

# CHAPTER 1:

## PURCHASING POLICIES AND STANDARD OPERATING PROCEDURES

Revised 4/20

### 1A) Mission Statement

The Purchasing Department shall make purchases of materials, services, supplies and equipment for the City of Amarillo in the manner provided by the City Charter and by Texas Law, and shall sell property that the City has declared surplus.

The responsibility of the Purchasing Department is to determine the best method to be used for procurement of all services and items with the best interest of the City and taxpayers.

### 1B) Authorization

Before making any purchases or selling any item, the City shall give opportunity for competition under the rules and regulations prescribed. No purchase shall be made for any department unless there are enough funds available in the department's budget to pay for the purchase and the Department making the purchase has received the required approval. **The City Manager has the authority to overrule policy as needed as long as it doesn't conflict with State Purchasing Laws.**

### 1C) Ethical Conduct

City employees and elected officials are entrusted with protecting the public's trust. All officials and employees must endeavor to pursue a course of conduct that does not raise concern or suspicion among the public. Therefore, they shall avoid acts, which are improper or give the appearance of impropriety. This conduct is particularly important for personnel who are charged with the lawful disposition of public funds.

The Finance Division and Purchasing Department personnel must adhere to the highest level of professionalism in discharging their official duties. The nature of the purchasing functions makes it critical that everyone involved in the purchasing process remain independent and free from the perception of impropriety. Any erosion of public trust or any shadow cast on public trust or any other shadow of impropriety is detrimental to the integrity of the purchasing system. Consequently, the credibility of a purchasing program requires that a clear set of guidelines and rules be established and adhered to. Such guidelines are designed to prevent actual and/or potential vendors from unduly influencing City officers or employees in discharging their official duties honestly and fairly. Furthermore, these policies will prevent City officers and employees from situations in which their independent judgment could be reasonably compromised or questioned.

Therefore, with these principles in mind and in accordance with state law, all City of Amarillo employees, vendors, potential vendors, and employees of other government agencies when acting under authority delegated from the City of Amarillo shall adhere to the following policies and procedures.

A City Employee or Elected Official Shall Not:

1. Any officer or employee of the City who shall cease to possess any of the qualifications herein required shall forthwith forfeit office and any such contract in which any officer or employee is or may become interested may be declared void by the Council.
2. No officer or employee of the City (except policemen and firemen in uniform, or wearing a badge), shall accept any frank, free ticket, passes or service, or anything of value, directly or indirectly from any person, firm or corporation, upon terms more favorable than are granted to the public.
3. Any violation of this section shall be a misdemeanor, and on conviction of such violation, such office or employment shall be forfeited.
4. Accept or solicit anything of value whether by gift, rebate, service or favor from a person to whom a city contract may be awarded, directly or indirectly. This does not include an item of nominal value (less than \$50), such as a cap, mug, pen, etc.
5. A City employee in a Management position may not be employed by, or agree to work for, a City vendor or potential City vendor.
6. Make any purchase or authorize any work to be done of a value of more than \$3,000.00 without prior written authorization of the Purchasing Department. Such action constitutes an "Unauthorized Purchase" and the employee making or authorizing the transaction shall be personally liable for all expenses incurred as a result of that action.
7. Knowingly disclose or transmit confidential information acquired in the course of one's official duties for any form of reward or personal gain.

**1D) Payment Voucher (PV)**

**Payment Vouchers (PV's) are for the sole purpose of paying for services or commodity items that have gone through the procurement process and are approved to pay on a PV. *PV'S ARE NOT TO BE USED TO PURCHASE TANGIBLE ITEMS THAT HAVE NOT GONE THROUGH THE PROCUREMENT PROCESS.* If you have any tangible item that cannot be put on a P-Card, please enter a requisition and that item will be issued under a Purchase Order.** PV payments will normally include those for utilities, dues, subscriptions, advertising, meals, travel expenses, insurance premiums, postage, service contract payments on a previously approved contract that has gone through the procurement process and the contract has been approved by Legal Department and signed by the City Manager or designee. (with the contract specifically referenced on each PV) and any other items of this nature that are approved by the Director of Purchasing.

