



Purchasing Policy

1. Overview

This purchasing policy is intended for use as a guide to the Town of Landis' purchasing methods and practice. When used properly, the policies and procedures established herein will enable the Town to obtain needed goods and services efficiently and economically. The goal of this policy is to give structure to the Town of Landis' procurement methods and to set guidelines for Town departments. The understanding and cooperation of all employees is essential for the Town to maximize the value of each taxpayer dollar spent. While this manual does not answer all procurement related questions, it does provide a solid foundation for Town procurement methods.

The goals of the Town purchasing program are as follows:

- 1.** To comply with all legal and ethical requirements of public purchasing and procurement.
- 2.** To assure vendors that impartial and equal treatment is afforded to all who conduct business with the Town.
- 3.** To receive maximum value for money spent by awarding purchase orders to the lowest responsible, responsive bidder, taking into consideration quality, performance, support, delivery schedule, previous performance, business location, and other relevant factors.
- 4.** To provide Town departments the required goods and services in a timely manner in the proper quantity and quality while providing necessary information to the Town Finance Office.
- 5.** To professionally administer the search for sources of supplies, the development of new sources, the selection of suppliers, negotiations, commitments, follow-ups, and adjustments.
- 6.** To promote healthy business relationships through informed and fair purchasing practices in support of ethical standards.
- 7.** To maximize the standardization of products used by all departments to minimize stock levels and obtain better prices for necessary goods and services.

If the procedures and guidelines established in this manual are followed, each department will be capable of managing, controlling, and planning available resources to meet present and future needs while helping the Town accomplish its goals. Any questions or concerns about this manual or the established procedures should be directed to the Town Finance Department.

This manual is effective immediately following Town Board adoption and supersedes all previous purchasing or procurement instructions or directives. Existing Town Contract Authority and Purchase Order policies shall hereby be considered addendums to this policy.

2. Purpose

I. Local Buying

It is the desire of the Town of Landis to contract with vendors within the Town and Rowan County whenever possible. The Town has a responsibility to its citizens and local businesses; however, the Town must ensure taxpayer money is spent with prudence. The Town does not make purchasing decisions based exclusively on the location of the vendor; however, every effort will be made to encourage qualified local vendors and suppliers to compete for Town business.

II. Planning

It is imperative that all Town departments take time to properly plan purchases. Purchasing plans should be made for goods and services to be purchased in both the near and distant future; thereby minimizing small orders and last-minute purchases. Planning is of the highest importance to the Town; proper planning reduces unnecessary clerical and supervisory time costs associated with the procurement process.

III. Quality

Quality of product and customer service are as important as price when considering goods and services for purchase; it is the duty of the requesting department to secure the most cost-effective goods or services that will meet but not exceed the requirements for which the goods or services are intended. In some instances, the lowest price does not necessarily mean the lowest cost. A higher price, higher quality product may save the Town from excess expenses in the future. The requesting department should take this into consideration when making a purchase.

IV. Authorization

Department Heads have been delegated the authority to approve purchases made under \$1,000. Department Heads should only authorize purchases for necessary goods when proper documentation is provided, and funds are available to make the purchase. The Department Head or his designee must authorize each invoice with a signature and date before forwarding to the Finance Office for payment. This authorization verifies that the goods and or services have been received, the budgeted funds are available, and the invoice has been coded to the proper account number.

3. Scope

Purchasing Procedure

- ***Purchases less than \$1,000*** do not require a Requisition or a Purchase Order (PO) and may be made upon the approval of the department head. These purchases may be made by utilizing the Director's assigned Town credit card or by check.

- **Purchases above \$1,000** (not including tax) are subject to established Town purchase order (PO) and contract policies.
- **Purchases between \$30,000 and 89,999.99**
In Accordance with NCGS 143-129, purchases of goods and/or construction in this range must be obtained through informal bids or state contracts. Departments are responsible for working with the Finance Officer to send a request for quote (RFQ) and allowing vendors sufficient time to respond to the request based on the complexity of the request. RFQs in the informal bid range may or may not be advertised to the public. A minimum of three (3) vendors, if available, will receive the RFQ. Every effort will be made to obtain at least three (3) quotes.

