

Purchasing Policy

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Questions or comments?

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1.0 INTRODUCTION

The Purchasing Manual is intended to explain the system, responsibilities, and duties of both Finance and the using departments. Although the Finance Office has a small staff supervising the system, the actual "purchasing staff" includes all county employees who cooperate in the procurement process and contribute their technical, clerical and analytical skills to the Centralized/Decentralized philosophy of purchasing in New Hanover County.

2.0 PURCHASING IN NEW HANOVER COUNTY

New Hanover County's purchasing system is a hybrid combination of both a centralized and decentralized purchasing system which utilizes decentralization of process combined with centralization of authority. Essentially the process of purchasing is the responsibility of the using agency under rules established by the Finance Office. The authority for intermediate and final approval and award remains in the Finance Office where all purchasing-related work is reviewed by the staff to ensure that the law and the system procedures are being followed. With the decentralization of process, Finance is able to spend the bulk of its time in advising, consulting with, and guiding using agencies. The process is based on strong cooperation between the user and the Finance Office. In essence, every employee in the County involved in any facet of processing department needs for goods or services is as much a part of the New Hanover County Purchasing

Team as the staff of the Finance Office. This manual details the procedures and policies which enable New Hanover County to benefit from the Centralized/Decentralized process. Some of the benefits of the County's system are:

User Involvement: Each department has the opportunity to provide as much input as is deemed necessary to assure that department needs will be met during and after the bid process. The involvement from specification preparation to analysis of bids and award recommendation assures all County users that they are a part of the process.

Rapid Processing: The involvement of departments in the purchasing process expedites the entire purchasing process, allowing the using agency to obtain products or services in the fastest possible time with a minimum of red tape.

Adaptability: The New Hanover County system is structured so that it can adapt easily to changing County needs. Many of the procedures used in the system were developed from suggestions of using departments and observations of the Finance staff. Suggestions for improvement to the basic system which comply with underlying public procurement law are always welcomed and encouraged. The system is user oriented and should always remain tuned to the need of the County departments.

3.0 BUSINESS RELATIONS WITH SUPPLIERS

It is essential to develop and maintain goodwill between the County and its suppliers. The reputation of the County can be promoted by:

Giving all salespersons a full, fair, prompt, and courteous hearing.

Keeping competition open and fair.

Keeping specifications fair, accurate, and clear.

Having consistent buying policies and principles.

Observing strict truthfulness in all transactions and in correspondence.

Keeping free from any obligation to any vendor.

Keeping an open mind on new methods and materials offered.

Answering inquiries promptly.

The relationship between the purchaser and the seller is intended to be one of mutual understanding. Fundamentally, no contract that proves unsatisfactory to the vendor can be satisfactory to the buyer. It is the responsibility of all employees involved in the purchasing function to establish a relationship of mutual confidence and satisfaction between the County and its suppliers within the confines of the applicable law and policy.

4.0 PURCHASE ORDER REQUISITION/PURCHASE ORDER

4.1 Purchasing Forms

New Hanover County uses a purchase order requisition (POR) and a purchase order (PO). The PO and the POR are not synonymous. The POR is a written notice to the Finance Office from a department that the designated items or services are needed. The Finance Office assigns the PO number and issues the PO which grants authority to order. A PO is a written document used to obligate funds for purchases and when properly authorized and approved is the authority for a vendor to furnish a good or service to the County. A POR is only a request for an order until the Finance Office assigns a PO number.

4.2 When a Purchase Order is Required

All purchases and services rendered to the County are covered by the County's Purchasing Policy. A PO is required for all purchases and services that amount to \$1,000 or more. A PO is not required for the following exceptions:

- On-going utility charges including oil heat purchases
- Electricity
- Telephone
- Water
- Natural Gas
- Contracted Services
- Professional Services
- Maintenance and Repair Contracts
- Petty Cash Reimbursement
- Copy Machine Bill
- Postage
- Travel and Meetings
- Equipment Rent
- Advertising

- Insurance
- Social Services - Chore, Board Home and Day Care
- Library Books
- Real Property Transactions
- Installment Purchase Transactions
- Dues and Subscriptions

Although PO's are not required for these exceptions, the Finance Office recommends that departments secure PO's for items or services that would be substantial amounts. If a PO is requested for an item or service that requires a contract, a copy of the completed contract must be attached to the POR.

4.3 When to Order

A POR must be prepared far enough in advance to avoid an artificial emergency. This will allow Finance to process the PO to secure the material and services required at the best price and in time to meet the anticipated need. Formal bids require up to eight to ten weeks to process; (i.e., prepare specifications, advertise in newspaper, open bids, review for award, submit for approval, execute contracts, and process PO).

Purchases not requiring formal bids may take one week to process. If you want to operate without interruption, PLAN AHEAD!

4.4 Completing the Purchase Order Requisition

To process a POR, the following information must be shown (see section

10.1 for sample of form which corresponds to numbers):

- 1) PO Number - LEAVE BLANK unless receiving emergency PO number over phone or adjusting current PO.
- 2.) Page Number
- 3) Action - Specify whether original request or adjustment to existing purchasing order.
- 4) Department's Ship to/Bill To Code
- 5) Vendor - Name of vendor with complete mailing address and zip code.
- 6) Vendor Code (if known)

7) Line Number - when adjusting an existing PO specific lines being adjusted must be listed as they appear on the original PO.