Payment vouchers are used to pay for approved contracts referencing the work order number that was issued by purchasing to track the contract payments by department.  
(Example: Dust Mops & Mats #41165)

**1E) Exclusive Contracts**

All City of Amarillo contracts for goods and services are to be considered exclusive and the goods and services are to be purchased from the contract vendor if one exists. Failure to adhere to this may result in suspending the departments privilege to obtain quotes, departments may be required to return items that were purchased from a non-contract vendor.

**1F) State Preference Laws**

Certain states have resident preference laws that favor their resident bidders by imposing a two percent to ten percent penalty on nonresident bidders of their state.

The State of Texas does not have a resident preference but is a “reciprocal” state. This means if the state in which a nonresident bidder (on a city bid) resides has a resident preference law then we can then impose that same preference on them. When this situation is probable, the Purchasing Department will alert the department concerned before they make their final recommendation.

State Preference Laws do not apply on any federally funded purchases.

State Preference Laws shall not be confused with Local Preference Laws such as a city may exercise. See Chapter 5.

**1G) Supply Agreements**

A supply agreement is awarded by line item rather than for a commodity group, or a total of all items.

Supply agreements are established through the normal bidding procedures. Each vendor will be awarded those line items on which it submitted the low bid, and each supply agreement usually will have several awards. The City will reserve the right to order an item from the next low bidder with stock, in the event the low bidder is unable to supply the necessary commodity when needed.

**1H) Contract Administration**

**1. Administration**

Contract administration is often one of the most neglected parts of the procurement process. Good contract administration requires dedication and persistence. The intensity and manner of contract administration will depend on the type of contract involved. Small dollar contracts with short durations or procurements for a one-time

purchase take less administration than those for large dollar projects of a lengthy duration. Contract administration is a critical element in the procurement cycle and must be carried out in all public purchasing operations by the Purchasing Department.

**2. Regular Contracts for Commodities or Services**

Notification of award is furnished to the vendor and the using department by the Purchasing Department, and a contract file is established. Each department will place orders as needed and will be responsible for assuring that adequate records are maintained to prevent exceeding the dollar limits of the contract.

At least ninety days prior to termination of the contract term, the Purchasing Department will notify the department so a new contract can be obtained in time to assure continued commodity or service availability. In the event a new contract is not secured in a timely manner, requisitions for those commodities or services will require City Manager approval.

**3. Contract Price Adjustments**

When the City Council awards a contract that does not contain an agreed upon price escalation clause, no requests for price increases will be considered. Vendors who refuse to honor an awarded contract will be put on the City's excluded bidders list and will be reinstated after a prescribed period has passed. As a rule, price escalation clauses will not be a part of a contract form or a condition of a bid solicitation for an annual contract for purchase of commodities or services. The exceptions are:

1. Concessionaire Contracts
2. Commodity markets of proven instability
3. Specialty contracts where there is a distinct advantage to having a multiple year relationship with a single vendor
4. Sole source contracts
5. Professional services contracts

The following price escalation clause may be inserted, when appropriate, into the solicitation for bid for contract for the above items:

Price adjustments may be allowed for "pass through" costs incurred by vendor. Requests for price adjustments will be written and will include documentation that substantiates additional costs. All requests will be received by the City at least 30 days prior to a requested effective date for a price adjustment. Such adjustments must be acceptable to both parties in writing or the item(s) in question shall be deleted from the contract with respect to further orders, or the contract shall be cancelled, and new bids solicited.

Upon receipt of a request for price adjustment when an escalation clause was part of the contract, the Purchasing Department will:

1. Gather facts and figures regarding the requested price increase and analyze the impact of the increase.

2. Obtain information from other suppliers to determine if change in source is called for, negotiation is possible, or to determine if the market justifies the new price level.
3. Advise the department(s) involved of the request and solicit information and recommendations from the departments.
4. If the price adjustment is considered proper, the pertinent facts will be filed in the contract file in question.
5. If the price adjustment is not considered proper, a memo containing pertinent facts will be put in the contract file, the contract will be negotiated, if unsuccessful the contract will be terminated in accordance with its terms and the items/service will be rebid. The department will be notified immediately in writing.