Quotes in the informal bid range may be submitted through U.S. Mail, email, fax, or hand delivery. No verbal quotes are acceptable in the informal bid price range. All purchases in the informal bid range are subject to established contract authority. In this range, a no bid may be accepted as a bid. A minimum of three written informal bids are to be scanned, submitted, and attached to the purchase requisition prior to purchase; after the purchase order is issued and approved, a purchase may be made.

In accordance with NCGS 143-64.31, procurement of applicable engineering services above \$50,000 must be obtained through the Mini-Brooks act process or state contracts. Requirements for the services sought must be “announced” in an RFQ (request for qualifications). Quotes for services rendered may not be solicited throughout this process. The award **must** be given to the **most qualified** respondent, based on demonstrated qualifications and competence. A “fair and reasonable fee” may be negotiated between the Town and the vendor **after** the award has been given. Services estimated to cost less than \$50,000 may be exempted from this process by the Town Manager in accordance with the Mini-Brooks act exemption process outlined in NCGS 143-64.32. All contracts subject to this section above \$15,000 must receive Board approval to be awarded.

All other purchases within the established threshold are subject to existing contract authority.

- **Purchases above \$90,000 in Goods or \$500,000 in Construction**
Purchases in this range must be obtained through formal bids. Departments are responsible for sending a request for quote (RFQ) and will allow vendors sufficient time to respond to the request based on the complexity of the request. Every effort will be made to obtain at least three (3) bids. A newspaper advertisement must run at least seven (7) days prior to the bid opening. Written bids in this range must be submitted in a sealed envelope and must be opened at a public bid opening.

Purchases in the formal range require Board approval. In accordance with N.C.G.S. § 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 will include advertising in the local newspaper and/or other advertising media as deemed appropriate and receiving sealed bids. The supporting documentation and all bids received are to be scanned and submitted with/attached to the purchase requisition prior to purchase; after the purchase order is issued and

approved, a purchase may be made.

Vendor Selection

- ✚ Vendors will be selected on a competitive basis. Formal bids and informal bids will be solicited by the requesting department. Bid awards, purchase orders and/ or contracts will be issued to the lowest, responsive, responsible bidder. The Town of Landis will not use vendors who have been debarred by Federal, State, or Local governments.
- ✚ Town employees are prohibited from soliciting or accepting any rebate, money, costly entertainment, gift, or gratuity (except for mementos and novelties of nominal value) from any person, company, firm, or corporation to which any purchase order or contract is or might be awarded. The Town will not tolerate circumstances that produce, or reasonably appear to produce, conflicts between the personal interests of an employee and the interests of the Town. Accordingly, the Town may terminate, at no charge to the Town, any purchase order contract if it is found that substantial gifts or gratuities were offered to a Town employee. The Town may also take disciplinary action, including dismissal, against a Town employee who solicits or accepts gifts or gratuities of any value whatsoever.

Special Procurement Procedures

- ❖ **Blanket Purchase Orders** (See PO policy)
- ❖ **Emergency Purchases** (See PO policy)
- ❖ **Sole Source of Supply**

In the event there is only one vendor capable of providing a particular good or service, the competitive pricing procedures outlined in this manual may be waived by the Finance Officer. Whenever a Department Head decides to purchase goods from a sole source, he/she shall provide a written explanation as to why only one company or individual can provide the goods required. The provisions of N.C.G.S. § 143-129 will be followed requiring Board approval for sole source exception for all purchases made at or above statutory levels.

