

PURCHASING POLICY



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**Town of Elm City, North Carolina
Purchasing Policy Manual**

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GLOSSARY

Bid: a multi-step process required of the Town by North Carolina General Statutes. Quotes from three separate vendors are required during any bid process unless the good or service to be supplied is produced by only one vendor.

Informal Bid: A bid on items \$30,000.00 and above. Request for quotes are not required to be advertised to the public. Purchases in this category do not need to be approved by Town Council.

Formal Bid: A bid on items \$90,000.00 and above or on services \$500,000.00 and above. Public advertisement of the request for quote and bid process must be made, bids must be opened in public forum, and Town Council must approve the winning bid.

Quote: a price provided by a vendor on a provided good or service.

Informal Quote: a quote received via verbal communication, email, website, catalog, or fax.

Formal Quote: A price quote received via U.S. Mail, email, fax, or hand delivery.

Requisition: input into the financial system by a department to request the generation of a purchase order by the Finance Department prior to a purchase.

Purchase Order (PO): authorization for the purchase of goods sent by the Finance Department to a vendor prior to the purchase.

Request for Written Quotation (RFQ): A request sent to a vendor for a written quote on a certain good or service.

Encumbering: to commit a given amount of money to the payment of an order.

Purchasing/ Procurement: interchangeable, how the Town obtains needed goods and services.

Department Director: The individual authorized to make purchasing decisions on behalf of his/ her department.

Vendor: provider of a good or service.

I. FORWARD

This purchasing policy is intended for use as a guide to the Town of Elm City's 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 Elm City's procurement methods and to set guidelines for Town departments.

The understanding and cooperation of all employees is essential in order for the Town to maximize the value of each taxpayer dollar spent. While this manual does not answer all procurement related questions, it provides a sound foundation for Town procurement methods.

The goals of the Town's purchasing program are as follows:

1. To comply with 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 Department.
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 practice and maintenance of ethical standards.
7. To maximize the standardization of products used by all departments in order 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 in order to help the Town meet set 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 Council adoption and supersedes all previous purchasing or procurement instructions or directives.

II. GENERAL GUIDELINES

2.1 Local Buying

It is the desire of the Town of Elm City to contract with vendors within the Town and Wilson 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.

2.2 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 highest importance to the Town because proper planning reduces unnecessary clerical and supervisory time costs associated with the procurement process.

2.3 Buying Proper Quality

Quality and service are as important as price when considering goods for purchase; it is the duty of the requesting department to secure the most cost-effective good or service 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.

2.4 Authorization

Department Directors have been delegated the authority to approve purchases made under \$1,500.00. Department Directors should only authorize purchases for necessary goods when proper documentation is provided and funds are available to make the purchase. The Department Director or their designee must authorize each invoice with signature and date before forwarding to Finance 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.

III. PURCHASING PROCEDURE

3.1 Purchases less than \$2,500.00

Purchases less than \$2,500.00 do not require a Requisition or a Purchase Order (PO) and may be made upon the approval of the Department Director. In order to meet the pre-audit requirements of GS. 159-28 each department shall be appointed a deputy Finance Officer for purchases less than \$2,500. These purchases may be made by utilizing the Town's Procurement Card (P-Card) process, check requests, or vendor accounts. Please see the Town's specific policy for acceptable P-Card expenses. Every purchase should follow a cost comparison to ensure a competitive price and quality for each good and service purchased. Issues that may override the price comparison process may include delivery time and material specifications.

ALL PURCHASES \$2,500.00 AND ABOVE REQUIRE A REQUISITION AND PURCHASE ORDER (PO).

3.2 Purchases between \$2,500.00 and \$4,999.99

Purchases in this price range may be obtained by the requesting department(s) through an informal quote process. No minimum number of quotes is required however, it is encouraged that every attempt is made to acquire at least three (3) quotes. The informal quotes may be received through verbal communications, email, or fax. Verbal quotes must be noted in typed or hand written form documenting price, date quoted, name of vendor, and name of the individual representative of the vendor. Quotes are to be scanned and submitted with the purchase requisition prior to purchase; after the purchase order is issued and approved, a purchase may be made.