**4. Option to Renew Contracts**

Contracts may contain an "Option to Renew" clause. Some examples are:

1. Concessionaire Contracts where equipment is installed
2. Grazing leases
3. Commodities that have stable pricing if agreeable to both parties
4. Service Contracts

These are examples where the option to renew clause could be used, but each contract will be individually reviewed by the department and the Purchasing Department prior to exercise of the option to renew.

**1I) Receipt, Opening, and Tabulation of Sealed Bids**

Bids must be sealed and received by the Purchasing Department by the date and time stated in the Invitation for Bids. Telephone bids are not acceptable.

Bids are opened at the time and date noted in the Invitation for Bids. Bids are thereafter tabulated and posted on Purchasing internet page on the City's website.

**1J) Electronically Transmitted Procedure**

The City does not have an approved procedure for receiving electronic responses to IFBs, RFQs, or RFPs.

**1K) Purchase Recommendations**

1. \$50,000 or above:
  - On all bid purchases of \$50,000 or more, the Purchasing Department will generate a "Bid Tabulation" listing all bidders and their bid prices. This bid tabulation will be forwarded to the using department for use in completing the "Bid Evaluation and Recommendation" form which will then be returned to the Purchasing

Department. The Bid Evaluation and Recommendation form can be found on the M:\ Approved Forms\Purchasing.

- This form is the using department's recommendation on amounts over the \$50,000. If the using department recommends other than the low bid, the Purchasing Department will require a detailed justification as to your reasons for bypassing the low bid. The using department must include on the form a percentage price comparison to previous purchases, if applicable, and have the Division Director sign the form.
  - Bid Evaluation and Recommendation forms for purchases of \$50,000.00 or more received by the Purchasing Department will be presented to the City Manager's office for consideration of placement on the next available City Council meeting. A form that is not complete and correct, including the percentage price comparison will be returned for completion. **Backup documentation is acceptable, but the original Bid Evaluation and Recommendation form must be filled out completely.**
2. \$49,999.99 or below:
- For all purchases under \$49,999.99, the Purchasing Department will award the bid. The Purchasing Department will no longer require a bid recommendation. The Purchasing Department will do all required checklist and forms before issuing a Purchase Order or a legal Contract.

## **1L) Other Documents**

### **Conflict of Interest Questionnaire**

Per the terms of Chapter 176 of the Local Government Code, any vendor that is awarded a contract with the city must have on file with the City a Conflict of Interest Questionnaire, Form CIQ. The vendor is further required by law to update its form within 7 days after learning that its prior filing is no longer accurate. This form and the names of the City Council Members, Mayor, City Manager, Deputy City Manager and Assistant City Managers is available on the City's website located at [www.amarillo.gov](http://www.amarillo.gov)

### **Certificate of Interested Parties**

Effective January 1, 2016 The Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295) to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The Texas Ethics Commission has adopted rules requiring the business entity to file form 1295 electronically with the Commission. Before the City of Amarillo will enter into a binding agreement with a business that said business must submit form 1295. The said business must go to [www.ethics.state.tx.us](http://www.ethics.state.tx.us) to file Reports Electronically. Once the said business has filed the report electronically the said business will print a copy of the form and submit back to the City with the signed copy of the contracts. Once the City has received the copy of

the submitted form 1295 and acknowledged the form on the Texas Ethics Commission website the City will execute the contract.

**Anti-Israel Boycott and Anti-Terrorism Compliance Status**

The Israel boycott clause applies only to contracts that are both: (i) with a company that has 10 or more employees; and (ii) an expenditure of \$100,000 or more. The Anti-Israel Boycott and Anti-Terrorism Compliance Status form can be found on the M:\ Approved Forms\Purchasing.

