



City of Marion

Purchasing Policy and Procedures Manual

Adopted as Administrative Policy for all City Employees
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City of Marion, North Carolina
Purchasing Policy and Procedure Manual

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I. Forward

A considerable portion of the expenditures of every government is for purchases of goods and services. A local government's power to make purchases and enter into contracts is derived from the Legislature and is subject to such limitations and restrictions as it may impose. The basic grant of power to purchase and contract for municipalities is found in North Carolina General Statute 160A-11. The provisions within this policy shall be in compliance with the North Carolina General Statutes regarding purchasing. This Purchasing Policy and Procedures Manual establishes rules and regulations to govern all purchases and contracts by the City of Marion (the "City") and shall serve as a guideline to all departments of the City in obtaining apparatus, materials, equipment, supplies and services. Purchasing statutes and rules may change from time to time and this policy shall be updated periodically to reflect these changes.

While this manual does not answer all questions related to purchasing, it does provide the foundation for a sound centralized purchasing system, which will serve the City's needs and provide a more effective and efficient buying process. Like any policies or procedures, they can be effective only if the individuals involved are aware of what they are, how they apply, and the problems that may be encountered when they are not followed. For this reason we have tried to explain each directive in detail giving the purpose, the policy, and the procedure for carrying it out. We have also included the North Carolina General Statute reference for policies where applicable.

The basic goals of the City's purchasing program are:

- a. To comply with the legal and ethical requirements of public purchasing and procurement.
- b. To assure vendors that impartial and equal treatment is afforded to all who wish to do business with the City.
- c. To receive maximum value for money spent by awarding purchases to the lowest responsible, responsive bidder, taking into consideration quality, performance, technical support, delivery schedule, past performance and other relevant factors.
- d. To provide City departments the required goods, equipment, and services at the time and place needed and in the proper quantity and quality while providing necessary information to the City Finance Office.
- e. To professionally administer the search for sources of supplies, the development of new sources, the selection of suppliers, negotiations, commitment, follow-up, and adjustments.
- f. To promote healthy business relationships through informed and fair purchasing practices and maintenance of ethical standards.

- g. To maximize feasible standardization of products used within and among departments in order to minimize stock levels and obtain better prices for necessary goods and services.
- h. To incorporate budgetary controls in the purchasing process which will include the use of Purchase Orders City-wide (1) to ensure that budgeted funds are available, and (2) to encumber (commit) obligated funds which are considered material for budgetary purposes.

By following the procedures and guidelines established in this manual, each department can efficiently manage, control and plan its available resources to meet present and future departmental needs and help the City to meet these goals.

It should be noted that for purposes of this Policy, Department Heads include the Public Works Director, the Finance Director, the Police Chief, the Planning and Development Director, the Water and Wastewater Treatment Superintendent, and the Fire Chief.

Should you have any questions about this manual or its procedures, contact the Finance Director or the Assistant Finance Director at 652-3551.

II. General Guidelines for Purchasing

2.1 Authorization for Expenditures:

Funds must be properly appropriated or budgeted to meet contractual obligations. The Finance Director must determine whether a sufficient balance remains in the budget to pay the sums obligated by the transaction. General Statutes Section 159-28(a) requires a pre-audit certification signed by the Finance Director, or a duly appointed deputy finance officer, to appear on the contract, agreement or purchase order before it becomes an obligation of the governmental unit.

According to G.S. 159-28(e), “if an officer or employee of a local government or public authority incurs an obligation or pays out or causes to be paid out any funds in violation of this section [funds which have not been appropriated], that officer or employee, and the sureties on any official bond for that officer or employee, are liable for any sums so committed or disbursed. If the finance officer or any duly appointed deputy finance officer gives a false certificate to any contract, agreement, purchase order, check, draft, or other document, the finance officer or duly appointed deputy finance officer, and the sureties on any official bond, are liable for any sums illegally committed or disbursed thereby.”

Any purchase without proper authorization is prohibited. Unauthorized purchases may not be honored by the City and the individual involved may be held personally liable for such purchases. Department Heads, or their properly authorized designees, are allowed to make purchases on behalf of the City following the procedures within this policy. If the Department Head designates another representative from his/her department to make

purchases, the Finance Director will be notified in writing so that the Finance Office can ensure that only designated employees are making purchases and so that the Finance Office can provide training related to this manual to any employee authorized to make purchases.

2.2 The Purchase Order:

A Purchase Order represents a contract between the City and a vendor. The City will not recognize the issuance of Purchase Orders by unauthorized City employees or officials, and payment of these obligations will not be approved. Obtaining supplies, equipment or services without a Purchase Order when it is required by this policy is also an unauthorized purchase. Except in emergency situations as outlined in Section 5.3, **unauthorized purchases are classified as a personal expense and will be paid for by the employee.**

If a Purchase Order is required as described in this policy, a valid Purchase Order (similar to the one shown in Exhibit A) must be received *before* placing an order. A very important step in the Purchase Order process is to determine that a sufficient balance remains in the budget for the obligation before the order is made. The form must be signed by the Finance Director or a Council appointed designee.

Purchase Order numbers are assigned chronologically by the Purchasing software system. Two copies of each approved Purchase Order will be processed with one copy being filed by the Assistant Finance Director and one copy being sent to the Department. The Department requesting the Purchase Order is responsible for placing the order with the vendor once an approved Purchase Order has been received.

2.3 Budget Availability and Transfer of Budgetary Funds:

It is the policy of the City to require a request for transfer of funds for any purchase or commitment of City funds for which there are insufficient funds available in the budgetary account against which a purchase or commitment is to be applied. Transfers of funds are not allowed for the purpose of making it possible to spend all appropriations.

Only the City Manager or Finance Director are authorized to make certain changes among expenditure line items (i.e. from Personnel or Capital line items to Operating), in the budget of a department, (department as defined in the annual budget authorization of City Council), when he/she feels the change would be in the best interest of the City.