8) Complete Budgetary Code (activity is not necessary)

9) Number of Units

10) Unit Price (if known)

11) Commodity or Services - Add any pertinent information such as contract number, state contract number or any other restrictions or terms placed on purchase.

12) Total Amount for Line - In cases of increases or decreases, only the specific amount the PO will be increased or decreased by, not the adjusted figure.

13) INC/DEC indicator - Use "I" or "D" if increasing or decreasing existing PO

14) Total of POR

15) Approved by, Title, Date - Each POR must be approved by the department head, or the person designated the responsibility, and should be signed on the "Approved" line. It should be noted that if this authorization is delegated to someone other than the department head, the department head is still responsible for the purchase. After the Finance Office has verified that the POR is properly authorized, approved, and procedures are fulfilled, the POR will be used to generate a PO. If required information is not given, the POR will be returned to the department with a POR Return Form for correction.

4.5 Processing Points to Remember

Account Number: Be sure that the account code numbers are correct.

Prices: Re-check to determine if the prices were copied and extended correctly.

Vendor: Use the complete name and address.

Authorized Signatures: Are the signatures those of persons authorized to sign POR's.

Attachments: Attachments could include contracts, informal bids, memorandum of explanation if no bids available, and even information to be sent to Vendor with PO.

4.6 Special Requirements for Certain Types of Purchases

4.6.1 Emergency Purchase Order Procedures

An emergency is defined as "a situation in which the department cannot continue to operate" without an emergency PO being issued. The department must FAX a copy of the written POR marked "EMERGENCY" and an explanation of the emergency purchase to the Finance Office. Department should notify Finance at 341-7408 of incoming fax. A copy of all required documents (i.e. bids, approvals, etc.) should accompany the requisition. The department will be given a PO number within the same work day. The department should record the number on the original POR, mark the original POR confirming, and forward to the Finance Office within 24 hours.

4.6.2 Capital Outlay

If an item received approval as a capital outlay purchase when the current budget was approved by the Commissioners, the POR can be sent directly to the Finance Office. But, if the item did not receive approval at that time, the POR must be sent to the Budget Officer for approval. The Budget Officer will forward the POR to the Finance Office after approval.

4.6.3 Computer Equipment and Software

All computer hardware and software purchases need to be approved by the IT Department. Please follow the procedures listed below when ordering computer equipment and software:

4.6.3.1 Computer Items approved in the adopted budget.

1. IT consults with department, prepares POR, and Director signs indicating IT approval.
2. IT forwards POR to department for approval with instructions to department to return approved POR directly to Finance.
3. Finance processes POR and mails PO.
4. Items are delivered. IT prepares PV and forwards to Department for approval with instructions to department to return signed PV directly to Finance for payment.

4.6.3.2 Computer items requested but not originally approved in current budget or items approved in the budget but costing more than the budgeted amount.

1. Department contacts Budget for initial approval.
2. Department contacts IT.
3. IT confers with Budget.
4. IT consults with department, prepares PO, and Director signs indicating IT approval.

5. IT forwards POR to department for approval with instructions to department to return approved POR directly to Budget for budget amendment and approval.

6. Budget keys budget amendment and submits POR to Finance.

7. Finance processes POR and mails PO.

8. Items are delivered. IT prepares PV and forwards to department for approval with instructions to department to submit directly to Finance for payment.

4.6.4 Telephone and Related Equipment

All telephone and related equipment purchases need to be approved by the IT Department. Please follow the procedures listed below when ordering these items.

1. Initial request for telephones and/or related equipment must be submitted in writing via the Telephone Service Request form (see section 10.2 for sample form) along with the POR, if dollar amounts warrant.

2. The IT Department will notify requesting department of approval by returning a signed copy of the Telephone Service Request.

3. The IT Department will forward POR to the Budget Officer for capital outlay approval. If approval is not needed, the IT department will forward directly to the Finance Office.

4. The Budget Officer will forward to the Finance Office.

5. If the request involves labor or telephone company work only, or if the amount of the purchase is insufficient to generate a PO, the IT Department will place the order after receiving the IT Director's approval. When the invoice is received, the IT Department will fill out a payment voucher and return it to the originating department for signature. The originating department will then return it to IT who will then forward it to Finance. The IT Department will arrange for installation.

All invoices should be sent directly to IT. In most cases, this procedure is already in place. In the unlikely event that a department receives an invoice directly, please forward it to IT.

If you have problems with equipment or lines, notify the IT Department. Do not attempt to notify vendors or the telephone company yourself.

4.6.5 Copier Purchases

Please follow the procedures listed below when purchasing a copier:

1. Department contacts Purchasing to review literature on file in purchasing office to get price estimates.
2. Department prepares request and secures approval from Budget to purchase.
3. Purchasing assists departments in preparing specifications for informal bids. (Note: Departments are not to solicit bids before Finance has reviewed.) If copier is to be a multifunctional machine to operate as a printer to the network, IT Department will be consulted.
4. Department receives bids.

Copier/Multifunctional Machine:

- A. Department evaluates each machine at vendor's location to determine if machine functions properly as a printer on the vendor's network.
- B. Department evaluates and decides which machine is desired. Department forwards bid results and request to Purchasing Agent for review.
- C. After Purchasing Agent's review, department arranges and coordinates with IT Department the testing of machine on site at the department.
- D. If machine functions within the department's network, department prepares purchase order requisition and routes to IT Department for approval and then to Finance.