**REQUIRED VERIFICATION OF VENDOR'S**

**ANTI-ISRAEL BOYCOTT AND ANTI-TERRORISM COMPLIANCE STATUS**

Effective September 1, 2017 State Legislature amended the Texas Government Code, Chapters 2270 and 2252, relating to certain governmental contracts. These statutes prohibit a state agency or political subdivision (such as a municipality) from entering into a **contract for goods, services, or general construction**, unless the contract contains a written verification from the company that it:

- (1) does not boycott Israel;
- (2) will not boycott Israel during the term of the contract; and
- (3) does not do business with persons or companies which are known to have contracts with or provide supplies or services to Iran, Sudan, or entities listed as a foreign terrorist organization on a list maintained by the Texas State Comptroller (unless such person or company is excluded from federal sanctions relating to Iran, Sudan, or any other foreign terrorist organization).

In order to be a responsive bidder for the City of Amarillo a representative of your organization that is legally able to bind your company must sign, date, and return to the City of Amarillo, to verify that your company is in compliance with the two statutes described above.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Date: \_\_\_\_\_



**Pre-Award Checklist**

Before awarding any purchase orders or contracts, the Purchasing Department has a pre-award checklist that must be completed. This checklist is to verify the successful vendor is qualified to do business with the City of Amarillo. The checklist verifies that the Purchasing Department has obtained all forms required by City and State statues. The Purchasing Department verifies that the vendor does not owe any taxes or is delinquent to the City. If the vendor is doing work on City property, current approved insurance is verified to be on file in the Purchasing Department. The vendor is checked against the City, State and Federal debarment lists.

When making a purchase thru a Cooperative contract, the Purchasing Department confirms that the vendor and products are listed on the current contract. This checklist is also a tool used to make sure that the Purchasing Department has Federal and State grant documentation on file.

### Bid/Proposal Pre-Award Checklist

Revised 8/9/2019

Proposal/Bid # \_\_\_\_\_ Bid Opening Date \_\_\_\_\_

Bid Name \_\_\_\_\_ Award Amount \$ \_\_\_\_\_

Recommended \_\_\_\_\_

Vendor \_\_\_\_\_ (One form for each vendor)

	Item		Checked By
<input type="checkbox"/>	Insurance Check	Initial	_____
<input type="checkbox"/>	Proof of Advertisement (Affidavit Attached)	Initial	_____
<input type="checkbox"/>	Federal Debarment Check (Copy Incl.)	Initial	_____
<input type="checkbox"/>	State Debarment Check (Copy Incl.)	Initial	_____
<input type="checkbox"/>	City Excluded Parties List Check	Initial	_____
<input type="checkbox"/>	Potter/Randall Delinquent Tax Check (Copy Incl.)	Initial	_____
<input type="checkbox"/>	Positive Assurance "No Award" Clause Received	Initial	_____
<input type="checkbox"/>	Davis - Bacon 10 Day Wage Decision	Initial	_____
<input type="checkbox"/>	If Pre-Bid Contract Award, Verify Contract Item	Initial	_____
<input type="checkbox"/>	Federal & State Grant, Bid Certifications signed	Initial	_____
<input type="checkbox"/>	By-Pass Low Bidder Letter	Initial	_____
<input type="checkbox"/>	Delinquent List/Landfill	Initial	_____
<input type="checkbox"/>	Certificate of Interest Parties	Initial	_____
<input type="checkbox"/>	Anti-Israel Boycott & Inti-Terrorism Compliance Status	Initial	_____

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**Verified by**
**Date**

## 1M) Alternate Bids

Any bid received which attempts to alter the specifications, conditions or terms of the Invitation for Bids will be considered an alternate bid.

Examples:

- i. Requested
  - The city will ask for an alternate bid such as using a different type of material and the City wants to see which type of material is the best option.
- ii. Unrequested
  - This type of alternate bid is when the city has sent out a complete set of specifications for what the City is looking to purchase. A bidder suggests a change to the specifications that the City did not ask for.