A transfer of funds must be requested by the Department Head and forwarded to the Finance Director before any commitments are approved against an expenditure line item which would exceed the amount budgeted for that particular line item. The request must contain the department making the request, the amount of the transfer request, the line item that the funds are being requested to be transferred from, the line item that the funds are being requested to be transferred to, and the reason that the transfer is needed. The request should be signed and dated by the Department Head. The Finance Director is

expected and authorized to inquire about the appropriateness of any and all requests for transfer of funds. The Request for Transfer of Funds Form is shown in Exhibit B.

2.4 Local Buying:

It is the desire of the City to purchase from vendors located within the City of Marion and McDowell County whenever possible. This can be accomplished by insuring that local vendors who have goods or services available that are needed by the City are included in the competitive purchasing process. The City has a responsibility to its residents; however, to insure the maximum value is obtained for each public dollar spent. **The City cannot and will not make purchasing decisions solely on the basis of vendor location.** Rather, the City will endeavor to encourage local vendors and suppliers to compete for City business.

2.5 Planning:

It is imperative that all City departments take time to properly plan purchases. Planning for purchases should be on both a short-term and a long-term basis, thereby minimizing small orders and last minute purchases. Planning will also reduce the number of trips required to obtain materials and minimize clerical and supervisory time spent on the procurement process.

2.6 Buying Proper Quality:

Quality and service are as important as price; and, it is the duty of the requesting department to secure the best, most economical, quality 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.

2.7 Sales Tax:

The City is not exempt from paying North Carolina sales tax, and therefore, as orders are placed with the supplier, you should emphasize that the purchase must include tax for all taxable items. The City does, however, receive a refund from the State each year for all sales taxes that are paid. Therefore, it is extremely important for all vendors to break out sales tax on their invoices.

2.8 Changes to/Cancellation of Purchase Orders:

In order to change or cancel an existing Purchase Order, please forward a memo or email to the Finance Director including all pertinent information such as the Purchase Order number, vendor name, and modifications or cancellation notification. Any changes must be approved by the Finance Director in writing before proceeding.

III. Purchasing Procedures

3.1 Items Not Stocked in the Central Warehouse:

This section describes the proper procedures for purchasing goods or services for use by departments of the City that are not stocked in the City's Central Warehouse.

Purchases of \$500 or more require a Purchase Requisition and a Purchase Order:

1. Purchase requisitions for products or services not stocked in the Central Warehouse that cost \$500 or more shall be submitted to the Finance Director either through interoffice mail or email, using the Purchase Requisition form approved by the Finance Department (sample form shown in Exhibit B). Purchase Requisition forms should only be submitted by the Department Head or a person properly designated by the Department Head. Sales tax should be included on the requisition but broken out separately. Call-in requests for Purchase Orders will be allowed in emergency situations only.
2. The Finance Director will review and approve requisitions. Once the requisition is approved, a Purchase Order will then be generated and forwarded to the department for placing the order. ***Orders are not to be placed by departments until the approved Purchase Order number has been assigned.***
3. Any Purchase Orders issued which involve multiple departments should have the approval of all participating department heads or appointed employees prior to issuance.

Purchases costing less than \$500 in total:

Department Heads have been delegated the authority to approve purchases made under \$500. If a Department Head, or someone properly designated by the Department Head, needs to purchase products or services that cost less than \$500 in total, the department must first ensure that budgeted funds are available and that the vendor exists in the City's vendor file. If funds are available in the budget and the vendor exists in the City's vendor file, the department can place the order without a Purchase Order. If it is questionable as to whether or not the vendor exists on the City vendor file, please contact the Assistant Finance Director. Any budget questions should first go through the Department Head and then to the Finance Director.

The Department Head or the designee must authorize each invoice with signature and date and code it with the appropriate account number before forwarding to Finance for payment. This authorization verifies that the goods and/or services have been received and the invoice is ready for payment.

NOTE: The order in total must be less than \$500. This is not based on individual items within an order. Departments shall not "break up" an order into separate invoices in

order to circumvent obtaining a Purchase Order. If this occurs, a department may be required to obtain Purchase Orders for all orders in the future. In addition, Blanket Purchase Orders (see 5.1) shall be used for selected vendors for the procurement of large volume items for day to day activities.

A flowchart for Purchases of Supplies, Material, and/or Equipment can be found in Exhibit D.

3.2 Items That Are/Can Be Stocked at the Central Warehouse:

This section describes the proper procedures for purchasing goods or services for use by departments of the City that can be/are stocked in the City's Central Warehouse.

A warehouse is maintained at the Public Works building. An effort is made to keep in stock those items most commonly used by all departments. Computer printouts listing those commodities are available upon request and can be obtained by contacting the Warehouse Manager at 652-6151.

A completed Stores Requisition form (Exhibit E) with the appropriate approvals is required for all purchases through the Central Warehouse. The Department Head or his/her designee must approve all requests within their department. The Stores Requisition form, once completed, should be forwarded to the Central Warehouse. A copy can be faxed or emailed to the Warehouse Manager. If the Central Warehouse has questions concerning the request, it may be returned to the Department Head or his/her designee for a brief explanation. The Warehouse Manager will pull the items needed and have them ready when the department representative comes to pick up the items. The original store requisition should be presented at the time of picking up merchandise. If for some reason the department cannot pick-up items requested the Warehouse Manager can deliver the items at his/her earliest convenience to the department at which time the original store requisition should be presented.

If a department has a recurring demand for a particular item that is not stocked in the warehouse (need for a particular item that exceeds three times in a six month period), the department may request that the warehouse stock this item. The request should be sent to the Warehouse Manager in writing (email, fax, interoffice mail) to include 1) a thorough description of the item requested (when possible, please provide catalog data, drawings or pictures), 2) the quantity that may be consumed within a 90-day period, and 3) a recommended minimum stocking quantity (i.e. a point that if stock were lower than this quantity, your performance would be compromised). A request with the required information and appropriate approvals gives the Central Warehouse the authority to proceed with competitive pricing and to place an order from the most suitable vendor.

The Warehouse Manager will review the request. This review shall basically consist of determining the type of item being requested. If the item replaces a current item, the Manager shall determine the value of existing stock being replaced. If the dollar amount is significant, the Warehouse Manager shall review this with the Finance Director to

determine if existing stock should be depleted to the new recommended min/max stock levels.

