

**800 PURCHASING RULES**

**801 GENERAL POLICY ON PURCHASES**

All employees of the City are entrusted with the proper and prudent management of all funds paid over to the City for the enforcement and administration of all applicable statutes, ordinances, and resolutions.

Any employee, who engages in the improper transfer of material or information, disclosure of information, or the improper handling of City funds, will be subject to disciplinary action, up to and including termination of employment and legal action against that employee.

Each department head will designate the employees within their department who are entrusted with the authority to make purchases for that department. Those employees entrusted with this responsibility will sign all invoices and provide copies to the appropriate vendors to be included with monthly statements to the City.

Any sales persons calling by phone or in person for the purposes of making sales to the City, shall be referred to the related Department Head.

**Mandatory Local Purchasing**

It is mandatory that all purchases less than \$5,000 be made from vendors within the City, if possible, unless it is pursuant to a formal bid. The only exceptions to this policy can be granted by the Mayor or Chief Financial Officer and are usually for reasons of significant price difference.

**802 BIDDING PROCEDURES**

*More Than \$1,000*

For any purchases of \$1,000 or more, it is necessary to obtain bids from three (3) different vendors whenever possible, except for parts and repairs on equipment and except in emergencies.

Exception: Construction work may be purchased without a bid with the approval of the Public Works Director when time is of the essence, the availability of bidders is limited, and the cost is less than \$10,000,

Purchases may not be split into parts in order to avoid having to bid them. Failure to follow bidding rules and laws is usually wasteful and sometimes illegal per state law.

Failure to bid purchases as required may result in the loss of purchasing authority and could lead to discipline up to and including termination.

*More Than \$10,000*

For any purchases of \$10,000 or more, the purchase order must be approved by the Chief Financial Officer or Mayor.

Supervisors have additional rules for purchases over \$10,000 in the Supervisor's Handbook.

**803 PURCHASE ORDERS**

All purchases made through the City, unless purchased through a Purchase Card (See *804 Purchase Card Program* below) or through the payment of regularly occurring or pre-approved invoices as set forth in Resolution No. 2008-01, such as power bills, must have a purchase order (P.O.) drawn up by

the department or City Hall for which the purchase is being made, signed by the department head, and a purchase order number obtained from City Hall. Purchase orders must be properly and accurately completed in order to ensure timely processing. Any purchase without a proper P.O. may be subject to payment by the individual who signed the order or receipt; purchases without a proper P.O. cause extreme and unneeded problems and inefficiencies in the Accounts Payable Department.

The Public Works Director shall sign all P.O.'s for any Public Works Department. In the event a Department Head is not available, the Mayor or Chief Financial Officer (CFO) may sign the P.O.

All blanket P.O.'s (those purchase orders covering specific items to be purchased on a recurring frequent basis), must show a validation period and expiration date.

In case of emergencies or on non-business days, purchases for the City can be made without a P.O. number. However, a P.O. must be made up the next business day by calling City Hall, and the purchaser is responsible for notifying the vendor or service provider of the proper P.O. number.

## **804 PURCHASE CARD PROGRAM**

The Purchase Card is the preferred purchasing tool for employees whose jobs require them to purchase low dollar items. The card helps save time of employees by removing advance approval and reducing paperwork. The card will reduce the number of purchase orders, petty cash funds, personal funds reimbursed by expense reports and checks written to pay the same.

The Purchase Card is a bank-issued charge card which carries City of Rexburg payment liability. Cardholders are individually accountable for use of their cards.

What can be purchased on the purchase card?

- Only items less than the transaction limit and as allowed by the CFO (Chief Financial Officer).
- Other expenses as the CFO may allow.

What if a vendor will not accept the purchase card?

- It is in the City's interest to encourage all appropriate vendors to accept the card. If vendors do not want to participate in the card program, they should accept a P.O.# and send an invoice indicating the PO# applicable.

Who should use the purchase card?

- Purchase Cards must not be lent out. Each employee is personally responsible for what is charged to it. The CFO and Department Head will determine who will receive a purchase card or have access to one.

What are the internal controls used?