## 1N) Mistakes and Errors

No corrections or additions will be allowed to any bid after the formal bid opening. A bid that has been opened will not be changed for the purpose of correcting an error in the bid price. This procedure does not change the common law right of a bidder to withdraw a bid due to a material mistake in the bid. A bidder must either accept the bid price as submitted or withdraw the bid.

## 1O) Prompt Payment Discounts

### **Instructions for Entering Prompt Payment Discount Information on Payment Vouchers**

Prompt Payment Discounts are sometimes offered in order to receive payment sooner. An example of a Prompt Payment Discount is 5% net 10 (meaning the City will receive a 5% discount on the total invoice if paid in full within 10 days of the invoice date). **Every effort shall be made to take advantage of Prompt Payment Discounts when offered.**

To do so, add the following steps to your normal Payment Voucher Entry:

- Click in the Discount % Field, which will place a check mark in the box.
- In the Default Payment Terms Field, choose 009 from the drop-down menu, which will set the check to print on the next check run.
- Enter the percent of the discount in the Discount % Field as a decimal value (i.e. to convert a percent to a decimal value you simply move your decimal two places to the left so 5% = .05 and 1.5% converts to a decimal value of .015). Please call the Accounting Department at 378-6204, the Purchasing Department at 378-3028, or our Internal Auditor at 378-4217 if you have questions about how to interpret a Prompt Payment Discount or how to convert the percentage to a decimal value.
- Next, you will enter the Due Date of the payment in order to receive the Prompt Payment Discount.
- After entering this information, JDE will calculate the Discount to be applied to the invoice.

## Instructions for Entering Prompt Payment Discount Information on Payment Vouchers

Standard Voucher Entry - Enter Voucher - Payment Information

Document No./Typ/Co: [ ] [ ] 05200 Batch No: 1918573 Prev Doc: [ ]

Company \* 05200 Water and Sewer System Fund **Discount % Field**

Supplier Number \* 115656 ARC BLUEPRINTS Business Unit \* 52200 **Default Payment Terms Field**

Invoice Number 12345  Discount % Default Payment Terms 009

Invoice Date 07/17/2014 G/L Date \* 07/20/2014 Service/Tax Date 07/20/2014

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Records 1 - 2

Pay Item	Gross Amount	Pymt Terms	Discount %	Discount Available	Remark	Due Date	Pay Status	P C	Open Amount	G/L Bank Account Number	Payee Number
001	10,000.00	009	0.5000	500.00		07/27/2014 H			10,000.00	1.10230	115656
002											

Gross: 10,000.00 Disc: 500.00 Tax: Taxable

**Discount % Field** (points to 0.5000 in table)

**Discount** (points to 500.00 in table)

**Due Date** (points to 07/27/2014 H in table)

In order to take advantage of these discounts, it is important that each invoice be promptly and carefully reviewed to determine if a Prompt Payment Discount is offered. Once a Payment Voucher has been entered, it still must be **approved timely** and **backup documentation received in Accounting** in order to release the check on time. **Promptness is important** especially when trying to take advantage of a Prompt Payment Discount. Therefore, Payment Vouchers shall be entered as soon as possible upon receipt of an invoice. Once entered, notify (preferably via email) those responsible for approving the voucher to let them know there is a Payment Voucher awaiting their approval. In addition, it is important to scan the backup documentation into Hummingbird immediately upon entering it into JDE and then getting that backup to Accounting. If the payment cannot be made by the Prompt Payment Due Date, this process will not be used.

Please contact the Accounting Department, the Purchasing Department or the City's Internal Auditor with questions about how to enter a Payment Voucher with a Prompt Payment Discount. This information will be available on the Intranet under Support - JDE Support - Payment Voucher Entry.

### 1P) **Budget Year Closing**

The closing of the budget year is the last business day in September at 5:00 p.m. All requisitions in the current year budget must be completely processed by that time. Any requisitions awaiting action in the system at that time will either be cancelled or purchased in the new budget year (with new budget year funds).