The same review process shall be taken with eliminated stock items. These items shall be declared surplus/obsolete and processed in accordance with general statutes.

After the review, a stock number shall be assigned to the item and a purchase order generated to encumber the expenditure accounts. Upon completion, the Warehouse Manager shall return a copy of the Request to Stock to the requester indicating the new stock number and when the item was placed on order.

IV. Vendor Selection/Relations

4.1 Vendor Selection:

Vendors will be selected on a competitive basis as discussed below. Formal bids, informal bids, or telephone quotations shall be solicited. Bid awards, purchase orders and/or contracts will be issued to the lowest responsible, responsive bidder in accordance with G.S. § 143-129 and 143-131. The City will not use vendors who have been debarred by Federal, State, or Local governments. In addition to the information below, informational charts from the School of Government on bidding requirements can be found in Exhibit F.

4.2 Competitive Bids - Procurement of Supplies, Materials and/or Equipment:

Formal Bids - Supplies, Materials and/or Equipment (\$90,000 and Greater):

Invitation for formal bids will be used for purchases of \$90,000 and greater for apparatus, supplies, materials and equipment. This will include advertising in the local newspaper, on the City website, and/or other advertising media as deemed appropriate and receiving sealed bids. The Department Head or his/her designee, in conjunction with the Finance Director if necessary, shall develop and prepare specifications for bidding. The Department Head and Finance Director shall be responsible for ensuring that all North Carolina General Statutes are satisfied, including but not limited to, advertisement and receipt of sealed bids.

After receipt of a bid, the Department Head and the Finance Director or their designees shall conduct a public bid opening and review all bid responses to determine the bid deemed in the best interest of the City. Factors such as cost, quality, performance and time should be taken into consideration. The Department Head shall make a formal recommendation of award, with supporting documentation to the Finance Director, City Manager, and the City Council.

Upon City Council approval of the recommendation, the Department Head along with the Finance Director shall execute a contract with the successful bidder and a purchase order will be issued.

Informal Bids - Supplies, Materials and/or Equipment (\$30,000 - \$89,999):

The Department Head or his/her designee, in conjunction with the Finance Director if necessary, shall utilize the informal bidding process for purchases of \$30,000 to \$89,999. The informal bidding process requires that competitive pricing be obtained but does not require that it be in a written form, therefore, bids via email, phone, fax or mail are acceptable. Records must be kept of all bids received. The Department Head in conjunction with the Finance Director shall determine which quote is in best interest of the City. With Council's approval, a Purchase Order will be generated and the Department Head will contact the successful bidder.

Purchases of Supplies, Materials and/or Equipment (Less than \$30,000):

For expenditures of less than \$30,000, the Department Head or his/her designee, in conjunction with the Finance Director if necessary, shall accept quotes in any form as Informal Bids. Every effort to obtain 3 quotes should be exercised. Once the quote deemed in the best interest of the City is determined, a Purchase Order will be generated and the Department Head will contact the successful bidder(s).

4.3 Competitive Bids – Construction and Repair Work:

Formal Bids - Construction or Repair Contracts (\$500,000 and greater):

Invitation for formal bids will be used for construction and repair work estimated to be \$500,000 and greater. This will include advertising in the local newspaper, on the City website, and/or other advertising media as deemed appropriate and receiving sealed bids. Construction contracts within this range shall be the responsibility of the Department Head and contracted engineer and other City officials as deemed necessary. These officials are responsible for specification development. After the formal bidding process is completed, the Department Head or his/her designee shall recommend to the City Council the lowest responsible bidder deemed in the best interest of the City. Upon award by the City Council and execution of the contract, the Department Head shall initiate a Purchase Order Requisition Form so that a Purchase Order can be generated to encumber the expenditure account.

Informal Bids - Construction or Repair Contracts (Less than \$500,000):

Construction, renovation or repair work less than \$500,000 shall be the responsibility of the Department Head, the contracted engineer and other City officials as deemed necessary. The bid award will be made to the lowest responsible bidder deemed in the best interest of the City. Upon approval by the City Manager and execution of the contact, the Department Head or his/her designee shall initiate a Purchase Order Requisition Form so that a Purchase

Order can be generated to encumber the expenditure accounts and contact the successful bidder(s).

4.4 Specifications:

When goods or services are procured under the formal or informal bidding process, specifications must be prepared. All specifications should do at least four things:

- a. Identify minimum requirements
- b. Encourage competitive bids
- c. Capable of objective review
- d. Provide for an equitable award at the lowest possible cost.

Specifications shall be as simple as possible while maintaining the degree of exactness required to prevent bidders from avoiding supplying the goods or services required or otherwise taking advantage of their competitors.

All specifications utilizing a name brand must include the term “or approved equal” to avoid being restrictive and eliminating fair competition from the bidding process.

4.5 Vendor Relations:

Good vendor relations are valuable business assets established through mutual confidence and satisfactory business relationships between the buyer and the seller. An important contribution toward promoting and preserving these relations is a clear understanding of the method of contract between the buyer and the seller.

Departments do not have the authorization to commit in writing, or verbally, future City business to vendors.

Should a department experience difficulties with or have a complaint with a particular vendor, document your concerns in a memo to the Finance Director. Be as specific as possible, detailing the circumstances, dates, personnel involved (including titles) and phone numbers. This information will be helpful in determining if the vendor shall remain as an active vendor.

City employees are prohibited from soliciting or accepting any personal rebate, money, gift or gratuity (with the exception of mementos and novelties or nominal value) from any person, company, firm or corporation to which any purchase order or contract is, or might be awarded. The City will not tolerate circumstances that produce, or reasonably appear to produce, conflicts between the personal interests of an employee and the interests of the City. Accordingly, the City may terminate, at no charge to the City, any contract if it is found that material gifts or gratuities were offered to a City employee. The City may also take disciplinary action, including dismissal, against a City employee who solicits or accepts gifts or gratuities of any value whatsoever.