3.3 Purchases between \$5,000.00 and \$29,999.99

Purchases in this price range are obtained through the formal quote process. In the formal quote process, the requesting department is required to receive at least three (3) quotes via U.S. Mail, email, fax, or hand delivery. The required three written quotes 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.

3.4 Purchases between \$30,000.00 and \$89,999.99

Purchases in this range must be obtained through informal 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. 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. Purchases in the informal bid range do not require Town Council approval. In this range, a no bid may be accepted as a bid. In accordance with N.C.G.S. § 143- 131, a Request for Written Quotation will be used for purchases of \$30,000 to formal limits (3.2a) with or without advertising. The required three written informal bids 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.

3.5 Purchases \$90,000.00 and above/Services \$500,000.00 and above

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 Town Council 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.

IV. VENDOR SELECTION

4.1 Selection Policy

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 Elm Town will not use vendors who have been debarred by Federal, State, or Local governments.

4.2 Gifts and Gratuities

Town employees are prohibited from soliciting or accepting any rebate, money, costly entertainment, gift, or gratuity (with the exception of 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.

V. SPECIAL PROCUREMENT PROCEDURES

5.1 Blanket Purchase Order

Blanket purchase orders will be issued to selected vendors for the procurement of certain items after competitive pricing has been completed and if budgeted funds are available. Blanket

purchase orders are intended to expedite the procurement of frequently needed and repetitious supplies. Blanket purchase orders should be made for goods and services when the amount of clerical or administrative work otherwise involved is impractical. Examples of items procured through a blanket purchase order include: janitorial services, maintenance service contracts, chemicals, temporary personnel services, automotive parts, and others. Blanket purchase orders will encumber the requesting department's funds for any amounts remaining on the purchase order.

Requisition for blanket purchase orders must include all required information along with the following additional information:

1. Time period the purchase order is valid
2. Items covered by the blanket purchase order
3. The Not to Exceed (NTE) amount
4. A listing of all personnel approved to purchase from the blanket purchase order

All vendor delivery tickets must be signed by an authorized Town employee indicating receipt of the goods and/ or services. All delivery tickets from blanket purchase orders must be scanned and forwarded to Accounts Payable as supporting documentation for invoice processing.

5.2 Emergency Purchases

In cases of emergencies, the Department Director or their designee may purchase directly from any vendor the supplies or services whose immediate procurement is essential to prevent delays in work which may affect the life, health, safety, or convenience of Town of Elm City employees or citizens.

The user department shall exercise good judgment and use established vendors, if possible, when making emergency purchases. Always obtain the best possible price and limit purchases to those items' emergency related. Not anticipating needs does not constitute an emergency situation. First, determine if a true emergency does exist. Second, anticipate needs and avoid emergency situations whenever possible. Emergency orders are always costly. Vendors usually charge top prices if supplies or services must be obtained on an emergency basis.

During working hours, follow standard purchasing procedure as usual as soon as time and the situation permits.

After working hours, the following procedure should be used for emergency purchases: verify funds are available and if needed complete a Request to Transfer Funds form and forward immediately to the Budget office. The packing slip or invoice received should be coded with the

account(s) to be charged and signed, scan/ attach a brief explanation of the nature of the emergency and forward to Accounts Payable with the invoice. Emergency purchases, although sometimes necessary, are costly both in time and money. The use of emergency procedures should be limited and will be monitored for abuse.

5.3 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 Department. Whenever a Department Director decides to purchase goods from a sole source, he/ she shall document on the requisition because only one company or individual is capable of providing the goods required. The provisions of N.C.G.S. § 143-129 will be followed requiring Council approval for sole source exception for all purchases made at or above statute levels.

5.4 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; given proper documentation is provided. 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.

Example: One brand of printer Town-wide would allow the same type of ink cartridge to be ordered and reduces time cost related to finding multiple brands. This also allows the Town to buy ink cartridges in bulk from a single provider, further reducing cost.