Stand Alone Copier Only:

- A. Department arranges for demonstration of copiers.
- B. Department evaluates and decides which machine is desired. Department prepares purchase order requisition and forwards it with the bid results to Purchasing Agent for approval.

5. Purchasing Agent approves purchase order and requisition is processed

4.6.6 Open Purchase Orders

An open PO with a limited dollar amount may be issued for purchases that occur frequently. The department head will determine the recurring need and issue a POR for that amount. A memorandum stating what type of items are to be purchased and why the open PO is needed must be attached to the POR when it is submitted to the Finance Office. Open PO requests will be reviewed individually and the purchase order will be issued by the Finance Office in compliance with the purchasing policy. Once the open has been approved the first time, the letter does not need to be sent with each subsequent POR. The Finance Office will maintain a list of all approved opens for reference.

Open purchase orders are issued for a six month period from July to December and January to June Purchase orders issued in the first six months of the fiscal year expire in December; purchase orders issued in the second six months of the fiscal year expire in June. If an open purchase order is issued in a month other than July or January, it would be prorated to end in December or June respectively.

No capital outlay (land, buildings, other improvements, equipment, vehicles) expenditures may be made from an open PO.

PORs for open POs should be submitted to the Finance Office no later than the 5th of the month in which the open purchase order is needed.

4.6.7 State Contract

The State Office of Purchasing sends the Finance Office listings of various types of state term contracts during the year. These are reviewed and if it is determined to be in the best interest of the County, the Finance Director completes the form notifying the state that the County wants to be included for that particular state contract. For information concerning the current state contracts the County has signed up to participate in, contact the Finance Office.

4.6.8 Ingestive Drugs

In accordance with New Hanover County's Safety Policy, no ingestive drugs (including aspirin, salt tablets, etc.) shall be purchased with County funds.

4.7 Distribution of the Purchase Order Requisition

The POR is a two (2) part form distributed as follows:

- a. Original (white): Sent to Finance by department
- b. Copy (pink): Retained by originating department

4.8 Purchase Order Requisition Return Form

The POR Return Form is a short form used by Finance to highlight apparent errors in PO's or other purchasing documents received by the Finance Office. The form eliminates the need for a formal memorandum and has ten entries which can be checked off by Finance which indicate the problem or error relating to the attached document (see section 10.3 for sample form). These entries are:

Must Have IT Approval - All telephone and computer related purchases must have approval from the IT Director before Finance can process the request.

Must have certificate of insurance for Worker's Comp. & General Liability

- In some cases, the POR is requesting services to be completed that requires insurance information to be attached.

Must Have Informal Bids - The amount of the POR is such that informal bids are required. The informal bid recap form should be completed and attached to the POR.

Must Have Formal Contract - The type of service or work requested must have a contract approved by the Legal Department attached to the POR.

Must Have Approval From Budget Department - If a capital outlay item to be purchased was not approved in the current adopted budget, the Budget Director must approve purchase before Finance can process the POR.

Amount is Under \$500 - PO Is Not Required - If there is a special requirement by the vendor to receive a PO, that requirement should be documented on the POR itself or as an attachment to the POR.

Must Have Departmental Approval - The POR has not been signed by a person authorized to approve the form.

Not Enough Funds - There are not enough funds in the appropriation unit to allow the POR to be processed.

Must Have Complete Account Information - The complete account number was not provided.

Other - This is a general entry which covers any other problems with the document which must be resolved prior to Finance being able to process the POR. Should you ever have difficulty understanding what is requested, call the person in Finance who signed the POR Return Form.

4.9 Purchase Order Changes

Because of the changing purchase needs of an agency or other considerations, PO's are subject to changes or cancellations after the original copy has been sent to the vendor. There are limits to the types of changes allowable under public purchasing procedures. Allowable and non-allowable PO changes are as follows:

4.9.1 Allowable Changes Include:

Complete cancellation of an order - Department shall notify vendor in writing of cancellation of order. Attach copy of cancellation notice to the pink copy of the PO, document on pink copy that PO was canceled and request liquidation of PO, and submit to Finance.

Cancellation of certain items on the Purchase Order - Department shall complete POR requesting adjustment of PO and submit to Finance.

Correcting errors in the Original PO - Department shall discuss with Finance staff and complete POR requesting adjustment if necessary.

Adding Items to Existing PO - Department shall complete POR requesting adjustment of PO and submit to Finance.

4.9.2 Non-Allowable Changes:

There are certain changes that cannot be adjusted on the PO. The order would need to be canceled and a new order processed. These non-allowable changes are:

Changing the vendor

Changing unit prices

4.9.3 Processing Changes

Process a change in the same manner as processing an original POR except:

- complete the PO number section with the number of the PO you are adjusting (number 1 on example form in section 10.1)
- under the Action block check "adjustment" (number 3 on example form in section 10.1)
- reference the appropriate line(s) numbers and other information necessary to effect the change and place an "I" or a "D" in the far right column to indicate whether this change is an increase or decrease to the existing PO (number 13 on example form in section 10.1)

The PO adjustment will be processed by the Finance Office and a new PO will be printed indicating that this is an adjustment of a previous PO and that this adjustment supersedes previous PO. The distribution of the adjusted PO is the same as a regular PO. The department should staple the pink copy indicating the adjustment to the original pink copy PO and submit both copies to Finance when paying the invoice.