V. Special Procurement Procedures

5.1 Blanket Purchase Orders:

Blanket purchase orders will be issued to selected vendors for the procurement of large volume items for day to day activities such as landscaping supplies, rock, sand and asphalt. Blanket purchase orders are intended to expedite the procurement of frequently needed and repetitious supplies. If a specific project is being completed, a separate blanket Purchase Order should be obtained for that project. Blanket purchase orders should not be used for items normally carried in stock at the warehouse and will not be issued for items that can/should be purchased with regular purchasing procedures (i.e. purchases greater than \$500).

Requests for blanket purchase orders must, in addition to the required information, indicate the following: items covered by the blanket purchase order, a Not to Exceed (NTE) amount in the appropriate column, and an attached listing of all personnel approved to purchase from the blanket purchase orders if those employees are not already a designated purchaser (see the last paragraph of 2.1 above). It will be communicated to the vendor that unauthorized purchases will not be allowed. **Any purchases made by personnel not authorized by the blanket purchase order request may be classified as a personal expense and, in that case, paid by the employee.**

5.2 Service Contracts:

All service contracts, for which the contractor will perform work while on City property, must be accompanied by a standard contract form containing the appropriate language required in City contracts. The contract must follow all signature procedures and contain all necessary insurance and payment options. The contractor must have a certificate of insurance on file before work is to be done. A Purchase Order will not be issued until a certificate has been received. The completed and signed contract must be forwarded to the Finance Office prior to the release of the Purchase Order.

5.3 Emergency Purchases:

In cases of emergencies, the Department Head or his/her designee may purchase directly from vendor(s) supplies or services whose immediate procurement is essential to prevent delays in work, which may affect the life, health, or either safety or convenience of the City's employees or citizens.

The user department shall exercise good judgment and use established vendor(s) when making emergency purchases. Care should be taken to always obtain the best possible price and limit purchases to those items that may be emergency related. Failure to anticipate needs does not constitute an emergency situation. First, determine if a true emergency does exist. Second, anticipate needs and avoid emergency situations whenever possible. Vendors usually charge top prices if supplies or services must be obtained on an emergency basis.

During working hours, the following procedure should be used for emergency purchases: contact the Finance Director and give all pertinent information to obtain a Purchase Order. The information needed will include the vendor name, item(s) to be purchased with quantities, expenditure account to which the item(s) will be charges and the reason for the emergency purchase.

After working hours, the following procedure should be used for emergency purchases: The next morning of regular office hours, the Finance Director should be notified of the purchase. When received, the packing slip or invoice should be coded with the account(s) to be charged, signed, and forwarded to the Finance Director. Please attach a note with the packing slip or invoice and send to the Finance Director with a brief explanation of the nature of the emergency.

5.4 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 Director. Whenever a Department Head or his/her designee determines to purchase goods or services from a "sole source", he/she shall document on the request why only one company or individual is capable of providing the goods or services required. The provisions of G.S. §143-129 will be followed asking Council for this sole source exception.

5.5 Use of Competitive Bidding Group Purchasing Programs:

G.S. 143-129(e)(3) allows local governments to purchase apparatus, supplies, materials, or equipment through a "competitive bidding group purchasing program" which is defined as "a formally organized program that offers competitively obtained purchasing services at discount prices to two or more public agencies." The City may utilize the State of North Carolina Department of Administration Purchase and Contract Division or the North Carolina Sheriffs' Association whenever possible for procurement of capital and non-capital items. These methods expedite the purchase of goods, offer pricing compatible with quotes received from formal and informal bids, and satisfy North Carolina General Statutes. Examples of goods on state contract are: vehicles, tires, office furniture, copiers, janitorial supplies, copier paper, and light bulbs.

5.6 Professional Services:

Normal competitive procedures cannot be utilized in securing professional services such as attorneys, engineers, auditors and other professional people 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 City is established, a purchase order, with a NTE (not to exceed) amount shall be issued to satisfy accounting and statutory requirements.

5.7 Purchasing Calendar for Capital and Non-Capital Equipment:

To coordinate and schedule capital purchases during the fiscal year, the Finance Director will request information from departments concerning approved capital budgets and procurement schedules each year. In securing financing and maintaining the capital asset records for the fiscal year, all capital purchases should be completed no later than **March 31** with delivery scheduled no later than **May 31**, if at all possible.

5.8 Vehicle and Equipment Repair: Outsourcing of Service:

Procedures for outsourcing vehicle and equipment repairs, such as body repair(s), engine rebuilding, or any other service shall be handled by Fleet Maintenance. If a repair is expected to potentially cost \$500 or more, a Purchase Order should be obtained before the repairs are authorized. To provide the necessary cost and repair history of a vehicle, this should be handled and recorded on the vehicles fleet maintenance records.

5.9 Petty Cash:

Cash purchases should be avoided if at all possible. A petty cash fund has been established for the Police Department and Fire Department for purchase of expendable items, (including but not limited to car washes, office supplies, etc.) costing less than \$25.00. Employees wishing to purchase items, and be reimbursed with petty cash, should obtain a petty cash form, provide a receipt for the purchase and return the cash form to the petty cash administrator for your department, with the approval of the Departmental Head or his/her designee.

5.10 Credit Cards:

Bank issued credit cards are reserved for use by the City Manager, Finance Director, Fire Chief, Police Chief and Public Works Director for travel or select items for the City. The purpose of this purchasing procedure is to facilitate travel such as hotel reservations and for certain online purchases, such as computers.

The bank issued credit card will be used only when:

- a. The items and/or services to be purchased are for the official use of the City of Marion.
- b. The types of items and/or services to be purchased are those approved by the City Manager and/or Finance Director.
- c. Bank credit cards should not be used to purchase any items normally carried in stock in the City Warehouse.
- d. The City Manager and/or Finance Director will review the use of the individual card activity and reserve the right to revoke the use privileges from the cardholder, if deemed necessary. The credit card holder will be responsible for any purchases deemed not to be official City purchases.

- e. If a purchase will exceed \$500, a Purchase Order number must be obtained prior to placing an order.
- f. After the purchase, the credit card holder will furnish the receipt for the purchase to the Finance Director. Failure to furnish the receipt will result in the credit card holder becoming responsible for the purchase.
- g. Lost or stolen credit cards are to be immediately reported to the Finance Director.