If you have items that you wish to have purchased in the current year budget, we **strongly recommend** that you have all requisitions entered and approved prior to mid July. Items with a cumulative value of \$50,000.00 or more that must go through the bid/proposal process need to be entered and approved not later than **mid July**. All requisitions will be worked on a first in, first out basis. The Purchasing Department **cannot guarantee** that all requisitions entered after mid July will be completed by the closing of the budget year.

This procedure enables using departments to enter requisitions starting on October 1<sup>st</sup> for prompt processing in the new budget year. This also facilitates the clean rollover of pending requisitions from the old budget year into the new budget year.

### 1Q) **Inspection and Testing**

The responsibility for receiving, inspecting and testing of goods ordered is that of the requisitioning department. When the requisitioning department personnel receive online a Purchase Order from the vendor, they are verifying quantities received, identifying damaged goods, checking items against specifications and noting late deliveries.

The Purchasing Department will be responsible for contacting vendors on any problems associated with the ordering, shipping and receipt of goods.

The using department shall furnish the Purchasing Department with written documentation of the following: reports of damage, noncompliance with specifications, and in the case of late deliveries, a memo for inclusion in the Vendor's Performance File maintained by the Purchasing Department.

Disputes with a vendor that are not resolved within 10 business days shall be referred to the Legal Department.

### 1R) **Invoices**

All invoices are to be mailed (PO Box 1971 Amarillo, TX 79105) or emailed ([purchasing2@amarillo.gov](mailto:purchasing2@amarillo.gov)) directly to the Purchasing Department by the vendor. **Should a department receive an invoice from the vendor, it is to be immediately forwarded to the Purchasing Department.** If a department requires a copy of the invoice, you may obtain a copy by printing it from eDocs.

**1S) Partial Payments**

As a general rule, the city will not pay on partial shipments. If a partial payment is necessary, contact the Purchasing Department and provide the information required. The Director of Purchasing will make the final decision in each case.

**1T) Advance Payments**

The Texas Constitution prohibits a City extending credit to a private company or person. Thus, the City is prohibited from paying public dollars without first receiving goods or services. This does not apply to progress payments.

**1U) Vendor Follow Up**

Whenever it is necessary to contact a vendor relative to a delivery of an ordered commodity or service, the department concerned shall advise the Purchasing Department. The Purchasing Department will either contact the vendors or advise the department if it is felt the department can be most beneficial in a direct contact.

**1V) Tax Exemptions**

The City of Amarillo is exempt from paying State and Federal taxes in almost every instance, and the Director of Purchasing is authorized to issue tax exemption certificates. All inquiries on this subject shall be addressed to the Purchasing Department. The City is not exempt from Hotel/Motel taxes. To request a certificate, please fill out the form on M:\Approved Forms\Purchasing\Request for Sales Tax Exemption and return to the Purchasing Department for processing.

**1W) Credit Applications**

The City of Amarillo prefers not to fill out credit applications. If you need to order from a vendor that is asking for a credit application to be filled out, please forward all inquiries to the Director of Purchasing.

**1X) JDE Access**

No one shall be given a user I.D. and password in the JDE System until **after** they have successfully completed their training class and have been certified. The Purchasing Department will forward written certification to the Information Technology Department after an employee has successfully completed training.

**1Y) Capital Buying Schedule**

One of the instruments used by the City to facilitate planning is the Capital Buying Schedule. This is a compilation, by group, of all the capital items approved in the current budget that will be bought at certain times of the year. The priority list is determined through discussions between the Purchasing Department and City departments to coordinate the department's delivery requirements and the Purchasing Department's workload.

Scheduled purchases are bulk procurements of items needed by more than one department. Schedules shall cover specific periods such as bimonthly, quarterly, semi-annually or annually. Ordering departments submit requisitions for the scheduled item stating exact quantities to be delivered to predetermined locations. All requisitions are consolidated by the Purchasing Department to form one invitation for bid.

It is important that departments planning to replace capital items schedule those purchases to agree with the Capital Buying Schedule. In this way, we can avoid repetitious buying and get better prices with quantity buying.