



MEMORANDUM

To: Finance Committee
Scott Niehaus, Village Manager

From: Timothy Sexton, Director of Finance

Date: April 14, 2014

Subject: Purchasing Policy Update 2014

The Village's Purchasing Manual contains all of the Village's policies related to the procurement of goods and services and has worked well as a guide for Village employees. There have been several revisions to the policy since it was first adopted, to include changes in state statute and changes in internal procedures. Attached are the proposed administrative updates that are necessary primarily due to the implementation of our new financial software.

Staff is requesting the Finance Committee's approval of the proposed administrative changes and recommendation to the Village Board of Trustees for their consideration.

A. Introduction/Statement of Policy

The purpose of this purchasing manual is to provide the Village of Lombard staff with guidelines and directions for the acquisition of goods and services. When used with good judgment and common sense, the policies and procedures conveyed within will allow the Village to obtain required supplies and services efficiently and economically. Village Board approval adopts this manual as Village Policy in accordance with Section 35.21 of the Village Code.

~~The manual is divided into sections dealing with purchasing policies and procedures.~~ The policy sections contains all the purchasing policies reviewed and recommended by the Finance Committee and adopted by the Village Board which must be adhered to by Village employees. ~~The procedures sections provide a "how-to" guide for processing purchase requisitions, purchase orders, travel authorization and expense reports and other procedures regarding payment processing.~~ Manuals are located on the Village intranet for Purchasing and Payment Procedures.

Employees are expected to read the policy manual and provide the Department of Finance with feedback regarding the policies and procedures contained within. This manual is designed to be a fluid document and will be modified from time to time to conform with changes in legislation, technology and actual practice. Although it may not answer every question related to purchasing practices, it does provide general guidelines for purchasing activities. Employees who need help dealing with specific situations not covered by the manual should contact the Assistant Finance Director for assistance.

The Village Manager, or his/her designee, shall be the final authority with regard to enforcement of any of the provisions of this manual. Failure to follow the procedures outlined in this manual may lead to disciplinary action in accordance with the provisions of the Village of Lombard Personnel Policy Manual.

A. General Policy for Soliciting Quotes

Employees are responsible for obtaining quotes for purchases in the instances outlined below. When submitting a purchase ~~order~~requisition prior to purchase using the ~~HTE~~ software, quotes shall be added to the ~~purchase order~~requisition. The limits shall include all costs involved with a purchase, including shipping, installation, etc. ~~Purchase orders~~Requisitions submitted without the required quotes or a satisfactory explanation of why quotes were not obtained (e.g. sole source, emergency, standardized vendor, etc.) will be returned to the originator without approval.

Up to \$2,500 One verbal quote is required; however, employees are encouraged to seek additional quotes when possible.

\$2,501 - \$5,000 Three verbal quotes must be obtained. The quotes must be listed in the ~~HTE purchase requisition~~ purchase order. Physical records regarding the dates, contacts and quotes received shall be retained in the department's files for auditing purposes.

\$5,001 - \$19,999 Three written quotes. The quotes must be listed in the ~~HTE purchase requisition~~ purchase order. Hard copies shall be obtained and retained in the department's files for auditing purposes.

\$20,000 & Above Must be competitively bid in accordance with State law and Village ordinances. Village Board approval is required for all contracts above \$20,000.

Items purchased more than once during a fiscal year (e.g. forms, copier supplies, etc.) do not need quotes every time a purchase is made. However, competitive quotes for these items shall be sought at least once each year to ensure that vendors are competitive.

B. Joint Purchasing

State of Illinois

Village employees are authorized to obtain goods and services using the State of Illinois Joint Purchasing program. When available through the State program, it is not necessary for Village employees to obtain quotes or to competitively bid the goods or services which are sought. Employees shall be responsible, however, for ensuring that the goods or services are of a quality sufficient to meet the Village's needs and that pricing is competitive.

When making purchases using the State's assigned vendor, employees shall submit a purchase ~~requisition order~~ to the vendor directly and shall include the State of Illinois contract number and the Village's assigned Joint Purchasing member I.D. number (L3250) on the purchase order. ~~This information should be included on the purchase order by using the extended description option when entering the purchase requisition (see the HTE section of this manual for additional information).~~

Other Units of Government

Employees are permitted to purchase items jointly with other units of government when the price of the goods or services sought is competitive and the quality meets the Village's standards. Prior to initiating the transaction, employees shall seek the approval of the Assistant Finance Director. Questions regarding joint purchasing opportunities should be directed to the Assistant Finance Director.

C. Sole Source Purchases

Contracts for parts, supplies, equipment or services that are available only from a single source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:

1. Equipment for which there is no comparable competitive product or is available only from one supplier
2. Public utility services from natural or regulated monopolies
3. A component or replacement part for which there is no commercially available substitute and which can be obtained only from the manufacturer
4. An item where compatibility is the overriding consideration, such as computer software
5. A used item, for example, a television transmitter tower, that becomes immediately available and is subject to prior sale

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases in excess of \$20,000 shall be presented to the Village Board prior to acquisition with a request to waive bids, approve the purchase and enter into a formal contract.