Blanket credit cards, such as those issued by Walmart, are not issued to a particular person but to the City. These credit cards will be checked out at City Hall. If the purchase exceeds \$500, a Purchase Order must be obtained prior to receiving the card. After the purchase has been made the credit card will be returned to City Hall along with the receipt.

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 importance of the delivery schedule should be emphasized to the vendor by the department ordering the goods or service. Delivery requirements should be fully understood by all vendors.

6.1 Partial Deliveries:

Some purchase orders may list several items. It is possible the vendor may complete timely delivery on some items, which are referred to as "partial deliveries". Upon receipt of a partial delivery, photocopy the purchase order; attach a copy of the signed delivery receipt and forward to the Finance Office indicating that it is a partial order. This is necessary so that the Finance Office knows to keep the Purchase Order open for further items to be delivered against the Purchase Order.

6.2 Non-Performance:

If a vendor fails to meet any requirement(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 non-performance will be evaluated based upon the circumstances of each violation. Specific types of non-performance are discussed in Section XI.

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 the 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 City's rights in the event of rejection, for whatever reason, the vendor shall be informed immediately. Reasons for the rejection must be documented.

7.2 Damaged Goods:

One of the major reasons for immediately inspecting the goods or materials upon receipt is to detect any visible damage. When it is apparent that the extent of the damage causes the goods to be worthless, they will not be accepted. It is necessary that all damage be documented and the vendor informed of the damaged goods.

7.3 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, vendor, or the manufacturer, the City may file a claim against all parties.

VIII. After the Order

The procurement function is not accomplished by simply placing an order with a supplier. Satisfactory delivery must also be made. To insure delivery will be made when required, follow-up is sometimes necessary.

Follow-up or expediting delivery of an order is part of the purchasing process and can be more efficiently handled by the purchasing party. For example:

Purchases initiated by the Central Warehouse – follow-up would be expedited by the Warehouse Manager.

Purchases initiated by the Department Head or his/her designee for items not stocked/on hand in the Warehouse or by using the bank credit card - follow-up will be by the Department.

The Finance Office shall on a regular basis review outstanding purchase orders to determine if vendors are delinquent in shipping the items requested. The Finance Office shall contact either the Department (if the purchase was initiated by the Department) or the Warehouse Manager (if the purchase was initiated by the Warehouse) concerning the delinquent delivery and/or status of the order.

Depending upon who initiated the purchase, the Central Warehouse or the Department acquiring the items and/or services shall contact vendors concerning invoice discrepancies. The Finance Director or Department Head shall have the authorization to approve or disapprove invoice amounts.

IX. Processing of Invoices

All invoices should be forwarded to the Assistant Finance Director for payment immediately after the item(s) have been received, inspected and accepted by the user department. In order for the Invoice to be processed the following should be provided:

- If a Purchase Order has been obtained, the following should be noted on the Invoice 1) the Purchase Order number, 2) an approval to pay, and 3) the account number it should be charged to if the account number differs from the one assigned on the Purchase Order.
- If a Purchase Order was not required, the following should be noted on the Invoice 1) the account number that the invoice should be charged to, and 2) a signature that the invoice is approved for payment.
- An authorized City employee must sign a vendor's delivery ticket, and the purchase order number must be indicated. If the purchase is to be charged to an account other than indicated by the purchase order, the account number to be charged for the expenditure must be indicated. Departments will forward these delivery tickets immediately to the Finance Office.

X. Fiscal Year End Purchase Order and Store Requisition Cut-off Dates

Purchase Order requests for materials, supplies, services and equipment not included in blanket purchase orders, service contracts, or in the Central Warehouse for the ending current fiscal year must be to the Finance Director no later than May 31st. Purchase requests of a routine nature that could have been scheduled prior to May 31st, and are not critical, will be returned to the department for disposition in the new fiscal year. This procedure affords the Finance Department the opportunity to complete fiscal year end activities in a timely and proper manner.

Purchases from the warehouse should be done no later than June 15th if possible. Those items would include but are not limited to computer paper, toilet paper, trash bags, cleaning items, etc. This procedure affords the Warehouse the opportunity to complete inventory and review merchandise in the warehouse prior to the fiscal year end activities in a timely and proper manner.

EXHIBIT A - SAMPLE PURCHASE ORDER FORM

Purchase Order	
City Of Marion PO Drawer 700 MARION, NC 28752	
PO Number:	Issued:
Issued to:	Required:
	Ship to:
FOB:	Terms:

Special Instructions

Inventory #	Item Description	Quantity	UOM	Unit Price	Extended
-------------	------------------	----------	-----	------------	----------

Sub Total
Total Tax
Shipping
Total

Account Number	Account Description	Amount
----------------	---------------------	--------

Total

Finance Officer

The City of Marion is Not Sales Tax Exempt

THIS INSTRUMENT HAS BEEN PREAUDITED IN THE MANNER REQUIRED BY THE LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT. THIS DOCUMENT IS GOVERNED BY THE PROVISIONS OF NCGS, CHAPTER 25 UNIFORM COMMERCIAL CODE ARTICLE 2, SALES. As set out in G.S. 147-86.59, any vendor identified as engaging in investment activities in Iran (as determined by appearing on the current Final Divestment List created by the NC State Treasurer under G.S. 147-86.58) is ineligible to contract with the State of NC or any political subdivision of the State. Acceptance of this purchase order or shipment of goods in response to the order constitutes vendor's certification that Vendor does not appear on the Treasurer's Final Divestment List.