4.10 Importance of the PO as a Contract

The numbered PO authorizes the purchase and payment for goods or services. It is usually the only contract document between the vendor and the County and must be worded carefully and prepared accurately to minimize errors and misunderstandings. It is invalid unless numbered by Finance and subsequently signed by the Finance Director.

4.11 Distribution of Purchase Order Form

POR's are keyed into the computer daily as they are received. The process of keying the POR encumbers the necessary funds. From the keyed information, the PO will be generated nightly by the computer. The forms will be verified and signed by the Finance Director in accordance with the Signature Authorization policy.

The PO is three (3) part form distributed as follows:

- a. Original (white): Mailed to Vendor by Finance
- b. Accounts Payable copy (yellow): Retained by Accounts Payable
- c. Agency copy (pink): Returned to originating department. When the materials are received, the Department Head or his designated representative should sign and date the copy (certifying that material ordered has been received) and return to Accounts Payable attached to a Payment Voucher within one day of receipt of order together with all invoices, packing slips, etc. as payment authorization.

Exception: Partial payments on PO's can be liquidated by making a copy of the pink PO, marking it "Partial Payment", and attaching it to the approved payment voucher and invoice. This may be repeated as many times as needed. The pink copy will be submitted to the Finance Office when all invoices have been paid against the PO and the balance will be liquidated.

4.12 Follow-up and Expediting

The process of procurement is not accomplished by simply issuing a PO. Satisfactory delivery must also be made. To insure that delivery will be made within time required, follow-up is necessary.

Finance is ready to assist any agency who has difficulty with suppliers in obtaining satisfactory answers to their follow-up queries, but the initial responsibility for the follow-up remains with the using agency. If the using agencies plan their work carefully, most needless rush orders for materials will be eliminated and the vendors would be able to deliver on time. Constant requests to suppliers for rush service destroys the effectiveness of such requests and adds to both the buyer's and seller's costs.

5.0 Competitive Bidding

It is the County's intention to comply with NCGS 143-129 and any other applicable statutes in regards to the solicitation and award of all bids. In some bidding situations the County has established requirements to be followed in addition to the General Statutes.

5.1 Additional County Requirements

There are some areas where the County has instituted stricter requirements or procedures.

5.1.1 Performance Bond Requirement

Purchases - A performance bond is not required for contracts involving purchases of apparatus, supplies, materials or equipment that require formal bids. However, if the purchase requires specific performance criteria, relates to items that are highly technical in nature, or it is determined that a performance bond may be appropriate in a specific case, the Purchasing Agent may require a performance bond.

5.1.2 Deposit of Money as Performance Bond and/or Payment Bond

The General Statutes provide the provision, terms and conditions of the performance and the payment bond but the Statutes are silent as to the deposit of money in lieu of surety bond. Therefore, the County has established a policy and procedure regarding the deposit of money by a contractor/vendor who has been awarded a public contract.

Construction

When a performance bond and payment bond is required, the required performance bond shall be in the amount of one hundred percent (100%) of the construction contract amount and the required payment bond shall be in the amount of one hundred percent (100%) of the construction contract amount.

Such deposit of money by the contractor shall be deposited in an interest bearing bank account by the New Hanover County Finance Director and the total amount of the performance bond shall be so held by New Hanover County for a period of twelve (12) months from the date of County's final written acceptance of the completed project at which time the total amount of the performance bond plus accrued interest shall be refunded to the contractor. The total amount of the payment bond, plus accrued interest, shall be refunded to the contractor upon final written acceptance of the completed project and upon contractor furnishing the County a Contractor's Affidavit affirming that all persons furnishing materials or performing labor for which the contractor or subcontractor is liable have been paid in full.

Purchases

In cases where it has been determined that a performance bond will be required for purchase contracts, the required performance bond shall be in the amount of one hundred (100%) percent of the total amount of the purchase contract.

Such deposit of money by the contracting supplier or vendor shall be deposited in an interest bearing bank account by the New Hanover County Finance Director and shall be so held by New Hanover County until all terms and conditions of the contract have been fully performed, at which time the total amount of the performance bond plus accrued interest shall be refunded to the contractor.

5.1.3 Bid Bond for Purchases Requiring Formal Bids

A bid bond is not required for contracts involving purchases of apparatus, supplies, materials or equipment that require formal bids. However, if the purchase requires specific performance criteria, relates to items that are highly technical in nature, or it is determined that a bid bond may be appropriate in a specific case, the Purchasing Agent may require a bid bond.

5.1.4 Bidder's Information Recording

Any construction or repair job with a cost of \$5,000 or more but less than \$100,000 that is not going to be accomplished through in-house labor, must be filed with the Purchasing Agent each Friday by 12:00 noon. The jobs will be held open for four (4) days (Monday through Thursday of the following week) to allow any firm interested in doing work with the County to contact the proper department to inquire about bidding on the job. Contracts on these jobs will not be awarded until Friday morning after 8:00 a.m.

5.1.5 Contracts

All construction or repair jobs which meet the criteria in item 5.1.4 above must have a written contract. Contracts must be prepared by the County Attorney's office. The County Manager has the authority to sign these contracts.

5.2 Informal Bids

Informal bids are required for purchases over \$5,000 but less than \$30,000. Informal bids are required for Maintenance and Repair Projects or Construction Projects over \$5,000 but less than \$100,000. A summary of the informal bids received should be tabulated on the Informal Bid Recap Form (see section 10.4 for sample of form).

