

CHAPTER 6:

PURCHASE ORDER/CONTRACT ADMINISTRATION

Revised 4/20

6A) Purchase Orders

1. Purchase Orders

A purchase order is a city's document that authorizes a vendor to ship and charge for items ordered. It is a legal document written in acceptance of a quotation or against an established contract. It is a commitment by the City to accept and pay for the goods received. All purchase orders are issued by the Purchasing Department.

2. Purchase Orders are only issued by the Purchasing Department and are signed by the Director of Purchasing or his designee. Original copies of all purchase orders and purchase order jackets will remain in the Purchasing Department.

3. Multi-year leases (for the City to obtain land or equipment)

The Texas Constitution, art. XI, sections 5 and 7 contain certain limitations on the debts incurred by a city, and give rise to this general rule: an agreement for a city to acquire land or personal property (such as equipment) is not considered to be a debt so long as the contract contains language making clear that it is a commitment only of the city's current revenues and not future revenues. So, a State law has been enacted that states:

Texas Local Government Code, Sec. 271.903. Commitment of Current Revenue.

(a) If a contract for the acquisition, *including lease*, of [land] or personal property retains to the governing body of a local government the continuing right to terminate at the expiration of each budget period of the local government during the term of the contract, is conditioned on a best efforts attempt by the governing body to obtain and appropriate funds for payment of the contract, or contains both the continuing right to terminate and the best efforts conditions, the contract is a commitment of the local government's current revenues only.

(b) In this section, . . .A contract to acquire [land] or personal property is legally permissible only if it contains a clause in the contract: (1) providing the city with the right to terminate the contract at the end of each budget year; (2) conditioning the contract on a best efforts attempt to obtain and appropriate funding for payment of the contract; or (3) containing both a right to terminate the agreement at the end of each budget year and the best-efforts language.

Because of that statute, it is often said that, one city council cannot bind a future city council to continue paying for many kinds of contracts, such as equipment leases or land leases. An example of a long-term contract which one council *can* obligate future councils to continue paying would be the payments due on bond obligations.

The purchasing department will work with the department and the vendor for a contract to make annual or monthly lease or contract payments.

4. Purchase Order Changes

Any change or amendment to quantities or price, addition of other charges, or any other change significant to the administration of the purchase order means a change which must be made known to, and agreed upon, by both the City and vendor in writing. A memo will be sent to the Purchasing Department by the requesting Department Director requesting a purchase order change order. **The Purchasing Department or City Council depending on the amount must approve and make all changes.**

5. Construction Change Orders

The department requesting the change order shall submit a change order form to the Director of Purchasing. **The Purchasing Department or City Council depending on the amount must approve and make all changes.**

It is not acceptable for departments to arrange for increased or decreased quantities of an existing order without checking with the Purchasing Department first and having a change order issued prior to placing the order.

It is not acceptable for a department to order material or authorize a change order until approval by either the Director of Purchasing or the City Council depending on the amount.

6B) Vendor Authority to Ship Product or Begin Work

For all city purchases of any type a written authorization is the only approved method.

Use of the following methods:

1. Purchase Order
2. Notice to Proceed (Construction or Civil Jobs)
3. Award Letter

6C) Formal Contracts

Some purchases require the City to sign a contract prepared by the vendor. These may have many different titles: "Terms and Conditions," "Subscriber Agreement," "License Agreement," "Purchase Agreement," "Lease"—or a hundred other names. *These are legal agreements that must first be reviewed, revised (if needed) and approved by the City Attorney's Office.*

In some situations, the City will use its own contract forms prepared by our Legal Department (contracts, leases, deeds, interlocal agreements, etc.). The Purchasing Department has the responsibility to administer these contracts and agreements, in coordination with the City Attorney's Office. However, each Departments **must** assure a current copy of its contracts and agreements are on file with the Purchasing Department.