Received By: _____

Date Received: _____

EXHIBIT B - REQUEST FOR TRANSFER OF BUDGETED FUNDS



City of Marion Request For Transfer of Budgeted Funds

To: Finance Director _____
 From: _____

I request the following transfer of budgeted funds:

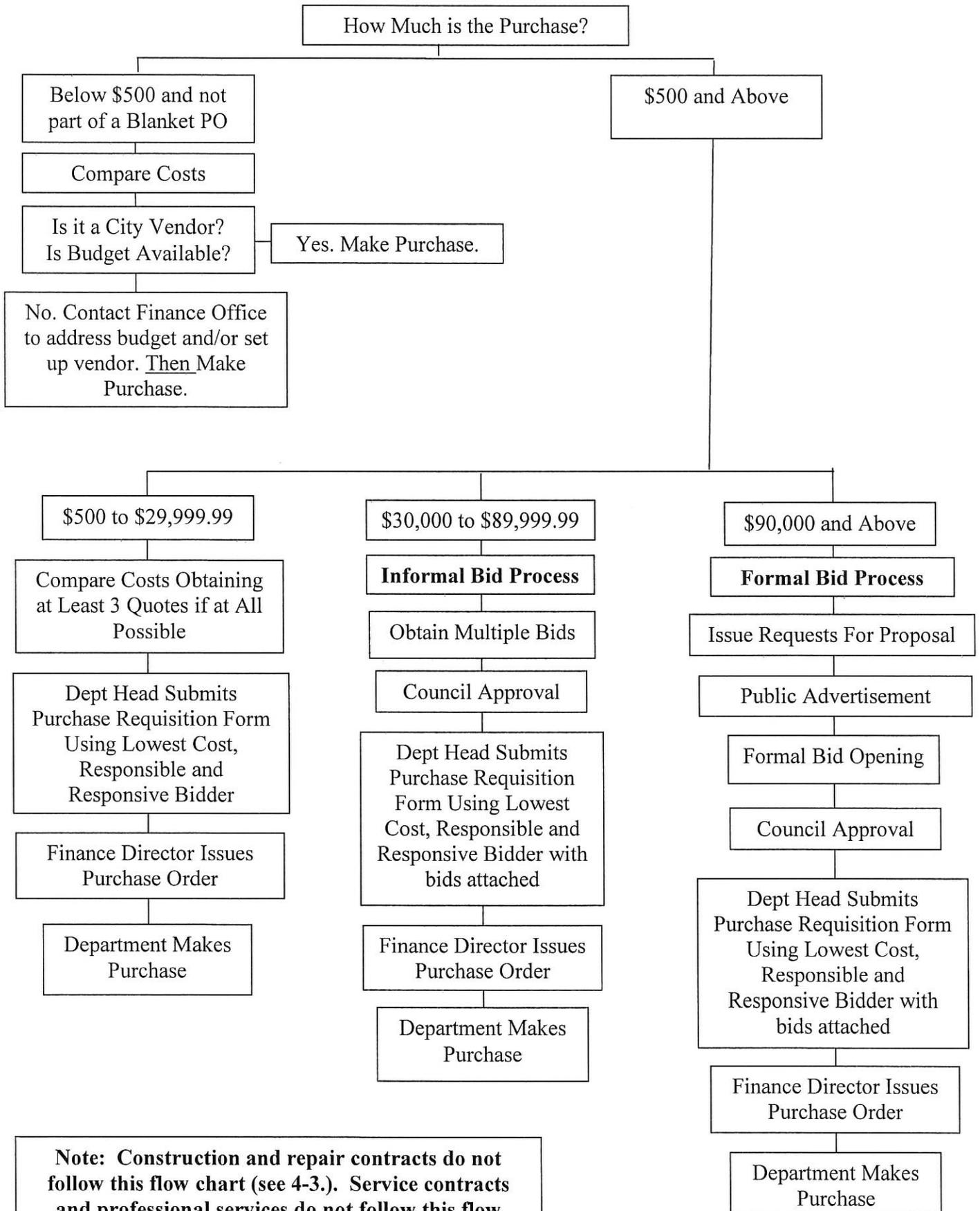
From:				To:			
G/L Account #	Amount	Budget Before Transfer	Budget After Transfer	G/L Account #	Amount	Budget Before Transfer	Budget After Transfer
Total							

Reason for requesting transfer

Department Head Requesting Transfer: _____ Signature/Date

Finance Director Approval: _____ Signature/Date

EXHIBIT D – FLOWCHART FOR PURCHASES OF SUPPLIES, MATERIAL AND/OR EQUIPMENT



Dollar Thresholds in North Carolina Public Contracting Statutes



Dollar limits and statutory authority current as of November 1, 2015

Requirement	Threshold	Statute
Formal bidding	<i>(estimated cost of contract)</i>	
Construction or repair contracts	\$500,000 <i>and above</i>	G.S. 143-129
Purchase of apparatus, supplies, materials, and equipment	\$90,000 <i>and above</i>	G.S. 143-129
Informal bidding	<i>(actual cost of contract)</i>	
Construction or repair contracts	\$30,000 to formal limit	G.S. 143-131
Purchase of apparatus, supplies, materials, and equipment	\$30,000 to formal limit	G.S. 143-131
Construction methods authorized for building projects	<i>Over \$300,000 (estimated cost of project)</i>	G.S. 143-128(a1)
Separate Prime		
Single Prime		
Dual Bidding		
Construction Management at Risk (G.S. 143-128.1)		
Design-Build and Design-Build Bridging (G.S. 143-128.1A; G.S. 143-128.1B)		
Public Private Partnership (P3) (G.S. 143-128.1C)		
Historically Underutilized Business (HUB) requirements		
Building construction or repair projects		
– Projects with state funding (<i>verifiable 10% goal required</i>)	\$100,000 <i>or more</i>	G.S. 143-128.2(a)
– Locally funded projects (<i>formal HUB requirements</i>)	\$300,000 <i>or more</i>	G.S. 143-128.2(j)
– Projects in informal bidding range (<i>informal HUB requirements</i>)	\$30,000 to \$500,000*	G.S. 143-131(b)
<i>*Note: Formal HUB requirements should be used for informally bid projects costing between \$300,000 and \$500,000</i>		
Limit on use of own forces (force account work)	<i>(not to exceed)</i>	G.S. 143-135
Construction or repair projects	\$500,000 <i>(total project cost) or</i> \$200,000 <i>(labor only cost)</i>	
Bid bond or deposit		
Construction or repair contracts (<i>at least 5% of bid amount</i>)	Formal bids (<i>\$500,000 and above</i>)	G.S.143-129(b)
Purchase contracts	Not required	
Performance/Payment bonds		
Construction or repair contracts (<i>100% of contract amount</i>)	Each contract <i>over \$50,000 of</i> project costing <i>over \$300,000</i>	G.S. 143-129(c); G.S. 44A-26
Purchase contracts	Not required	
General contractor's license required	\$30,000 <i>and above</i>	G.S. 87-1
Exemption	Force account work (<i>see above</i>)	
Owner-builder affidavit required	Force account work (<i>see above</i>)	G.S. 87-14(a)(1)
Use of licensed architect or engineer required		
Nonstructural work	\$300,000 <i>and above</i>	G.S. 133-1.1(a)
Structural repair, additions, or new construction	\$135,000 <i>and above</i>	
Repair work affecting life safety systems	\$100,000 <i>and above</i>	
Selection of architect, engineer, surveyor, construction manager at risk, or design-build contractor		
"Qualification-Based Selection" procedure (QBS)	All contracts unless exempted	G.S. 143-64.31
Exemption authorized	Only projects where estimated fee is <i>less than \$50,000</i>	G.S. 143-64.32