5.2.1 Informal Bid Procedure for Purchases

All requests for materials, supplies, and equipment amounting to \$5,000 or more but less than \$30,000 must have informal bids secured before the purchase order can be issued. A purchase order requisition complying with the procedures of Section 4.0 of this policy with the attached summary of informal bids must be received by the Finance Office. The process for obtaining informal bids for materials, supplies and equipment is as follows

RESPONSIBILITY OF TASKS

Informal Bid Procedure for Purchases

1. Department - Solicit bids from vendors for the required items and record all information on the Informal bid recap sheet.
2. Department - Prepare POR and attach the Informal Bid Recap Sheet to the POR and forward to the Finance Office.

3. Finance - Award bid, prepare, mail, and distribute PO.

Informal Bid Procedure for Construction or Repair Work

4. Department - Receive and approve materials in accordance with PO.

5. Department - Submit pink copy of PO with Original invoice, one copy, and payment voucher.

5.2.2 Informal Bid Procedure for Construction or Repair Work

All requests for construction or repair work amounting to \$5,000 or more but less than \$100,000 must have informal bids secured before the purchase order can be issued. A purchase order requisition complying with the procedures of Section 4.0 of this policy with the approved summary of informal bids and a copy of executed contract must be received by Finance. The process for obtaining informal bids for construction or repair work is as follows:

RESPONSIBILITY OF TASKS

Informal Bid Procedure for Construction or Repair Work

1. Department - The following tasks must be completed before bids are solicited:

a. Prepare specifications.

b. Request draft contract by submitting memorandum to the Legal Department.

c. Contact MBE Officer to determine if goals must be set.

d. Have all aspects of the work reviewed by the Chief Project Engineer.

e. Notify Purchasing Agent by memorandum of work that needs to be listed for vendors' information. Memorandum must include:

i. name of Project

ii. brief description of work

iii. type of vendors needed (electricians, plumbers, etc.)

iv. County contact person and telephone number. Information must be received by 12:00 noon on Friday in order to be released the following Monday to remain open through Thursday afternoon.

2. Purchasing Agent - List work with projects to be recorded for that week and prepare recording to run for four days.
3. Department Head - Solicit quotations.
4. Department Head - Submit memorandum recommending award and completed informal bid recap form for review by Purchasing Agent/Finance Director before proceeding with completing contracts and receiving performance bond.
5. Finance Department - Approve award recommendation. Submit copy of approved award to Legal and return original to department.
6. Legal Department - Mail two originals to successful bidder for execution. When originals are returned, route for County signatures. When complete, return a copy of original contract to department.
7. Department Head - Submit POR with completed contract and previously approved memorandum recommending award and completed Informal Bid Recap Sheet (see task #4 and #5).
8. Finance Office - Prepare, mail, and distribute PO.
9. Department Head - Approve materials and work in accordance with PO and contract.
10. Department Head - Submit pink copy of PO with original invoice, one copy and PV for disbursement.

5.3 Formal Bids

Formal bids are required for purchases of \$30,000 or more and for Maintenance and Repair Projects or Construction Projects of \$100,000 or more.

5.3.1 Formal Bid Procedure for Purchases

All requests for materials, supplies, and equipment amounting to \$30,000 or more must have formal bids secured before the purchase order can be issued. A purchase order requisition complying with the procedures of Section 4.0 of this policy with a copy of the executed contract must be received by Finance. The process for obtaining formal bids for materials, supplies and equipment is as follows:

RESPONSIBILITY OF TASKS

Formal Bid Procedure for Purchases

1. Department - Prepare technical specifications for item(s) needed and forward to Finance.

2. Purchasing Agent - Prepare bid package. Bid package to include “draft” of contract. “Draft” of contract to be prepared by Legal Department. Notify Compliance Officer/MBE Program Manager of bid and send copy of bid package for file.
3. Department - Review and approve complete package before distribution.
4. Purchasing Agent - Advertise and open bids. Receive bid bond if required.
5. Department - Make award recommendation to Finance.
6. Purchasing Agent - Request draft contract for agenda package.
7. Purchasing Agent - Prepare agenda item and request placement on Commissioners’ agenda.
8. Commissioners - Approve bids and award contract.
9. Department - Submit POR to Finance for approved bid.
10. Purchasing Agent - Submit award letter to Legal to be sent with contracts to vendor and return bid deposits to unsuccessful bidders.
11. Legal Department - Mail two originals to successful bidder for execution. When originals are returned, route for County signatures. A performance bond, if required, is considered part of the contract to be reviewed by Legal. Return duplicate original to Purchasing Agent.
12. Purchasing Agent - Upon receipt of duplicate original, process POR; mail duplicate original with PO to vendor.
13. Department - Receive and approve material in accordance with purchase order.
14. Department - Submit pink copy of PO with original invoice, one copy and payment voucher to Finance for disbursement.