D. Emergency Purchases Policy

Emergencies are defined as events that could not have been foreseen where immediate action is necessary to safeguard the public's health and safety. In the event of an emergency affecting the public health and safety, the Village Manager or his/her designee may authorize a vendor to perform work necessary to resolve such emergency without formal bid solicitation. Documentation of the emergency and the need for immediate action shall be presented to the Village Board in a reasonable period of time following resolution of the crisis.

An emergency purchase order can be issued authorizing a vendor to perform any and all work necessary only if the public health and safety could be affected. If the purchase exceeds \$20,000, documentation shall be presented to the Village Manager prior to such authorization. The following procedures shall be followed in the event an emergency purchase order is needed:

The Department Head requesting the emergency purchase order shall contact the Assistant Finance Director or his/her designee in order to have the purchase order issued. The Assistant Finance Director or his/her designee will then issue an emergency purchase order to the vendor. ~~After the emergency has been resolved, the department shall enter a requisition in the HTE system for the goods purchased.~~ Using the ~~requisition~~ **purchase order NOTES** option, the department shall explain the need for the ~~emergency~~ **emergency** purchase order and reference the purchase order number that was issued to the vendor.

~~The Assistant Finance Director or his/her designee will then add the requisition to the emergency purchase order.~~

E. Competitive Bidding Exemption

During the course of a fiscal year, the Village Manager, at his or her discretion, may approve multiple purchases which exceed \$20,000 in aggregate but are less than \$20,000 individually. In these cases, it is not necessary for the Village Board to approve a waiver of bids, however; each purchase shall still be subject to the requirements of Chapter 3, Section A of this manual concerning quote solicitation for purchases under \$20,000.

The intent of this subsection is not to encourage the circumvention of the bidding requirements. Whenever practical, Village staff is encouraged to rely upon the competitive bidding process. The competitive bidding exemption provided by this section is intended to address situations in which a competitive bidding requirement is not necessarily practical and can be eliminated without jeopardizing the Village's ability to obtain a low and

A. When a Formal Bid Is Required

All purchases of goods or services exceeding \$20,000 shall be subject to the competitive bidding process and shall be let, by free and open competitive bidding after advertisement, to the lowest responsible bidder or any other bidder whom the Village Board deems to be in the best interest of the Village. Sealed bids shall be sought when a good or service is anticipated to cost more than \$20,000 either individually or in aggregate purchases (unless permitted by the Village Manager per Chapter 3, Section E) made over the course of one fiscal year.

With the exception of bids for capital projects handled by the Public Works Engineering Division, all bids shall be issued using the Village's standard bid document as approved by the Village Attorney.

B. Preparing the Bid Document

1. It is the responsibility of the respective departments to prepare the bid document. The most recent version of the bid document can be obtained from the Assistant Finance Director and is available on the Village network. When preparing the bid document, each department shall be responsible for obtaining a bid document number from the Department of Finance Administrative ~~Coordinator~~ ~~Secretary~~ and for ensuring that the most recent version of the bid document has been used.
2. All bid documents must contain the following information:
 - Cover sheet
 - Table of Contents
 - Notice to Bidders
 - General Terms, Conditions and Instructions
 - Specifications of the Item/Service
 - Bid Proposal Form
 - An appropriate sample contract (required if the bid is for goods, services, construction services or goods and installation services)
 - All contractor certification forms (e.g. sexual harassment, tax compliance, contract execution)

3. During the term of the contract, the contractor shall provide the Village with a certificate of insurance. The limits of liability shall be specified in the bid document's General Terms and Conditions and shall include comprehensive general liability, auto liability, professional liability (required only where contracts are for professional services), workers compensation (the policy shall include a 'waiver of subrogation') and umbrella coverage.
4. The aforementioned insurance requirements shall be fulfilled by the contractor by maintaining insurance policies which name the Village, its officers, agents, employees, representatives and assigns as additional ~~insureds~~insured. The contractor shall furnish to the Village satisfactory proof of coverage by a reliable company or companies, before commencing any work. Such proof shall consist of certificates executed by the respective insurance companies and filed with the Village together with executed copies of an "Additional Insured Endorsement" form. Said certificates shall contain a clause to the effect that, for the duration of the contract, the insurance policy shall be canceled, expired or changed so as to the amount of coverage only after written notification 30 days in advance has been given to the Village. In addition, said certificates shall list the Village and its officers, agents and employees as additional ~~insureds~~insured on all required insurance policies except the policy for professional liability.
5. All companies or individuals who wish to bid on a good or service must submit their bids in a sealed envelope before the deadline of the bid. ~~The sealed envelope should have an orange sticker attached to it identifying it as a bid. Orange stickers should be provided as part of the bid document package.~~ Bid document packages should be mailed the day the ad is published in the paper. If a list of bidders is maintained, all vendors on the list should be sent a copy of the bid document. It is the responsibility of each department to maintain bid lists for those goods or services for which they are responsible.
6. If bid documents are to be distributed at the Village Hall, the front desk personnel must be supplied with at least 3 hard copies (or more depending on the number of bidders expected) of the bid document or an electronic version of the bid document, ~~orange labels~~ and the "Bid Document Distribution List" form. Exhibit 2 is a copy of this form.
7. If a pre-bid conference is conducted, departments should specify in the Notice to Bidders whether attendance is a mandatory condition of bidding. At the pre-bid conference, the responsible department should ensure that all attendees sign a "sign-in" sheet to ensure compliance with this requirement of bidding. Failure to attend a mandatory pre-bid conference shall disqualify a bidder from being awarded the contract unless, at the department's discretion, bidders are allowed to not attend by signing a waiver.