EXHIBIT F - SCHOOL OF GOVERNMENT CHARTS ON BIDDING REQUIREMENTS

Local Government Purchasing and Contracting Update: Statutory Requirements and Local Policies

TABLE 2. Bidding Laws and Local Policies: Purchase Contracts
 ("G.S." stands for the North Carolina General Statutes. Refer to the statutes for explanations, details, and exceptions.)

Contract amount:	\$0 →	\$30,000 →	\$90,000 →
Advertisement (G.S. 143-129)	G.S.—no ads required <i>Local policies</i> —may require specific method/timing of ads		G.S.—newspaper or electronic ads for full 7 days before bid opening (advertising by electronic means only requires board approval) <i>Local policies</i> —may require extra time/locations for ads
Minimum number of bids (G.S. 143-132)	G.S.—no minimum <i>Local policies</i> —may require a minimum		
Form of bids (G.S. 143-129, 143-131)	G.S.—no specific form required (e-mail, phone, fax, mail all acceptable) <i>Local policies</i> —may require a specific form		G.S.—bids must be sealed <i>Local policies</i> —must comply with G.S.
Record of bids (G.S. 143-131)	G.S.—not required <i>Local policies</i> —may require a record	G.S.—must keep a record of all bids received <i>Local policies</i> —must comply with G.S.	G.S.—because bids are public, no separate record is required <i>Local policies</i> —must comply with G.S.
Bid opening (G.S. 143-129, 143-129.9, 143-131)	G.S.—public bid opening not required <i>Local policies</i> —may require public bid opening		G.S.—public bid opening required, but may use reverse auction or electronic bidding instead <i>Local policies</i> —must comply with G.S.
Bid bonds (G.S. 143-129)	G.S.—bonds not required <i>Local policies</i> —may require bonds		
Performance/payment bonds (G.S. 44A-26, 143-129)	G.S.—bonds not required <i>Local policies</i> —may require bonds		
Historically underutilized business (HUB) participation goals (G.S. 143-128.2, 143-131)	G.S.—not required <i>Local policies</i> —may require good faith efforts/goals—check with local government attorney		
Board approval (G.S. 143-129, 143-131)	G.S.—not required <i>Local policies</i> —may require board approval		
Standard of award (G.S. 143-129, 143-131)	G.S.—no standard given <i>Local policies</i> —may require a specific standard	G.S.—award to lowest responsive, responsible bidder <i>Local policies</i> —must comply with G.S.	
Public records (G.S. 132-1, 132-6, 143-131)	G.S.—bids become public record when received <i>Local policies</i> —must comply with G.S.	G.S.—record of bids not subject to public inspection until contract award <i>Local policies</i> —may permit public inspection before award	G.S.—bids become public record once opened <i>Local policies</i> —must comply with G.S.

EXHIBIT F - SCHOOL OF GOVERNMENT CHARTS ON BIDDING REQUIREMENTS

Local Government Purchasing and Contracting Update: Statutory Requirements and Local Policies

TABLE 4. Bidding Laws and Local Policies: Building Construction and Repair Contracts
 ("G.S." stands for the North Carolina General Statutes. Refer to the statutes for explanations, details, and exceptions.)