- ❖ **Single Brand Convenience**

The Town recognizes in certain scenarios it is efficient to purchase items from a single provider rather than a variety of vendors. In such cases, exceptions may be made to standard purchasing procedure. The purchaser should note reasons buying from a certain vendor will be more efficient in the long run and attach such documentation to each requisition.
- ❖ **State Contract**

All Departments may use the State of North Carolina Department of Administration Purchase and Contract Division whenever possible for procurement of capital and non-capital items. It shall be the responsibility of Department Heads to familiarize themselves with this purchasing method and to check for needed goods and services which are available through this resource at a lower cost than many other vendors offer. 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 on State Contract are law enforcement vehicles, office furniture, copiers, janitorial supplies, copier paper, light bulbs, etc. Contact the Finance Office with questions regarding goods on State Contract.

- ❖ **Piggybacking**

Department heads may use the piggybacking process whenever necessary to purchase apparatus, supplies, materials, and equipment. Contracts in the informal range can be used as a tool to solicit additional bids. In these cases, the established Town contract authority will apply. For purchases of \$30,000 and above, the provisions of N.C.G.S. § 143-129 will be followed.

❖ **Professional Services**

Normal competitive procedures are difficult to use in securing professional services such as attorneys, planners, and other professionals who, in keeping with the standards of their discipline, will not enter a competitive bidding process. When an agreement between a professional service company and the Town is established, a purchase order with the proposed amount shall be issued to satisfy accounting and statutory requirements. Purchases from professionals shall otherwise follow N.C.G.S. § 143-64.31 and 64.32.

❖ **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 signed by the Town Manager, pre-audited by the Finance Director, and filed in the office of the Town Clerk. The executed contract should be scanned and attached to the department requisition that is forwarded to the Finance Department. The Town will not enter into contractual agreements that are subject to automatic renewal and will attempt to structure contracts to coincide with the fiscal year. Contracts authorized by the Town Board through direct award or budget authorization may be executed by the Town Manager. Subsequent orders changing the original contract, which do not exceed the approved cost of the contract, will be executed by the Town Manager.

The Board must approve all contracts that meet the following criteria:

- ✓ Contracts subject to statutory bid thresholds
- ✓ Contracts for goods above \$10,000 and services above \$15,000
- ✓ Contracts exceeding budgetary approval, which require a budget amendment
- ✓ Contracts suggesting a significant policy change as determined by the Town Manager.

❖ **Vendors with Town Accounts**

The Town should have accounts with certain vendors where possible to expedite the purchasing process for frequently needed minor items. Proper purchasing procedures should be followed, and only authorized purchases should be charged to Town accounts.

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.

- ✚ Some purchase orders may list several items. It is possible the vendor may complete timely delivery on some items, which is referred to as "partial delivery". Upon receipt of a partial delivery, photocopy the purchase order; attach a copy of the signed delivery receipt and forward to the Finance Office along with the vendor invoice indicating which lines of the purchase order are to be paid.

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

Inspection and Testing

Life and safety as well as successful operation of expensive equipment and supplies may depend upon how well a purchased item meets design and performance specifications. Goods and materials should be checked at the time of receipt for damage 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 as outlined below:

- **Rejection**
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 the Finance Office in a timely manner.
- **Damaged Goods**
One of the major reasons for immediately inspecting the goods or materials upon receipt is to detect any visible damage. It is necessary that all damage including evidence of concealed damage shall be documented by memo, attached to a copy of the purchase order, forwarded to the Finance Office, reported to the vendor as soon as possible, and the vendor should be informed about the damaged goods. Damaged goods will not be accepted by the Town.
- **Latent Defects**
Latent defects may be the result of damage in transit or failure of the manufacturer to conform to specifications. Consequently, it is often difficult to fix responsibility for the defective material. If specific liability for the defect cannot be determined between the carrier, the vendor, or the manufacturer, the Town may file a claim against all parties. A memo attached to a copy of the purchase order must be forwarded to the Finance Office.

Vendor Relations

Good vendor relations are valuable business assets established through mutual confidence and satisfactory business communication 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. Any conflicts which may arise should be reported to the Finance Office.