- The CFO will manage training, acquisition, and maintenance of cards and will determine who may have cards and the spending limits for each.
- Charges must be reviewed and approved by users and managers, and reconciled to monthly bank statements, and approved by accounts payable.

What are the factors critical for the success of this program?

- Employees are trusted to use good judgment in their purchasing.
- Supervisors will effectively manage the increased responsibility and accountability expected of employees.

## **ROLES & RESPONSIBILITIES**

CFO:

- \* Administers card program city-wide.

- \* Receives information and reports from the bank.
- \* As primary contact with the bank: orders, receives, and distributes cards, assists in reporting lost or stolen cards, and communicates program problems.

## Accounts Payable

- \* Collects supporting documentation (charge slips, sales receipts, packing slips, etc.) from cardholder, foreman or department head.
- \* Performs monthly reconciliation procedures and resolves all matters related to reconciliation discrepancies.
- \* Reports unauthorized use of cards or violation of policies to the CFO.

## Department Head

- \* Authorizes issuance of Purchase Cards to employees within their department.
- \* Ensures that Purchase Cards are returned/canceled when necessary.
- \* Ensures that all receipts of purchases are turned in to Accounts Payable on a timely basis.
- \* Reviews and approves each purchase.

## Cardholder

- \* Is personally responsible for proper use of the Purchase Card assigned to them.
- \* Completes the Cardholder Agreement.
- \* Signs the card immediately when it is received.
- \* Safeguards Purchase Cards and their account numbers against loss, theft or misuse.
- \* Reports lost or stolen cards immediately to the CFO and Department Head.
- \* Purchases in accordance with this policy.
- \* Accepts delivery of and inspects purchased goods.
- \* Documents all purchases with a receipt indicating a short description of the items purchased, and submits it by the first business day of the following week to Accounts Payable.
- \* Review and approves each purchase
- \* Returns the card to CFO upon termination of employment or when specifically requested to do so.

## Inadvertent personal use of City Credit card

\* Personal use of a City purchase or credit card is prohibited. Employees who inadvertently use the card for personal or non-city business must immediately notify the accounts payable department of such use and reimburse the city immediately.

## **805 PURCHASES FROM RELATED PARTIES**

See 705 *Conflicts of Interest* in [700 Conduct & Disciplinary Action](#)

See 706 *Acceptance of Gifts* in [700 Conduct & Disciplinary Action](#)

It cannot be stressed strongly enough that those persons entrusted with purchasing ability for the City need to be very aware of the potential for a conflict of interest. Business dealings with outside firms should not result in unusual gains for those firms or for any employee or any relatives of employees of the City.

Great care must be taken when an employee contemplates making a purchase from a related party. The definition of a related party includes a person or a person's business where that person is related to a city employee or is a city employee (the definition of city employee includes elected officials). Even when the purchase is perfectly legal, the possible perception of the public must be considered. When there are alternative places to make a purchase, purchases from related parties should be avoided.

When, regardless of the amount, the purchase is properly bid and the related party is the low bidder, it may be permissible to purchase from the related party. Any such purchases should be reviewed and authorized by the Chief Financial Officer or City Attorney before being initiated.

Per state law, in no case can the city purchase anything from its own elected officials or from an entity they have a personal financial interest in.

## **806 PAYMENT OF INVOICES**

1. Invoices can be paid that are approved by a quorum of the Rexburg City Council at a meeting of the Council, regardless of whether checks or credit card charges have previously been written or authorized.
2. Those invoices that are deemed to be regularly occurring and have been considered and approved as part of the annual budget process and are less than \$10,000, may be paid between Council meetings with the authorization of the Mayor or Chief Financial Officer or Deputy Financial Officer.
3. Those invoices that are deemed to be regularly occurring and have been considered and approved as part of the annual budget process and are more than \$10,000, may be paid between Council meetings with the authorization of at least one (1) elected official and one (1) employee of the Rexburg Treasurer's Office.
4. Those invoices that have not been approved as part of the regular annual budgeting process must be first approved at a Council meeting or at least vocal approval from a majority of the Council between meetings of the Council.