaper of general circulation in the Township, in accordance with legal requirements in the 2nd Class Township Code. The newspaper notice shall include general descriptions of the articles to be purchased or sold, shall state where bids blanks and specifications may be secured and the time and place for opening bids. In all cases, a notice inviting bids will be posted in an appropriate place in the Township Building at least ten days preceding the last day for the receipt of proposals.
5. The Township Secretary also shall solicit bids from all prospective vendors and contractors by mailing them copies of bids with the necessary specifications, and any other information which will acquaint them with the proposed purchases.
6. Bids shall be sealed, shall be identified on the envelope, shall be submitted no later than the time stated in the public notice inviting bids, and shall be opened at a public place at the time and location stated in the public notice. All bids shall be accompanied by a bid bond (or certified funds) in the amount of 10% of the total contract price.
7. A tabulation of all bids received shall be made available for public inspection.
8. The Board of Supervisors may reject any or all bids if it is deemed to be in the public interest. The rejection of bids must be done at a public meeting and be noted in the minutes.
9. When deemed necessary by Township Supervisor, bid deposits shall be returned to unsuccessful bidders within five days after the awarding of the contractor(s). The successful bidder shall forfeit any deposits required upon failure on the part of the bidder to enter into a contract within thirty days after the award.
10. A performance bond in the amount of one hundred percent of the proposed contract shall be required from the successful bidder before entering into the contract. If such bond is not provided within thirty (30) days of the award of such bid, the award shall be void. The contractor shall furnish such other bonds and insurance coverage as may be required by law and/or bid specifications including but not limited to a payment of labor and material bond, workers compensation insurance certificate, and liability insurance certificate.
11. No contract or purchase shall be subdivided to avoid requirements of these rules.

II. REQUISITION PROCEDURE:

1. The department head (or designee) will initiate a requisition for all purchases of commodities, including services, except for pre-paid items as defined by Township policy, items under $100 (assuming the line-item budget will support the purchase), and emergency purchases as defined by this policy. Paper requisitions will be submitted to the Township Manager for all items to be purchased. The requisition process is the required method of entering into a contract for payment of goods and services by the Township, except as otherwise noted in this policy or by Township ordinance.
2. Requisitions that are initiated under any grant program will be initiated and processed only the by the Township Manager in order to ensure that the expenses are recorded properly to the respective grant accounts. These requests should be provided by the department head to the Township Manager in writing clearly identified as relating to a specific grant program.
3. All requisitions require complete vendor information, pricing, description, account distribution and justification before being sent to the Township Manager for approval (this is the responsibility of the department head).
4. The Township Manager may change the vendor on a requisition if it is in the best interests of the Township and/or department but will discuss this with the department head prior to making the change.
5. The Township Manager will verify that the requisition does not exceed the line-item budget, falls within the program goals of that department as outlined in the annual budget, and contains all appropriate vendor information, account distribution and pricing.
6. All requisitions meeting said guidelines will be assigned a Purchase Order number and approved by the Township Manager.
7. Requisitions flagged as "over budgeting" will not be processed – the Manager will prevent the department head from initiating such a requisition. In order to proceed, the department head must provide written justification for the purchase and request an inter-department budget transfer in writing to the Township Manager.
8. After the Township Manager verifies with the Supervisors that funds are available, any necessary budget transfer must be made before the requisition can be processed.
9. Once the requisition is in order and budget funds have been identified, the requisition may be processed.
10. Requisitions will be kept in hard copy format in the Township Office.
11. Placing an order without having the purchase order in hand is prohibited by this written policy except in the cases of emergencies as defined under the Township ordinance.
12. In case of actual emergencies, the head of any department may purchase directly any supplies, materials, and equipment, in amounts not greater than $1000 which immediate procurement is essential to prevent delays for the department. An emergency is defined as an event that may adversely affect the life, health or safety of the residents or staff. The department head must submit a confirming purchase order as soon as possible after the emergency that provides a record of the emergency, together with a report of the circumstances of the emergency.

III. RECEIVING PROCEDURE:

1. Products are shipped to the respective department for receipt verification.
2. All bills of lading, shipping lists, and packing lists shall be attached signed and submitted, with any other documents, to the Receptionist once goods have been received.
3. The Receptionist will match the packing slip (and support documents) to the purchase order retained in the Office and retain both in a file awaiting receipt of an invoice.

IV. ACCOUNTS PAYBALE PROCEDURE:

1. The Receptionist will review all mail and sort bills by whether the invoice is a "Regular Bill" or a "Pre-Paid Bill." Pre-Paid Bills are those invoices received that are routine, predictable, and necessary payments that are made pursuant to a monthly billing, approved contract, or other payment pre-approved by the Board of Supervisors in the annual budget process (Examples: utility bills, insurance bills, tax payments, gasoline bills, cleaning bills, etc.) Regular Bills are all invoices received as a result of purchase orders and all other bills incurred by the Township that are not predictable, routine, and/or pre-approved by the Board of Supervisors.
2. The Receptionist will date stamp all Regular Bills and attach the purchase order and support documents to the invoice for every invoice that originated through the requisition and purchase order system. The purchase order will already include the accounting code information.
3. The Receptionist will date stamp all Pre-Paid Bills.
4. For any new vendors, the Township Treasurer must secure their FEIN before processing a check for payment.
5. Pre-paid invoices will be processed once a week for routine items, such as utilities, insurances, payments under contractual agreements, payroll liabilities, and emergency payments that are within the budget allocation
6. Regular Invoices for the bill list to be presented for the Board of Supervisors' meeting for approval shall be prepared on the last day of the month and a bill list presented to the Board of Supervisors' at least one week prior to the public meeting. The Township Treasurer will identify and sort all bills that are due that have proper documentation and are correctly prepared for input, by fund, for the entire month just ending.
7. In order to process a payment there must be a physical invoice. Any existing documentation will be attached to the invoice.
8. Invoices will be processed by Fund so that checks will not be inadvertently written to the incorrect fund and to reduce the necessity for the creation of inter-fund transfers. Invoices covering multiple funds will be copied in order that each fund will have a separate invoice to enter for payment processing.
9. In no case will statements be used in lieu of an invoice. Statements will be verified against the invoice(s). In the case of a missing invoice, the Township Treasurer will request a duplicate invoice from the vendor before processing in the system.
10. For invoices without an invoice number, the date of the invoice will be used.

11. The Township Treasurer will verify all expense reports, telephone charges, department expenses, and distribute all utilities, insurances, and other distributable items to the appropriate department.
12. The Township Treasurer will provide to the Board of Supervisors, at least one (1) week prior to the Board Meeting a bill list that includes all the bills that been processed for the month – "Pre-Paid Bills", "Regular Bills", and Payroll Checks including tax and withholding payments.
13. The Supervisors will approve monthly bill list at the regularly scheduled public meeting on the second Thursday of each month based on the recommendation of the Township Treasurer. Should the Supervisors wish to remove any invoices from the Regular Bill list, the list may be amended by a motion, a second, and an affirmative vote by a majority of the Supervisors.
14. The Supervisors will also approve budget transfers that have been recommended by the Township Treasurer.
15. A signature and date line will be included on the summary cover sheet of the monthly bill list. The Board will sign the bill list after the Board of Supervisors approval and the signed copy will remain a party of the permanent minutes.