D. Bid Opening Procedures

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All sealed bids shall be publicly opened by an employee as assigned by the applicable department head at the time stated in the legal notice. At least one other employee shall serve as a witness and tabulate the bid results. All proposals shall be open to public inspection and a tabulation of all bids shall be available from the Assistant Finance Director. The following procedures must be completed prior to the bid opening:

1. If the bid opening will be conducted at the Village Hall, the originating department shall be responsible for reserving a conference room for the day and time. This can be done using the electronic calendar on the Lotus Notes system. When reserving the room for the bid, please ensure that the day and time of the bid opening is also scheduled on the personal calendar of the Assistant Finance Director and Management Analyst.
2. All bids must be received before the deadline on the day of the bid. Village Hall front desk personnel should be notified of the time and place of the bid opening for that day and reminded that no bids are to be accepted after the deadline for accepting bids.
3. A bid tabulation form must be completed. The outline of the bid proposal form may be used to do this. Exhibit 3 is a copy of a bid tabulation form. During the bid opening, both the person opening the bids and the person tabulating the bids must sign the bid tabulation sheet as witnesses.
4. Everyone attending the bid opening must sign the bid opening sign-in sheet. Exhibit 4 is a copy of a bid opening sign-in sheet.

If bid deposits are required, they shall be forwarded to the Department of Finance Administrative ~~Coordinator~~ Secretary immediately following the bid opening. Procedures for depositing and returning bid deposits are described below in subsection E.

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E. Post Bid Opening Requirements

After the bid opening has taken place, the responsible employee shall prepare a memorandum that explains the purpose of the bid, includes the names and addresses of the companies who submitted bids as well as the amount each company bid and recommends which company should be awarded the bid. The recommendation should be based on the following:

- a) The ability, capacity and skill of the bidder to perform the contract and provide the service required

Action” form. Exhibit 5 is an example of a completed “Request for Board Action” form. This form must be signed by the applicable individuals (usually the Director of Finance and the Village Manager) and given to the Executive Coordinator in the Village Manager’s Office by the Wednesday of the week preceding the week of the Village Board meeting to be placed on the Village Board’s agenda.

With the exception of contracts let by the Public Works Engineering Division, all bid files shall be maintained by the Finance Department (the Engineering Division shall maintain their bid files as required by State law). After the issuing department has prepared the Village Board agenda item, the bid file shall be sent to the Department of Finance Administrative | Coordinator Secretary along with the bid packages, original bid tabulation sheet, bid opening sign-in sheet and all other documentation. The bids will be stored in the Department of Finance file room where they can be accessed when necessary (State law requires bid files be maintained for ten (10) years following the bid opening). Within fourteen (14) days following Village Board approval of the contract, the responsible department will mail letters to all bidders notifying them of the bid results and will contact the successful bidder to have the Village’s contract signed and to obtain performance bonds and certificates of insurance when required. The signed contract will be forwarded to the Village Clerk for safekeeping after it is received.

Signed contracts, certificates of insurance and performance bonds must be obtained from the contractor before work begins. It is the responsibility of the applicable department to ensure that the Village’s contract has been signed and certificate of insurance and performance bond obtained before work begins.

The Department of Finance shall be responsible for handling bid deposits. If a bid deposit was required, it must be returned to all except the three (3) lowest responsive and responsible bidders on each contract within fourteen (14) calendar days after the opening of the bid and within 24 hours of when the award letter is mailed. The bid deposit of the accepted bidder is to be returned only after acceptance by the Village of satisfactory performance bond where such bond is required or completion of contract where no performance bond is required. The remaining bid deposits of each contractor should be returned within fourteen (14) days after the Village Board has awarded the contract.

F. Waiver of Competitive Bidding

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The Village Board, by a two-thirds vote of all the Trustees then holding office, may waive the bidding procedures and enter into a contract or agreement (Village Code 35.26). Requests for bid waivers shall be made only when goods or services are proprietary (i.e. sole source), where standardization is necessary or desirable (e.g. furniture), in emergencies as defined in this manual or when it is in the best interests of the Village to do so. In any instance, a statement justifying the need for a bid waiver shall be included in the department's recommendation and accompany the Request for Board of Trustees Action sheet for inclusion on the Village Board's agenda.

G. Bid Lists

Each department shall be responsible for maintaining their own lists of prospective bidders. Requests to be placed on the bid list received by the Assistant Finance Director shall be forwarded to the appropriate individuals or departments for consideration. Departments shall be responsible for maintaining current lists of bidders and for determining prospective bidder's qualifications.