5.5 State of North Carolina Purchase 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 Directors 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 Department with questions regarding goods on State Contract.

The State of North Carolina Interactive Purchasing System can be found on the web at www.ips.state.nc.us/ips/Default.aspx.

The North Carolina E-Procurement System can be found on the web at <http://eprourement.nc.gov/>

5.6 Piggybacking

The Department Director 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, but no Council action is necessary. For purchases of \$90,000 and above, the provisions of N.C.G.S. § 143-129 will be followed.

5.7 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 into 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.

5.8 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 reviewed by the Town Attorney, signed by the Town Administrator, pre-audited by the Finance Officer, and be 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 Town Council through direct award or budget authorization may be executed by the Town Administrator. Subsequent orders changing the original contract, which do not exceed the approved cost of the contract, will be executed by the Town Administrator. Town Council must approve all contracts that meet any of the following criteria:

1. Contracts subject to statutory bid thresholds
2. Contracts with terms greater than one year
3. Contracts exceeding budgetary approval, which require a budget amendment
4. Contracts suggesting a significant policy change as determined by the Town Administrator.

5.9 Vendors with Town Accounts

The Town should have accounts with certain vendors where possible in order to expedite the purchasing process for frequently needed minor items. In the event the Town has an account with a certain vendor, Town employees should not use purchase cards to obtain goods or services from the vendor. Proper purchasing procedures should be followed and only authorized purchases should be charged to Town accounts.

VI. 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.

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

6.1 Partial Deliveries

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 Department along with the vendor invoice indicating which lines of the purchase order are to be paid.

6.2 Non-Performance

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.

VII. 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.

7.1 Rejection

In order to protect the Town's rights in the event of rejection, for whatever reason, the vendor shall be informed immediately. Reasons for the rejection must be documented in memo form, attached to a copy of the purchase order and forwarded to the Finance Department in a timely manner.

7.2 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 Department, reported to the vendor as soon as possible, and informs the vendor of the damaged goods. When it is apparent that the extent of the damage causes the goods to be

worthless, they will not be accepted.

.3 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 Department.

VIII. 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 Department.

IX. SALE OF TOWN PROPERTY

The Town Administrator has been authorized by the Town of Elm City Board of Commissioners to declare as surplus single asset or property or a group of items with a value of up to \$30,000.00, to set its fair market value, and to convey title to the property and to advertise electronically the sale of any personal property. The Town Administrator shall sign the Sale of Property Authorization form **prior** to the sale or disposal of any Town property. The Finance Department shall keep all approved forms, which will record a description of the property sold or exchanged, and the amount of money or other considerations received for each sale or exchange. N.C.G.S. § 160A-265 through 280 should be referenced before the sale of any Town property in order to ensure statutes and procedure are followed properly.

X. FUEL CARDS

Fuel cards will be assigned to Town owned vehicles and are required to be used to purchase fuel for Town vehicles, or in some instances, to purchase fuel for other job-related equipment such as: weed-eaters, lawn mowers, leaf-blowers, etc. It is not appropriate for Town employees to use fuel cards to purchase fuel for any other vehicle or equipment other than which the card was issued to. Fuel cards are required to remain with the assigned vehicle and any missing cards should be reported immediately. Employees are required to use their PIN when purchasing fuel. Any unauthorized use of a PIN not assigned to the employee will result in disciplinary action up to and including termination.

XI. PURCHASE CARDS

Purchase cards exist to provide departments a flexible and efficient way to make **small** purchases. Purchase cards empower the cardholder to acquire necessary materials to conduct business and/ or deliver services in a more convenient and expeditious manner. Purchase

cards should not be used to procure items or services not directly related to Town business. Purchase cards cannot be used to purchase fuel for Town vehicles. All Town vehicles will have fuel cards which must be used.

Please see Town of Elm City's Standard Operating Procedure – Procurement Cards Policy for more details.