Contract amount:	\$0 →	\$30,000 →	\$300,000 →	\$500,000 →
Advertisement (G.S. 143-129)	G.S.—no ads required <i>Local policies</i> —may require specific method/timing of ads			G.S.—newspaper or electronic ads for full 7 days before bid opening (advertising by electronic means only requires board approval) <i>Local policies</i> —may require extra time/locations for ads
Minimum number of bids (G.S. 143-132)	G.S.—no minimum <i>Local policies</i> —may require a minimum			G.S.—minimum of 3 bids is required <i>Local policies</i> —may require more than 3 bids
Form of bids (G.S. 143-129, 143-131)	G.S.—no specific form required (e-mail, phone, fax, mail all acceptable) <i>Local policies</i> —may require a specific form			G.S.—bids must be sealed <i>Local policies</i> —must comply with G.S.
Record of bids (G.S. 143-129, 143-131)	G.S.—not required <i>Local policies</i> —may require a record	G.S.—must keep a record of all bids received <i>Local policies</i> —must comply with G.S.		G.S.—because bids are public, no separate record is required <i>Local policies</i> —must comply with G.S.
Bid opening (G.S. 143-129, 143-131)	G.S.—public bid opening not required <i>Local policies</i> —may require a public bid opening			G.S.—public bid opening required <i>Local policies</i> —must comply with G.S.
Bid bonds/deposit (G.S. 143-129)	G.S.—bid bonds not required <i>Local policies</i> —may require bid bonds			G.S.—bid bond/deposit (5% of bid amount) required <i>Local policies</i> —may require more than 5%
Performance/payment bonds (G.S. 44A-26, 143-129)	G.S.—performance and payment bonds are not required <i>Local policies</i> —may require bonds	G.S.—performance and payment bonds are required (100% of bid amount) for contracts costing more than \$300,000 <i>Local policies</i> —must comply with G.S.		G.S.—performance and payment bonds are required (100% of bid amount) for contracts costing more than \$50,000 that are part of a project costing more than \$300,000 <i>Local policies</i> —must comply with G.S.
Historically underutilized business (HUB) participation goals (G.S. 143-128.2, 143-131)	G.S.—not required unless part of state-funded project worth \$100,000 or more <i>Local policies</i> —may require good faith efforts/goals for other projects	G.S.—document good faith efforts; report to HUB Office <i>Local policies</i> —must comply with G.S.	G.S.—good faith efforts to reach goals; bidders must submit affidavits so local government can verify bidders' good faith efforts; report to HUB Office <i>Local policies</i> —must comply with G.S.	
Separate specifications (G.S. 143-128)	G.S.—separate specifications not required <i>Local policies</i> —may require separate specifications			G.S.—separate specifications required for plumbing, electrical, HVAC, and general work <i>Local policies</i> —may require additional specifications
Licensed contractor (G.S. 87-1, 87-1.1, 143-139.1)	G.S.—must use a licensed general contractor if the contract is part of a project worth more than \$30,000 <i>Local policies</i> —must comply with G.S.			
Construction methods (G.S. 143-128)	G.S.—no specific methods must be used <i>Local policies</i> —may require specific methods			G.S.—must use single-prime, separate-prime, dual-bidding, or construction-management-at-risk method; alternate methods may be used only if approved by the State Building Commission or authorized by local act <i>Local policies</i> —must comply with G.S.
Board approval (G.S. 143-129, 143-131)	G.S.—not required <i>Local policies</i> —may require board approval			G.S.—board approval required; cannot be delegated <i>Local policies</i> —must comply with G.S.
Standard of award (G.S. 143-129, 143-131)	G.S.—no standard given <i>Local policies</i> —may require a specific standard	G.S.—award to lowest responsive, responsible bidder <i>Local policies</i> —must comply with G.S.		
Dispute resolution (G.S. 143-128(f1))	G.S.—must adopt own dispute resolution process (including mediation) or process adopted by the State Building Commission; available to all parties, with amount-in-controversy not less than \$15,000 <i>Local policies</i> —must comply with G.S. (which permits adoption of unit's own dispute resolution process)			
Public records (G.S. 132-1, 132-6, 143-131)	G.S.—bids become public record when received <i>Local policies</i> —must comply with G.S.	G.S.—record of bids not subject to public inspection until contract award <i>Local policies</i> —may permit public inspection before award		G.S.—bids become public record once opened <i>Local policies</i> —must comply with G.S.

EXHIBIT F - SCHOOL OF GOVERNMENT CHARTS ON BIDDING REQUIREMENTS

UNC School of Government Local Government Law Bulletin

TABLE 3. Bidding Laws and Local Policies: Construction and Repair Contracts (Not Involving Buildings)
 (“G.S.” stands for the North Carolina General Statutes. Refer to the statutes for explanations, details, and exceptions.)

Contract amount:	\$0 →	\$30,000 →	\$500,000 →
Advertisement (G.S. 143-129)	G.S.—no ads required <i>Local policies</i> —may require specific method/timing of ads		G.S.—newspaper or electronic ads for full 7 days before bid opening (advertising by electronic means only requires board approval) <i>Local policies</i> —may require extra time/locations for ads
Minimum number of bids (G.S. 143-132)	G.S.—no minimum <i>Local policies</i> —may require a minimum		G.S.—minimum of 3 bids is required <i>Local policies</i> —may require more than 3 bids
Form of bids (G.S. 143-129, 143-131)	G.S.—no specific form required (e-mail, phone, fax, mail all acceptable) <i>Local policies</i> —may require a specific form		G.S.—bids must be sealed <i>Local policies</i> —must comply with G.S.
Record of bids (G.S. 143-129, 143-131)	G.S.—not required <i>Local policies</i> —may require a record	G.S.—must keep a record of all bids received <i>Local policies</i> —must comply with G.S.	G.S.—because bids are public, no separate record is required <i>Local policies</i> —must comply with G.S.
Bid opening (G.S. 143-129, 143-131)	G.S.—public bid opening not required <i>Local policies</i> —may require public bid opening		G.S.—public bid opening required <i>Local policies</i> —must comply with G.S.
Bid bonds/deposit (G.S. 143-129)	G.S.—bid bonds not required <i>Local policies</i> —may require bid bonds		G.S.—bid bond/deposit (5% of bid amount) is required <i>Local policies</i> —may require more than 5%
Performance/payment bonds (G.S. 44A-26, 143-129)	G.S.—performance and payment bonds are not required <i>Local policies</i> —may require bonds	G.S.—performance and payment bonds are required (100% of bid amount) for contracts costing more than \$50,000 that are part of a project costing more than \$300,000 <i>Local policies</i> —must comply with G.S.	
Historically underutilized business (HUB) participation goals (G.S. 143-128.2, 143-131)	G.S.—not required <i>Local policies</i> —may require good faith efforts/goals—check with local government attorney		
Separate specifications (G.S. 143-128)	G.S.—separate specifications not required <i>Local policies</i> —may require separate specifications		
Licensed contractor (G.S. 87-1, 87-1.1, 143-139.1)	G.S.—must use a licensed general contractor if the contract is part of a project worth more than \$30,000 <i>Local policies</i> —must comply with G.S.		
Construction methods (G.S. 143-128)	G.S.—no specific methods must be used <i>Local policies</i> —may require specific methods		
Board approval (G.S. 143-129, 143-131)	G.S.—not required <i>Local policies</i> —may require board approval		G.S.—board approval required; cannot be delegated <i>Local policies</i> —must comply with G.S.
Standard of award (G.S. 143-129, 143-131)	G.S.—no standard given <i>Local policies</i> —may require a specific standard	G.S.—award to lowest responsive, responsible bidder <i>Local policies</i> —must comply with G.S.	
Dispute resolution (G.S. 143-128(f1))	G.S.—dispute resolution process not required <i>Local policies</i> —may require a dispute resolution process		
Public records (G.S. 132-1, 132-6, 143-131)	G.S.—bids become public record when received <i>Local policies</i> —must comply with G.S.	G.S.—record of bids not subject to public inspection until contract award <i>Local policies</i> —may permit public inspection before award	G.S.—bids become public record once opened <i>Local policies</i> —must comply with G.S.