H. Requests for Professional Services

Some contracts, by their nature, are not adapted to award by competitive bidding. Examples include, but are not limited to, contracts for the services of individuals possessing a high degree of professional skill where the education, experience or character of the individual is a significant factor in determining their ability to meet the Village's needs. These contracts generally result from a request for proposal (RFP) solicited from consultants for "Professional Services."

The Village is required by the Local Government Professional Services Selection Act (50 ILCS 510) to follow specific procedures when hiring an architect, engineer or land surveyor. The procedures must be followed unless 1) the Village has a "satisfactory relationship for services with one or more firms", or 2) an emergency situation exists and an architect, engineer or land surveyor must be selected in an expeditious manner, or 3) when the cost of such services "is expected to be less than \$25,000." If none of these conditions apply, the Village must solicit proposals and adhere to the following requirements:

A. Regular Purchase Orders

~~With the exception of purchases processed with a blanket purchase order (see Section C below), all purchases shall require the issuance of a regular purchase order to the vendor before an order for goods or services is filled. With the exception of employee reimbursements, CDL reimbursements, and miscellaneous grants processed with a claim voucher, all purchases shall require the issuance of a regular purchase order for goods and services.~~ No employee shall have the authority to purchase items on the Village's behalf without first entering a purchase ~~order~~requisition and obtaining the required approvals from supervisory staff or the Village Board where applicable. The Village will not issue "confirming" purchase orders. ~~Purchase orders will be required for all items exceeding \$1,000 individually or in aggregate.~~ Employees shall be responsible for planning for purchases ~~exceeding \$1,000~~ in advance and should allow sufficient time to have a ~~requisition processed and purchase order issued and mailed to the vendor.~~ ~~With the exception of emergency purchase orders, the Department of Finance will not issue purchase order numbers in advance unless a requisition has been processed and has received the necessary approvals. Please note that shipping and handling charges are not to be included in the purchase order but shall be added by the AP/AR Clerk at the time the invoice is processed.~~

B. Change Orders To Regular Purchase Orders

After a regular purchase order is issued to the vendor, it may become necessary to change it to include additional quantities, shipping costs, etc. When this occurs, the employee who completed the original ~~purchase order~~requisition shall process ~~another requisition for the~~ a change order. ~~Using the requisition comments option in HTE, the employee shall note the original purchase order number for which the change is being made and explain briefly the need for the change. After the requisition is received and approved by the Assistant Finance Director, it will be added to the original purchase order and a change order will be issued to the vendor.~~ Please note that change orders to original contracts of \$20,000 or more require the prior approval of either the Village Manager or Village Board. For more information, please refer to the financial policy on change orders included in this manual.

C. ~~Blanket Purchase Orders~~

~~Blanket Purchase Orders are intended to give employees flexibility when purchasing items for less than \$1,000. Orders exceeding \$1,000 shall be processed using a regular purchase order. In certain circumstances, the blanket order amount may be increased above \$1,000 with prior approval from the Director of Finance.~~

~~In instances where a blanket purchase order has been issued to a vendor, it is not necessary to process a purchase requisition and have a purchase order issued in advance of obtaining the goods or services. Employees may obtain~~

~~items from vendors in the field and enter them on the system for payment after returning to work. All purchases must be entered on the system within two (2) business days. When entering blanket purchase order items, the employee shall reference the invoice or packing slip number on the item description line in HTE and write the line item number on the receipt. The receipt shall then be sent to the employee's department head or designee for approval. After the purchase has been approved within the department, the receipt shall be sent to the accounts payable clerk for processing.~~

D. Confirming Purchase Orders

~~The~~ Except in the case of emergency purchase orders, the Village will not issue confirming purchase orders to vendors. ~~With the exception of purchases under \$1,000 for which a blanket purchase order is issued, Each~~ department is responsible for ensuring that a valid purchase order, if requested, is issued to the vendor prior to the acquisition of goods or services.

E. Prepayments

The Village will not pay for goods and services until the goods are received or the service is rendered.

Exceptions:

1. Deposits on certain jobs when approved by the Director of Finance.
2. Memberships and books or periodicals.
3. Payments to local, State and Federal government entities.
4. Service and maintenance contracts where necessary.
5. Small orders (under \$1,000) where the department head approves prepayment.
6. Approval by the Director of Finance or Village Manager.

F. Manual Checks

Manual checks are interim checks issued to vendors as payments for goods delivered or services performed. The checks are issued between normal accounts payable cycles when an emergency or other extenuating circumstance as determined by the Director of Finance makes it impractical or unreasonable to process the payment following normal payment methods. As the name implies, manual checks are labor intensive and time consuming to issue, therefore, their use as a method of payment shall be restricted to unique or special circumstances.

~~All requests for manual checks must be processed by completing a claim voucher form (see Exhibit 6). The completed form shall include the vendor's name and address, the account number against which it is being charged, a description of the item purchased and an explanation in the remarks section as to need for the check. The form shall also include the signature of the applicable Department Head. Completed forms shall be submitted to the Director of Finance for approval.~~

The Department of Finance will not issue manual checks in instances where reasonable means could have been taken to process the payment following normal payment methods.

G. Petty Cash

This policy sets forth procedures for the handling of petty cash monies at the Village Hall, Police, Public Works and Fire Departments. It further establishes the procedures for reporting petty cash disbursements by department to the Department of Finance as well as reimbursements to each petty cash box.