5.3.2 Formal Bid Procedure for Construction or Repair Work

All requests for construction or repair work amounting to \$100,000 or more must have formal bids secured before the purchase order can be issued. A POR complying with the procedures of Section 4.0 of this policy with a copy of the executed contract must be received by Finance. The process for obtaining formal bids for construction or repair work is as follows:

RESPONSIBILITY OF TASKS

Formal Bid Procedure for Construction or Repair Work

1. Chief Project Engineer - Prepare technical specifications for item(s) needed. If consultant services are necessary, contact Compliance Officer/MBE Program Manager to determine if subcontracting goals are necessary.
2. Chief Project Engineer - Prepare bid package. Bid package to include “draft” of contract. “Draft” of contract to be prepared by Legal Department. Consult Compliance Officer/ MBE Program Manager during the preparation of bid package.
3. Legal Department - Review and approve complete package before distribution.
4. Chief Project Engineer - Advertise and open bids. Forward bids including bid bonds to Compliance Officer/MBE Program Manager.
5. Compliance Officer/MBE Program Manager - Review bids to determine compliance with established goals. Forward bid bonds to Purchasing Agent in Finance Office. Return bid packages to Chief Project Engineer with recommendation.
6. Chief Project Engineer - Recommend award. Request draft contract for agenda package. Prepare agenda item and request placement on Commissioners’ agenda.
7. Commissioners - Approve bids and award contract.
8. Chief Project Engineer - Submit memorandum to Purchasing Agent requesting return of bid deposits to contractors not awarded. Submit payment voucher to Purchasing Agent if bid deposit was made in the form of cash or cashier’s check.
9. Legal Department - Mail two originals to successful bidder for execution. When originals are returned, route for County signatures. Performance and payment bonds, if required, are considered part of the contract to be reviewed by Legal. If this requirement is met by money or cashier’s check, Legal will forward to Purchasing agent to be deposited. Return duplicate original to Contractor and a copy to Chief Project Engineer.
10. Chief Project Engineer - Submit POR with a copy of executed contract attached to POR to Finance for processing.
11. Chief Project Engineer - Submit memorandum to Purchasing Agent requesting return of bid bond to contractor that was awarded bid. Submit payment voucher to Finance if bid deposit was made in the form of cash or cashier’s check.
12. Chief Project Engineer - Monitor work in accordance with contract and purchase order.
13. Chief Project Engineer - Submit pink copy of purchase order with original invoice, one copy and payment voucher for disbursement.

6.0 The Receiving Process

When the County orders a particular item, the County should receive exactly what was ordered.

6.1 Check the Shipment

Do not pay for merchandise that has not been checked thoroughly. Be sure that all cartons of mixed items have been opened and verified against the packing slip and the Purchase Order, that the shipment is complete, and as specified.

6.2 Incorrect Orders

If materials delivered are not in conformity with the Purchase Order, the shipment should be returned to the vendor. If an error is found in the shipment AFTER you have processed the papers on that shipment and the invoice has been paid, you may have little recourse in settling the difference with the vendor. He has a signed receipt that the shipment was received OK and a complaint received two or three weeks or months later is usually not recognized.

6.3 Back Orders

Do not automatically process a partial payment on an order that is not complete. There are many times when the vendor short-ships and does not intend to complete the shipment because the balance of the order would be too expensive to ship or an item has been discontinued, etc.

Before you process a partial payment, call the vendor and determine whether the balance of the order has been back-ordered. If not, submit a payment voucher finalizing payment of the amount actually shipped and received, canceling the balance of the PO. If a back order is due, process a partial payment. Failing to verify the vendor's intention to complete the order may result in not receiving needed materials, the creation of additional paperwork, and loss of prompt payment discounts.

7.0 The Payment Process

7.1 General

No purchase is complete without the final payment of a vendor. Processing payments is as important to the entire governmental purchasing function as the initial request for bids. Without prompt payment of our vendors, we stand a good chance of alienating responsible businesses from County bidding.

As important as rapid payment processing is, the County's primary responsibility is to be certain that payment is for only what was ordered and received. This process is accomplished through use of the County Payment Voucher (PV) Form.

7.2 Payment Voucher (PV) Form

A PV is a written request to Accounts Payable from a department or agency to process an invoice for payment. An example of a payment voucher is on the following page. To process a PV, the following information must be shown (see section 10.5 for sample form which corresponds to numbers):

- 1) Voucher Number - Complete using your department's numbering scheme.
- 2) Page Number
- 3) Action - Specify whether original PV request or adjustment to existing PV that was previously submitted.
- 4) Schedule Payment Date - The date (night) the check will be computer generated (check will be mailed the day after this date).
- 5) Vendor Code - (if known)
- 6) Vendor Name - Name of vendor with complete mailing address and zip code.
- 7) Distribution of Check - Mark either "Return to Department" or "Mail".
- 8) Line Number
- 9) Document Reference - If PV is related to an existing PO, the following must be completed:

Code: PO

Number: PO Number

Line: PO Line Number
- 10) Vendor Invoice Number - Complete only if vendor has assigned an invoice number to the invoice being paid.
- 11) Complete Budgetary Code (activity is not necessary) - If PV references an existing PO, the account number is not necessary. If PV is not referencing a PO, the account number is mandatory.
- 12) Description - Add any pertinent information
- 13) Amount
- 14) INC/DEC indicator - Use "D" for a decrease if the line reflects a credit invoice or some other discount. Use "I" only if the PV is an adjustment to a previous PV (see item 3 Action).

15) P/F indicator - If PV references an existing PO, use a “P” to indicate partial payment for that line or a “F” to indicate final payment for that line.

16) Total of PV

17) Approved by, Title, Date - Each PV must be approved by the department head, or the person designated the responsibility, and should be signed on the “Approved” line. It should be noted that if this authorization is delegated to someone other than the department head, the department head is still responsible for the payment.