XIII. EXHIBITS

Exhibit A. Items Not Requiring a Purchase Order

Exhibit B. Vendor Performance Evaluation

Exhibit C. Purchase Order/ Quote Form

Exhibit D. Sale of Town Property Authorization

EXHIBIT A**Items Not Requiring a Purchase Order**

1. Advertising: legal ads, radio announcements, etc.
2. Specified chemicals
3. Dues
4. Claim payments (Citizens filing for damages/ reimbursement)
5. Insurance
6. Medical examinations
7. Medical supplies (Fire and Rescue)
8. Land purchases & easements
9. Petty cash & replenishing funds
10. Postage
11. Refunds
12. Building rental
13. Tuition or other fees for approved educational purposes
14. Utilities (electricity, water, sewer, cable, internet, natural gas, trash, etc.)
15. Lease purchase payments, debt service payment
16. Approved travel arrangements and accommodations

Town of Elm City

VENDOR PERFORMANCE EVALUATION

EXHIBIT B

Please take a moment to complete this vendor performance evaluation and return it to the Town Finance Department.

Vendor Name: _____ Purchase Order #: _____

Date Promised: ____/____/____ Actual Delivery Date: ____/____/____

Details/Remarks: _____

Check all of the following that apply about the vendor & goods or services purchased:

- ____ Suggests Cost-Saving Possibilities
- ____ Competitive Pricing:
- ____ Knowledge of Products and Industry
- ____ Prompt & Accurate Technical Assistance
- ____ Advises of any Potential Trouble
- ____ Replaces Rejected Items in a Timely Manner
- ____ Courteous & Helpful
- ____ Handles Complaints Promptly
- ____ Expedites and Handles All Courteously
- ____ Delivers on or Before Specified Time

Quality of Item: _____ Delivery: _____

Service: _____ Comments: _____

PURCHASE ORDER QUANTITIES ARE OVER OR SHORT: _____

Overall Rating: Please rate the vendor for this purchase on a scale of 1-10 with (1) indicating unacceptable performance and (10) indicating extreme satisfaction with the vendor.

OVERALL RATING: _____

Town of Elm City

PURCHASE ORDER/QUOTE FORM

EXHIBIT C

Employee Name:	Department:
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DATE QUOTES OBTAINED:	DATE GOODS ARE REQUIRED:	____ DEPT WILL PICK UP ____ EMERGENCY ORDER
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	VENDOR 1 NAME	VENDOR 2 NAME:	VENDOR 3 NAME:
VENDOR #:			
CONTACT:			
PHONE #:			
TOTAL QUOTE:			

ACCOUNT #	QTY	ITEM DESCRIPTION	UNIT	TOTAL

REASON(S) QUOTES NOT OBTAINED /EXPLANATION OF SOLE SOURCE OR EMERGENCY:

Town of Elm City

SALE OF TOWN PROPERTY AUTHORIZATION

EXHIBIT D

The Department Director is required to obtain authorization from the Town Administrator **prior** to the sale or disposal of any Town Property, regardless of value. Include any additional relevant information necessary. Please attach a photo of the item sold if available.

Complete the table below prior to the disposal of property:

PROPERTY SOLD		SALE PROCEEDS ESTIMATE	
PROPERTY CONDITION		DEPT/BUDGET WHICH MADE THE ORIGINAL PURCHASE	
YEAR		TOWN I.D. #	
MILEAGE		VIN / SERIAL #	
MAKE		LISENCE PLATE#	
MODEL		Other description/notes	

Department Director Signature: _____ Date: ____/____/____

Town Administrator Signature: _____ Date: ____/____/____

Complete the table below after the disposal of property:

NAME OF INDIVIDUAL OR BUSINESS THAT PROPERTY WAS SOLD TO:		DATE PAYMENT RECEIVED BY TOWN:	
SALE PROCEEDS ACTUAL	\$	SIGNATURE OF TOWN EMPLOYEE RECEIVING PAYMENT:	

This completed/ signed and authorized form must be submitted to the Finance Department along with the proceeds of any sale of property. If an item is scrapped or disposed of with no proceeds this completed/ signed and authorized form must be submitted to the Finance Department within 5 days of the disposition of property.