Petty cash boxes are located at the Village Hall, Public Works Building, Police Department (5) and Fire Station 2. The persons accountable for these boxes at each of the buildings are the Accounts Payable/Accounts Receivable Clerk, Customer Service Supervisor, and Customer Service Representatives, the Public Works Administrative Coordinator, the Police Department Administrative Coordinator, the Police Department Training Coordinator, the Police Department Records Supervisor and the Administrative Secretary at Fire Station 2, respectively. They are responsible for seeing that the total number of receipts and cash equal the amounts detailed in Section 2b. The Petty Cash box is subject to audit (Section 2h) and the above listed individuals will be accountable for any non-compliance with this procedure or shortage of funds.

All forms needed in order to effectively manage the petty cash process are referred to in the procedures section and are contained as Exhibits to this policy.

The following policy and procedural guidelines have been established to promote a more efficient and accountable petty cash operation. All departments within the Village are responsible for abiding by this policy. There are no exceptions.

d. All petty cash request forms must contain the following information:

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- Date
- Detailed description of the expenditure
- Name of person(s) to receive money
- Name of person authorizing receipt of money (must be a supervisory employee specifically designated by the department)
- Account number to which the expenditure will be charged
- Receipt (if received, otherwise the petty cash request form will be marked "HOLD")

2. Reimbursing Each Petty Cash Box

- a. As stated above, the persons responsible for the various petty cash boxes are the Accounts Payable Clerk, Accounting Clerk and Customer Service Representatives at the Village Hall; the Administrative Coordinator at the Public Works Building; the Administrative Coordinator, the Training Coordinator and the Records Supervisor at the Police Department; and the Administrative Secretary at Fire Station 1. They not only disburse petty cash to various employees, they must reconcile the petty cash box and request petty cash reimbursements by the payables deadline. It is recommended that this be done on a weekly basis, if possible.
- b. The chart below depicts the maximum amount of petty cash allotted for each building by location/function.

DEPARTMENT/ LOCATION?FUNCTION	PETTY CASH AMOUNT
Village Hall *	\$3,500
Public Works	\$ 300
Police Administration	\$ 400
Police Training	\$ 400
Police Records - Adjudication	\$ 500
Police Records/Front Desk	\$1,200
Police Tobacco Grant	\$ 500
Fire Station 2	\$ 300

If the amounts indicated are not sufficient to meet the needs of the department, the Department Head can request an increase in the petty cash allotment. This request must be made to the Assistant Director of Finance and approved by the Director of Finance. *The Village Hall petty cash amount is usually at \$3,500. However, this amount is subject to change ~~based on the current Department of Homeland Security level of security alert, as set in the Village's Emergency Action Plan Manual~~ in an emergency situation with approval of the Village Manager.

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- c. The Public Works, Police and Fire Departments are required to submit a Petty Cash Reimbursement sheet by each accounts payable deadline. Exhibit 7 is an example of the petty cash reimbursement sheets which are required to be utilized by all departments. This sheet was created as a "fill in field" form and is accessible in Word.
- d. The Petty Cash Reimbursement sheet (Exhibit 7) lists all petty cash transactions for a certain period of time. This sheet must contain the following information:
- Detailed list of account numbers
 - Detailed description of charges for each account number (date, place, name and reason for charge)
 - Amount of charges for each account number and correlating description
 - All original petty cash receipt slips and corresponding receipts
- e. Once the Petty Cash Reimbursement Form is completed, it must be forwarded, along with all required documentation and required signature of preparer, Department Head or designee, to the Accounting divisionClerk at the Village Hall. Upon receipt of the above information, the Accounting divisionClerk shall forward the form to the Assistant Director of Finance for approval and then reimburse the respective department from the Village Hall Petty Cash. All information from the other departments shall then be placed in an envelope that contains all other Village Hall petty cash information.
- f. A formal Petty Cash Reimbursement sheet is not necessary for the Village Hall Petty Cash Box. All receipts for Village Hall petty cash shall be kept in an envelope and a running total of disbursements is listed on the outside of the envelope. The bottom line total on the outside of the envelope is the same amount that a check is cut for during the accounts payable process. The check is written to the Village of Lombard Petty Cash Fund. One check is written for all Petty Cash reimbursements as the other departments are reimbursed out of the Village Hall Petty Cash Fund.
- g. The envelope with the petty cash request forms and receipts is then attached to the file copy of the check that was cut for reimbursement and is stored with the accounts payable files.

- h. Petty Cash will be subject to periodic announced and unannounced audits to determine compliance with these procedures. Any discrepancies with compliance or cash balance shall be immediately reported to the Director of Finance and a written report shall be provided with copies to the Village Manager and Department Head.
- i. Any questions regarding these procedures may be directed to the Assistant Director of Finance at the Village Hall.