7.3 Petty Cash Purchases

Certain departments, because of the nature of their operation, are provided with a Petty Cash Fund. Purchases of apparatus, supplies, materials, or equipment with a cost of less than \$1,000 may be purchased from the department’s Petty Cash Account. All cash advances from the petty cash fund to employees for purchases must be recorded by a signed voucher form FO-10 “Received of Petty Cash”. The voucher must remain in the petty cash box until the cash or the receipt of purchase replaces the advance voucher. No personal advances or checks should be cashed from these funds. When the fund is almost depleted, receipts must be recapped by account number on a PV and submitted to the Finance Department to replenish the Petty Cash Fund. Group together all receipts with the same account number so that there is only one amount for each account number. Sales tax should be excluded from the purchase amount and recapped at the end of the payment voucher.

Each receipt must be marked clearly showing vendor, description, and account number. If space is not adequate form FO-10 “Received of Petty Cash” may be used (see section 10.6 for example of form). The Petty Cash Fund is subject to be audited at any time and must contain cash or certified vouchers totaling the full amount of the fund.

7.4 Disbursement of Invoices

7.4.1 When to Process

Payment Vouchers should be processed immediately after receipt of the shipment and the original invoice. The shipment should be verified against the department’s copy (pink) of the PO (if purchase required PO) and packing slip. Be sure that what is listed has been received. (For further details see Section 6 - The Receiving Process.) When the invoice for the material is received, check the prices charged against the original PO or contract and verify quantities with the packing slip. When variations occur contact the Finance Office for advice on how to proceed.

7.4.2 How to Process

Original invoices must be submitted with PV’s to the Finance Office. If a purchase order was issued, the departmental pink copy must be attached to the invoice as well as the

packing/receiving slip and any backup to be mailed with the check to the vendor. The Finance Office will verify approval and process for payment. The purchase order will be liquidated by the Finance office when the pink copy is attached to the PV.

Exception (Partial Payments): Partial payments on PO's can be liquidated by making a copy of the pink purchase order, marking it "Partial Payment", and attaching it to the approved payment voucher and invoice. This procedure may be repeated as many times as needed. In the cases of partial payments, the pink copy will be submitted with the final payment voucher and any remaining balance will be liquidated.

7.4.3 Distribution of Checks

Checks will be mailed to the vendor directly from the Finance Office. Please be sure all backup that needs to be mailed with the check is complete and attached to the PV. The only checks that will be returned to the departments will be travel advances, travel reimbursements or employee reimbursements.

The advance and reimbursement checks that will be returned to the department will need to be picked up in person by a representative from the department. Checks are not returned through interoffice mail. Travel requests and employee reimbursements received by Wednesday at noon will be processed and checks will be available for pick up the following Monday.

7.5 Payment Terms and Vendor Discounts

Rapid payment of invoices not only insures that the vendor's payment terms will be met but also insures that the vendor receives prompt payment which he must have in order to survive and therefore encourages him to do future business with the County. Generally payment terms are a deduction from the invoice allowed by the vendor when the County pays the bill promptly or within a certain specified time. An explanation of Payment Terms commonly used follows:

Net/30 The County is required to pay the full amount of the invoices within 30 days. (Also NET 20, NET 10 or N/30, N/20, N/10).

2/10 EOM If the County pays the invoice within 10 days after the End of the Month (EOM), we may deduct 2% from the invoice as a "bonus" for early payment.

Remember that payment terms start on: the date that you receive either the full shipment or a correct invoice whichever is later. The most important thing to remember about invoice discounts because of favorable payment terms is that the discounted amount is credited back to your budget.

8.0 Fixed Assets

This section gives pertinent information concerning fixed assets, the Fixed Asset Input Form, and the Property Control Form. Details concerning the overall process itself is contained in the Fixed Asset Procedures Section of this manual.

8.1 Definitions

8.1.1 Fixed Asset (Capital Outlay Item) - A fixed asset is any tangible asset of significant value having a useful life that extends beyond one year.

8.1.2 Significant Value - Significant value is set at \$5,000 or more net cost, not including trade-ins or any taxes, licenses, etc.

Exception 1: When a group of items make up a working unit totaling \$5,000 or more, the working unit is capitalized. Even though the individual items that comprise the working unit are less than the \$5,000 limit, the items costing less than \$5,000 become part of the assets "significant value".

Exception 2: All computers are capitalized regardless of price.

Exception 3: All licensed vehicles and trailers are capitalized regardless of price.

8.2 Fixed Asset Input Form

The Fixed Asset Input Form (see section 10.7 for sample form) is used by the Finance Office to insure that all fixed assets are accounted for at the time of purchase.

After the Fixed Asset Input Form is initiated and an inventory control number is assigned, the Finance Office will key the information into the Fixed Asset System and retain the original copy. A copy of the assigned number is sent to the department that has possession of the asset. The department will affix the inventory number of the item and retain the copy for their files.

8.3 Property Control Form

8.3.1 When the Property Control Form is Required

County property disposal and transfers are recorded and processed by utilizing the Property Control Form (see section 10.8 for sample form). Completion of the form is the responsibility of the department initiating the transaction. If the item is a fixed asset, the Finance Office will make this change on the fixed asset accounting system.