Sale of Town Property

All Real Property owned by the Town of Landis must be declared surplus by the Board of Aldermen before it can be sold. All other Town property must be sold in accordance with the established "Surplus or Obsolete Property" policy, "ARPA Comprehensive" policy, and applicable state statutes. N.C.G.S. § 160A-(265-280) should be referenced before the sale of any Real property owned by the Town to ensure state statutes are properly followed.

Town Credit Cards

Town credit cards have been assigned to department heads to provide a flexible and efficient way to make small purchases. Credit cards empower the cardholder to acquire necessary materials to conduct business and/or deliver services in a more convenient and expeditious manner. Town credit cards should not be used to procure items or services not directly related to Town business. Town credit cards cannot be used to purchase fuel for Town vehicles.

➤ ***Director Responsibilities***

No purchase over \$1,000 (Not including tax) shall be made using the Town credit card system without a purchase order or Manager approval. Credit cards assigned to directors have credit limits set by the Town Manager. If a director needs to make a purchase above the available credit limit, the director should consult with the Finance Officer before making a transaction. The following rules apply to all Town-issued credit cards:

1. The purchase card that each cardholder receives shall only be used by the cardholder or their designee. No other person is authorized to use this card. The cardholder is responsible for all purchases charged to their card, even if a designee has been assigned.
2. The total value of a transaction shall not exceed a cardholder's single purchase limit. Payment for a purchase shall not be split into multiple transactions to stay within the single purchase limit.
3. The cardholder is responsible for maintaining receipts of all card transactions and submitting all receipts to the Finance Officer at the end of each month. Receipts are required for all purchases. Failure to submit receipts in a timely manner may result in the cardholder losing the privilege of using a Town credit card.
4. Credit cards may be used by for lodging and for training/professional activities. Town credit cards cannot be used for meals during employee travel. Cardholders should consult the Town Travel Policy for more information.

➤ ***Receipts and receipt submission***

Receipts should be collected and kept for all transactions. If a detailed receipt is not obtained from the vendor, a detailed list of what was purchased will be required with the receipt. Repeated lost or missing receipts may result in a cardholder losing the privileges associated with a Town credit card. A detailed receipt should be provided for all purchases.

Receipts for each month should be submitted to the Finance Office and attached to their corresponding expense report at the start of the next month.

➤ ***Unauthorized purchases***

Certain items should not be purchased by Town employees. Any of the following items listed below have been deemed inappropriate for purchase by Town employees:

- Personal purchases or for personal identification
- A single purchase that exceeds the cardholder's single purchase limit
- Cash advances
- Gift Cards

- Alcoholic beverages
- Purchase of in-room movies during a hotel/ motel stay while on Town business

➤ ***Consequences of Improper Use***

A cardholder who makes unauthorized purchases or carelessly uses a Town Credit Card will be liable to the Town of Landis for the total dollar amount of such purchases plus any administrative fees charged by the bank or card company in connection with the misuse. The cardholder's employment may also be terminated and will be subject to legal action.

Cardholders are expected to obtain the best prices available on purchases. Purchase of an item above market prices where the vendor gives the employee any form of gift, bonus, or premium whether in the form of cash or merchandise is considered a kickback, is illegal, and can result in disciplinary action up to and including termination of employment and lawful prosecution. Town policy strictly forbids anything in exchange for making a purchase.

Fringe Benefits

Any item purchased for an employee must be a valid business expense and not considered wages to the individual. Clothing, non-monetary awards, meals, travel, and other items may be considered wages depending on circumstances. Awards of cash or cash equivalents are always considered wages regardless of the amount awarded. All awards and purchases considered wages to an employee must be processed through payroll and will be subject to all applicable taxes. Please contact the Finance Department with any questions. Any award of cash or cash equivalents must be pre-approved by the Town Manager.

Implementation

The Finance Officer or alternatively designated staff shall adopt procedures to track all purchases, bids, and other programs outlined within this policy including those purchases involving ARP/CLSFRF funds. The Finance Officer is charged with overseeing or delegating the management responsibilities of each section outlined in this policy.