H. Purchase Card (P-Card) Payments and Procedures (BOT approved 4/2/09, resolution # 86-09)

- 1. **P-Card Purchases** - The P-Card may be used ONLY for purchases in accordance with the purchasing procedures and limits established by the Village. Charges must not be split to avoid exceeding the individual transaction limit of the card. The procurement card must NEVER be used for cash advances, services, fuel (unless traveling outside of the Village), standard merchant category exclusions (liquor stores, jewelry, etc.), or for personal use.
- 2. **Site Administrator** – The Finance Director will appoint a Site Administrator to oversee the P-Card program.
- 3. **Approved Cardholder** – Only the approved Cardholder whose name is embossed on the card is authorized to make purchases with the card.
- 4. **Documentation** – Cardholders are responsible for providing all sales invoices/register receipts. The amount charged must match the documentation exactly. Documentation must clearly state the details of what was purchased and the amount.
- 5. **Sales Tax Exempt** – Purchases made with the Procurement Card are tax exempt. The cardholder is responsible for ensuring tax has not been charged. The tax exempt number is #E9997-4401-06. Our tax ID # is 36-6005975.
- 6. **Credit for Returns or Errors** – If an item is returned, a credit must be shown and supporting documentation must be submitted with the monthly statement. If you have a dispute with a charge on your card, it is the cardholder's responsibility to contact the bank that issued the P-Card to file the dispute and for further instructions.
- 7. **Billing Process** – P-Card statements are mailed directly to the cardholder from the bank that has issued the P-Card. Statements and all related documents must be received in the Accounting Office by the requested date, 10th of each month. The following items are required:

a. Bank Statement with ~~account~~ supervisor's signature on the statement authorizing the expense(s)

b. Scanned copy of each receipt for each transaction (keep the original receipt for audit purposes for 2 years)

~~Original copy of each receipt for each transaction (keep a copy for your records)~~

~~e. Complete P-Card information in INFISYS/PROCUREMENT CARD MAIN MENU/PROCESSING MENU/TRANSACTION MAINTENANCE (input: account # to bill for each transaction, explanation of the purpose or use for all items, check approve or hold box).~~

c. Enter the purchase information into the software.

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In the event a vendor charges unallowable sales tax, the cardholder must immediately contact the vendor and request a credit to the card in the amount of the tax. A copy of the credit invoice is also required and must be attached to the statement showing the credited amount. The cardholder will have one month to resolve the issue. At the discretion of the Site Administrator, the card will be revoked if the issue is not resolved within the next month, or if there are reoccurrences of sales tax being charged.

In the event a statement is received in accounting after the ~~10th of the month~~ due date or receipts are missing, the cardholder will have one month to resolve the issue. At the discretion of the Site Administrator, the card will be revoked if the issue is not resolved within the next month, or if there are reoccurrences of late statements or missing invoices.

In the event of any unallowable charges being charged to the card, the cardholder is responsible for contacting the vendor and having them issue a credit to the card. For the first occurrence, the cardholder will have one month to resolve the issue. At the discretion of the Site Administrator, the card will be revoked if the issue is not resolved within the next month, or if there are reoccurrences of unallowable charges. Cardholders must also refer to the cardholder agreement.

8. **Past due Invoices-** If disputed charges are submitted for payment after the original due date, all items mentioned above are required.
9. **Lost or Stolen Card** – It is the cardholder's responsibility to document the phone number to call in the case of a lost or stolen card. If a P-Card is lost or stolen you must immediately notify the bank that issued the P-Card (open 24 hours a day). Also, immediately notify the Site Administrator.
10. **Changes in Employment** - If a cardholder ends his/her employment with the Village of Lombard, the P-Card must be returned to the Site Administrator immediately. The cardholder is responsible for

providing all outstanding receipts and related documents to their supervisor prior to ending employment. If a cardholder transfers to another department at the Village of Lombard, the new Department Head must approve future use of the card.

11. **Questions** – If you have any questions about how to make purchases with the credit card or regarding payment of charges, please contact the Site Administrator in the Finance Department.
12. **Education** – New cards shall be approved by the Village Manager and the applicable Department Head, and distributed by the Site Administrator. New cardholders are required to meet with the Site Administrator to discuss proper use of the card and billing procedures. Cards will be distributed when the educational session has been completed.

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I. Claim Vouchers

Purchase orders are the preferred method of payment for most Village transactions. However, in the following instances, claim vouchers may be used for payment processing.

1. Employee reimbursements over \$100.00
2. CDL reimbursements
3. Miscellaneous Grants

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- ~~1. Requests for Manual Checks (requires approval of Director of Finance)~~
- ~~2. Reimbursements to Village employees for expenses incurred~~

Claim vouchers require the signature of a Department Head, Director of Finance and Village Manager for payments in excess of \$5,000. A Microsoft Word template located on the Village server shall be used for completing claim voucher forms.

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A. Change Order Policy (BOT approved 2/16/95, resolution # 58-95)

State statute requires Village Board approval of all change orders for \$10,000 or more and for all change orders which, when combined with those previously approved, increase or reduce the contract price by more than \$10,000. For projects with change orders exceeding 50% of the original contract amount, the contract must be rebid per state statute. The following financial policy is consistent with this statute.

It shall be the responsibility of each Department Head to ensure that all change orders are submitted to the Village Manager or Village Board for approval. In addition, Department Heads shall be responsible for monitoring all contract payouts and retainages and ensuring that the amount of the change order is correct.