8.3.2 Completing the Property Control Form

Part I of Property Control Form. Part I of the Property Control Form must be completed whenever an asset is transferred or disposed of. This is the responsibility of the department initiating the transaction. If the department does not know the fixed asset and

serial number of the asset, a description of the asset will help Finance locate the asset on its records. The department head or approved designated department employee must sign this form before Property Management (PMGT) will pick up the transferred asset or before Finance can process the disposed asset. The “FIXED ASSET DESCRIPTION” lines are provided to communicate any other information you feel is relevant to this asset.

Part II of Property Control Form. Part II is also completed by the department initiating the transaction. The department must choose whether the asset is a transfer or a disposal. If you have a DISPOSAL, check disposal and the appropriate reason as well. If the asset was traded in for another asset indicate the PO number of the asset being purchased and the trade in amount received in the space provided. If the asset was sold, provide the selling data and amounts received. If additional information would be helpful for Finance to understand the transaction, attach to copy #1 as you send it to Finance. Copies #2 and #4 not used.

Disposals -- Copy 1 Finance -- Copy 3 Department

Note that if an asset is to be sold for under \$1,000 the Finance Director must approve. Sales of \$1,000 and greater must have commissioner approval. In either case, the department should send the request to the Finance Director. Finance would then put the request on the agenda if necessary.

If the asset is a TRANSFER, indicate in the block provided. Next, indicate in the appropriate block when this asset will be sent to another department, or to PMGT for eventual auction or storage. The receiving department must sign the form and indicate where the asset will be located before PMGT can release it. The new location should be specific as possible as to where the asset will be located. This will further aid in inventory verification. In the case of assets being held for storage or auction, PMGT will account for these items by assigning a unique PMGT number while in their possession. If a department has need for an asset being held by PMGT a transfer would be made. The department needing the asset should contact PMGT who will initiate the Property Control Form. All four copies of the Property Control Form are used in a transfer:

Copy 1 -- Initiating Department completes and gives to PMGT with copy #2. PMGT sends to Finance upon completion of transaction.

Copy 2 -- PMGT file copy.

Copy 3 -- Department disposing /transferring asset file copy.

Copy 4 -- Initiating Department sends to Finance initiating the action at same time copies #1 and #2 sent to PMGT.

9.0 Disposal of Surplus Material

The Department Head is responsible for all property assigned to the department. Declaring property surplus or obsolete can only be done by the Department Head, Finance Director, or Commissioners. The Finance Director is authorized to approve disposal of surplus property that has an estimated value of less than \$1,000.

The County generally stores surplus/obsolete items and disposes of them through an auction once a year. To remove an item from a department to be stored for the auction, the following procedures must be followed:

A. The department having a surplus/obsolete item must complete a Property Control Form and place a work order with Property Management to have the item moved. The following information must be included in Part I of the form:

Date

Fund/Agency/Organization

Fixed Asset Tag #

Serial #

Location of Asset

Signature of Department Head

B. Property Management transfers all surplus/obsolete property to storage and holds for the auction.

If a department has a surplus/obsolete item that they do not want to dispose of through the normal auction procedure, the Purchasing Agent in the Finance Office must be contacted. It is the Finance Office's responsibility to assure that General Statutes governing disposal are followed when County property is sold, used as a trade-in on a new piece of equipment or donated to an outside agency. A memorandum stating the request for disposal should be submitted to the Purchasing Agent containing the following information:

A. Complete identification of the item including location, model, serial number and inventory tag number.

B. Why the item is no longer needed.

C. Estimated value.

D. Requested method of disposal.

The Purchasing Agent will handle the disposal of the asset and the department will complete the Property Control Form once the disposal process is complete.

10.0 Examples of Forms

Copies of the following forms are included in this section:

POR

Telephone Service Request Form

POR Return Form

Informal Bid Recap Form

PV

Received of Petty Cash (FO-10)

Fixed Asset Input Form

Property Control Form

11.0 Completing Forms on Lotus Notes

11.1 Add Forms Icon to Workspace

Go to Workspace at Office on Lotus Notes. Click on File in the upper left corner, then Database, then Open. Click on the Ñ under Server, click on srvnotes1/NHC, scroll down to NHCForms under Database, click to highlight, then click Open. This step is only necessary once. The NHCForms icon may now be accessed at your workspace.

11.2 Purchase Order Requisition

Go to Workspace at Office on Lotus Notes. Double click on NHCForms icon. Click on Create at top of screen, click Finance, choose Purchase Order Requisition. You will see brackets in areas that you may enter information into. You may move about the form with the Tab key or the arrow keys.

Click on the Ñ in Action. Select original entry or adjustment, click OK. Enter other data. The form will calculate the total. Click on the Ñ beside "Purchase Order" under total. Select Return to Dept. or Mail, click OK.

To print click on File, Print. Click on Printer, Setup. Select Landscape, OK. At File Print click OK.

To exit form either press Esc key or click on File/Close button at top left of screen. Click yes or no to save or not save the document.

11.3 Payment Voucher

Go to Workspace at Office on Lotus Notes. Double click on NHCForms icon. Click on Create at top of screen, click Finance, choose Payment Voucher. You will see brackets in areas that you may enter information into. You may move about the form with the Tab key or the arrow keys.

This form does not calculate a total since some PVs are multiple page. Enter the total in that field on the final page of the document.

To print click on File, Print. Click on Printer, Setup. Select Landscape, OK. At File Print click OK.

To exit form either press Esc key or click on File/Close button at top left of screen. Click yes or no to save or not save the document.