For a contract to be processed correctly, the following procedures must be followed. **In your procurement or project schedule, allow for at least 2 weeks for this process, after any bidding, RFP or RFQ process is completed.** Realistically, it could take even longer (4-6) weeks if it is a complex transaction, delay by vendor in complying, or internal causes at the City):

- No products can be delivered, and no work/services performed by a vendor until first there is completely negotiated, and signed documentation obtained through the correct process and correct signatures obtained. This requirement protects the City, the vendor, and individual City employees from liability and misunderstandings.
- Before the documents are sent to City Council or City Manager for approval and signature (depends on the amount or other legal requirements), the agreement must first be reviewed and approved by the City Attorney's Office (the Legal Department).

If changes to the documents are desired or required, then Legal will send those changes back to you or to Purchasing. You must carefully read all emails and memos from our attorneys before you act. Those comments are attorney-client privileged communication. You must never send or disclose to a vendor our attorney's comments or advice given to you, unless you have prior permission of our attorney to do so. Of course, you may copy recommended changes to a contract and send that to a vendor, without including our attorney's analysis, rationale, or strategy. If you have questions, call our Legal Department and just ask!

Depending on any existing relationships or lines of communication already established with a vendor, either your department or Purchasing will negotiate the contract changes requested by Legal. However, on contracts with very high dollar amount, or sensitive matters, or those where the vendor has already involved its own legal team, then the City Attorney's Office may directly participate in contract negotiations on behalf of the City.

Our attorneys do rely upon your department and Purchasing to complete certain contract terms, such as point-of-contact names, emails, telephone numbers, etc. Never allow a contract to be signed with blanks or missing attachments/exhibits.

- A fully authorized written contract and any required secondary document must be on file in the Purchasing Department before a department may allow a vendor to perform the work or deliver goods. A verbal assurance from the vendor is not acceptable. The Purchasing Department must have certain required forms on file before a contract is forwarded to City Council/City Manager for approval. Certificate of Interested Parties, Anti-Boycott Divestments & Sanctions of Israel clause, Anti-Terrorist Organization clause, “No Award,” and insurance certificates are just a few examples.
- A vendor must have approved current insurance or a waiver on file with the Purchasing Department. Just because a vendor has done previous work with the City, does not automatically mean that the vendor has maintained current insurance on file. You can verify with the Purchasing Department that a vendor has current insurance on file.
- When a contract, purchase order, lease or other agreement is processed, all documents must have only one vendor’s name. The City will not process a change order or issue payments to another party not named on the contract/agreement (unless there is an assignment approved by our Legal Department).
- The final contract/agreement must be signed by the vendor first. The City Manager is always the last to sign a contract/agreement once the preliminary negotiations and documentation process has been completed to the satisfaction of Legal and Purchasing Departments. The City Manager or Designee is the only person authorized to sign contracts and agreements on behalf of the City of Amarillo.

6D) Invoices

All invoices will be mailed to PO Box 1971 Amarillo, TX 79105 or you may email them to purchasing2@amarillo.gov Departments should not delay accepting a delivery because they are expecting to receive an invoice. **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 from EDocs.

6E) Reporting Receipt Online

Individual City Departments are responsible for monitoring the receipt of purchase order items and inputting those items received into the JDE System. All items must be received online as soon as the department physically receives the items and determines that they are acceptable.

If you receive any invoices or packing lists with receipt of the ordered items, immediately forward them to the Purchasing Department. **Do not write or mark on the original invoice.**

6F) Vendor Policies

All purchases of goods and services must either be done on a City Purchasing Card within the policy limits, done on approved contract, or on a purchase order. Vendor is therefore notified as follows:

- Do not accept or process any orders for goods or services from city without a purchase order number. A written copy of a purchase order may be obtained from the Purchasing Department.
- City does not set up or maintain open accounts with any vendors.
- Reference purchase order number on all correspondence, invoices, and credit memos pertaining to the order. Notify the Purchasing Department of any lengthy delays in delivery dates.
- PLEASE SEND **ALL INVOICES** TO THE PURCHASING DEPARTMENT.
- Send **copies** of any past due invoices to the Purchasing Department before they become seriously delinquent.
- Vendors that demonstrate a pattern of failing to comply with the above policies and procedures may be disqualified from doing business with the City of Amarillo.