Where a change order requires the approval of the Public Works Committee or Board of Local Improvements, approval shall be received prior to submitting the change order to the Village Board or Village Manager. Departments shall follow the procedures established by the Public Works Department for submitting change orders to these boards and committees.

The procedures outlined below shall not apply to professional service contracts (e.g. engineering, architectural or land surveying work). Changes to professional service contracts shall be treated as contract amendments.

1. Change Orders Increasing or Reducing the Contract Price - Original Contracts for Less Than \$40,000:

- a. Change Orders To Contracts for Less Than \$40,000 which Increase or Reduce the Contract Price by Less Than 25%:

Change orders to contracts for less than \$40,000 which do not exceed 25% of the original contract price may be approved by the Village Manager or his/her designee. Departments may receive approval by submitting a ~~purchase requisition for the amount of the change order and a~~ "Village of Lombard Change Order Form" to the Assistant Finance Director who will review it for completeness and accuracy. Upon approval by the Assistant Finance Director, the change order will be forwarded to the Director of Finance and Village Manager for final approval.

Note: A change order (and all subsequent change orders) must be submitted to the Village Board for approval if it increases or reduces an original contract for \$40,000 or more by more than 25% when combined with all other change orders previously approved. In these instances, departments shall be responsible for following the procedures described below for submitting change orders to the Village Board.

- b. Change Orders To Contracts for Less Than \$40,000 which Increase or Reduce the Contract Price By 25% Or More:

Change orders which increase or reduce a contract for less than \$40,000 by 25% or more (of the original contract price) must receive the approval of both the Village Manager and Village Board. In these cases, departments shall follow the procedures outlined below for submitting change orders to the Village Board. Change orders may not exceed 50% of the original contract amount without rebidding the project.

2. Change Orders Increasing or Reducing the Contract Price - Original Contracts For \$40,000 Or More:

- a. Change Orders To Contracts For \$40,000 Or More Which Increase Or Reduce The Contract Price By Less Than \$10,000:

Change orders which increase or reduce an original contract for \$40,000 or more by less than \$10,000 require only the approval of the Village Manager or his/her designee. Departments may receive approval by submitting ~~a purchase requisition for the amount of the change order and~~ a "Village of Lombard Change Order Form" to the Assistant Finance Director who will review it for completeness and accuracy. Upon approval by the Assistant Finance Director, the change order will be forwarded to the Director of Finance and Village Manager for final approval.

Note: A change order (and all subsequent change orders) must be submitted to the Village Board for approval if it increases or reduces the original contract for \$40,000 or more by more than \$10,000 when combined with all other change orders previously approved. In these instances, Departments shall be responsible for following the procedures described below for submitting change orders to the Village Board.

- b. Change Orders To Contracts For \$40,000 Or More Which Increase Or Reduce The Contract Price By More Than \$10,000:

~~4. A purchase requisition for the amount of the change order (except with change orders dealing with time.) Purchase requisitions shall identify the appropriate budget account(s) and project(s) to be charged~~

~~2. 1. Board of Trustees' Action Request Form~~

~~3. 2. Village of Lombard Change Order Form and~~

~~4. 3. A memorandum explaining the need for the contract revision. If a change order for less than \$10,000 is submitted to the Village Board for approval, departments shall explain that Village Board approval is necessary because the total value of all change orders exceeds \$10,000.~~

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Change orders shall be numbered sequentially and shall bear the signature of the Department Head. In instances where a final balancing change order (regardless of the amount) reduces the contract price, departments shall instruct Finance to close out the remaining encumbered funds.

In special circumstances, a change order requiring Village Board approval may be authorized by the Village Manager or his/her designee prior to being placed on the Village Board agenda. After receiving authorization, however, the department, following the requirements outlined above, shall place the change order on the Village Board's agenda for the following meeting.

~~**B. Fixed Asset Policy (adopted October 21, 1993, revised May 7, 1998 & June 6, 2002)**~~

~~PURPOSE~~

~~The Village shall establish and maintain fixed asset records to comply with governmental financial reporting standards, to provide a basis for determining appropriate insurable values, and to establish responsibility for property control.~~

~~DEFINITION~~

~~Fixed assets shall include land, infrastructure, buildings, machinery, equipment, and vehicles with a life expectancy of one year or more, subject to the capitalization threshold below. Infrastructure shall include roads (including curbs and gutters), bridges, water and sewer mains, pumping stations, lift stations, traffic lights, streetlights, etc. Capitalization of road projects only occurs when the street is torn down to the base and completely rebuilt. All expenditures related to an infrastructure project will also be capitalized (engineering, legal services, etc.). All other street construction, i.e. regrinding, patching, etc., is considered maintenance, and not capitalized. Water and sewer projects will be capitalized when the project constructs additional infrastructure or replaces infrastructure, and meets the capitalization threshold below. Repairs of water and sewer assets will only~~

be capitalized when they materially extend the life of the original asset, and meet the capitalization threshold below.

CAPITALIZATION THRESHOLD

The capitalization threshold or minimum value of an asset at the time of acquisition is established at \$50,000 on a per unit basis for machinery, equipment and vehicles, \$100,000 for buildings and improvements, and \$200,000 for land and infrastructure.

PROPERTY ACCOUNTING

Responsibility for control of assets rests with the operating department wherein the asset is located. The Director of Finance shall ensure that control over fixed assets is maintained by establishing a fixed asset inventory that is updated annually and documents all additions and deletions to the fixed asset records. Operating departments shall report the disposal or relocation of a fixed asset promptly to the Director of Finance or his designee. Assets acquired during the year shall be recorded as an expenditure against the appropriate capital expenditure account, which shall be used for financial reporting purposes. Assets shall be recorded in the fixed asset inventory by using an appropriate description and by recording serial numbers where applicable. Tagging of assets will not be required.

PROPERTY CONTROL

Assets, which do not meet the definition of "fixed assets" under this policy, but in the aggregate account for a substantial asset group, shall not be capitalized for financial accounting purposes. Rather, the responsible operating department shall maintain control of these assets using a system suitable for doing so. Examples of asset groups (and the department responsible for them) which shall be inventoried and maintained separately from the Village's fixed asset inventory include computers and related equipment (IT Division), guns (Police), vehicles (Fleet Services) and any other asset group identified by the Director of Finance.

DEPRECIATION METHOD

All assets will be depreciated using the straight line method of depreciation over the useful life of the asset. The Director of Finance will assign useful lives to each asset according to the guidelines below.

<u>Type of Asset</u>	<u>Useful Life</u>
Buildings	30-50 Years
Vehicles and Equipment	3-15 Years
Land	Not Depreciated
Land Improvements	10-20 Years
Water & Sewer Infrastructure	20-50 Years
Other Infrastructure	20-50 Years

A. Travel Policy

Travel can play an important role in accomplishing the Village's mission to provide superior and responsive governmental services to the people of Lombard. When conducting business on behalf of the Village, employees are expected to use good quality services and accommodations appropriate for the business to be conducted. Good judgment and ethical practices on the part of each traveler remain the most important factors in controlling travel expenses.

Control of travel authorization is the responsibility of each department head. Travel authorization is a two-part process including: 1) approval of all travel in advance; and 2) expense reporting following completion of the trip. Approval of travel expense reports is more than a formality. It indicates that expenses submitted have been reviewed and have been found to comply with Village regulations regarding travel and authorized business expenses.

All Village personnel traveling or incurring business expenses on behalf of the Village, and those responsible for the approval of these expenses, are expected to use these measures to assist in maintaining control over travel expenditures. The policies detailed here apply to all funds under Village control and are superseded only in those instances where funding agencies apply specific and more restrictive rules and rates.

1. Travel Authorization

It is Village policy that all travel requiring an overnight stay must be approved in advance by the employee's Department Head, the Director of Finance and Village Manager. This applies to all travel of this nature even in instances where the travel has been budgeted or a travel advance is not requested. Requests for travel authorization shall be submitted using the Village's travel advance and expense report form (see Exhibit 8) at least 30 days prior to traveling.

2. Travel Arrangements

~~To reduce travel costs, Village employees are encouraged to seek the assistance of a travel agent when purchasing air travel and reserving cars and hotel rooms.~~ Whenever possible, travel should be arranged using the least expensive means possible. Employees should use good judgment when determining logical routes for arriving at the intended destination.

12. Expense Reporting

NOTES

The travel expense form should be filled out in accordance with the instructions noted on the form. Travelers should provide as much detailed information of all expenses on the statement as possible including the cost of registration, books, meals, hotel, airfare, etc. regardless of whether it was paid directly to a vendor (e.g. registration fees) or by credit card (e.g. hotel bill). Original receipts must be included except when it is impractical to do so or when specifically exempted by this policy (e.g. cost of public transportation, tips, parking meters, etc.). The pink copy of the expense report shall be submitted to Finance within (5) five days following completion of the trip. The department shall retain the gold copy.

Questions regarding any aspect of this policy shall be directed to the Assistant Finance Director.

B. Disposal of Village Property

Village property of value may not be sold or traded without prior approval of the Village Board (Village Code 35.10.)

If the item has value, departments shall prepare an ordinance and Village Board agenda item recommending disposal of the property.

In instances where Village property no longer has value, departments may dispose of the property without Village Board approval.

C. Purchases Near the End of the Fiscal Year

When purchases are made near the end of the fiscal year, ~~(i.e. May 31)~~, departments shall be responsible for ensuring that they are expensed (i.e. charged) against the fiscal year in which they were received. The date goods are received or services are performed determines which fiscal year they are expensed against. Consequently, goods and services will be expensed in the current fiscal year only if they are received or performed by ~~May 31~~ December 31. This is true regardless of when ~~the purchase requisition is processed or~~ the purchase order is issued. In order for goods or services to be considered received, they must be entered on the system using the ~~HFE~~ purchase software. This can be accomplished by completing the "receipt processing" option for regular ~~purchase orders or by using a blanket purchase order~~. Items not received on the system by ~~June 30~~ January 31 (one month following the end of the fiscal year) will be expensed in the next fiscal year.

The Assistant Finance Director shall issue a reminder notice regarding year end purchases to all departments each year in ~~November~~ April.