

**AP#5 Revised**

SUBJECT: PURCHASING

**BACKGROUND**

The City of Toledo purchases more than \$212M annually in goods and services. The Commissioner of Purchases and Supplies is the primary officer charged with overseeing these purchases. Pursuant to Toledo Municipal Code §123.02, it is the role of the Commissioner of Purchases and Supplies to ensure that purchases of goods and services are made consistent with state law and applicable portions of the Toledo Charter and Toledo Municipal Code, as well as the purchasing and other administrative policies of the city. Further, the Commissioner of Purchases and Supplies may make recommendations to the Mayor and his or her administration when it may be in the best interests of the city to make purchases centrally on behalf of multiple departments or divisions.

**ADMINISTRATIVE POLICY**

- A. Purchases shall be made through purchase orders or requests for checks prepared by the department or division, for whose benefit the purchase is to be made and shall be approved by the director of the department, or his/her designee. The requisition shall comply with purchasing procedures as approved by the Administration.

The Commissioner of Purchases and Supplies shall have the authority to review purchasing requisitions to determine if the action complies with authorized purchasing municipal codes, policies and procedures.

- B. Departments, divisions and agencies shall follow the procedures established by the Commissioner of Purchases and Supplies for submitting requisitions, bidding, issuance of purchase orders, reporting receipt of goods and all other matters related to purchasing goods and/or contracting for goods, materials, services or construction.
- C. All purchases of goods or services will be entered into the City's SAP system.
- D. Goods receipts and invoices require a valid City SAP purchase order number reflecting the PO issued to the vendor, except as defined in Section 1.M of this policy.
- E. Purchases made without Purchase Orders (Emergency Purchases) will only be allowed when an emergency arises which necessitates an immediate purchase. Emergency Purchases do not include events which should have been foreseeable.

- “Emergency Purchases” are defined as “purchases made under circumstances that a director determines require action by an administrative official including a threat to the public health or safety of the City’s residents , an occurrence of unforeseen damage to public machinery, equipment or property or where the unforeseen delay of the action will significantly increase acquisition or project costs.”
- In the case of an emergency which could not reasonably be foreseen wherein a delay would result in the interruption or detriment to the public service, the requirement for competitive bidding and other requirements under this administrative policy may be waived provided such waiver is consistent with the terms and conditions set forth in the Code and Charter.
- Emergency Purchase Orders with the Director’s approval authority must be presented to the Commissioner of Purchasing for approval within five business days or as soon as practicable in memo form.
- Receipt of goods and/or services procured with an Emergency Purchase Order should be recorded in the City’s SAP system within five working days after the issuance of a purchase order document with the appropriate approval levels as required according to the dollar value of the purchase.

G. In all instances where a purchase order involves an expenditure in excess of \$10,000 or more, proper legislation must be prepared for and passed by City Council, as well as established bidding procedures followed. (See, Manual of Purchasing Procedure)

H. Purchases less than \$10,000 (Standard POs) can be authorized only after the department/division obtains, at least, three quotes from, at least, three different vendors/suppliers of the item or service designated in the requisition; unless the vendor/supplier selected is State Term, a listed supplier for a Government Purchasing Alliance/Partnership or is the sole source for the good or service (justification of the sole source status must be provided). The lowest and best priced vendor shall be selected on commodities with standard specifications.

The three quotations shall be maintained as an attachment to POs in SAP with a transaction value between \$1,000 - \$9,999.

Purchases valued less than \$1,000 shall be competitively selected on best value and subject to audit. Departments should utilize existing COT contract pricing when ever possible.

Departments are required to maintain internal records demonstrating compliance with these provisions.

J. All Purchase Orders are routed using the SAP workflow requisition approval release process. .

- K. A segregation of duties within the Departments should be maintained at all times. City employees should perform only one of the functions that fall under the three functions as defined in the order: purchasing, receiving, or paying. Best effort should be made so no City employee independently perform the responsibilities that fall under any two of the three functions as defined in this order: purchasing, receiving, or paying.
- L. Departments/Divisions shall maintain storeroom inventory levels as established by the Commissioner of Purchasing and Supplies (TMC 187.16). Inventory will follow a last-in first-out (LIFO) shelf cycle.
- M. Materials and Inventory levels shall be managed with the City's official database, SAP. Storekeepers shall reconcile and make adjustments with each replacement PO request. Storekeepers will conduct a physical inventory count annually, on a date set by the Commissioner of Purchasing and Supplies.
- N. Requests for Checks. Under certain circumstances payments may be made through a request for check (RFC). The procedures for initiating an RFC are spelled out in the Toledo Purchasing Manual. The following types of transactions are eligible to use the RFC process:
- Credit card payments
  - Refunds or payments from agency funds
  - Refunds from enterprise funds or trust funds
  - Petty cash reimbursements
  - Travel advances, airline fares, meeting registrations and mileage
  - Settlements of personal injury and property damage claims processed by the Law Department
  - Arbitration, jury duty, court reporter and witness fees
  - Payments to pension plans, health insurance plans, workers' compensation and unemployment compensation plans
  - Debt service payments
  - Utility payments (other than contractual, i.e. gas, street lighting, telephone, etc.)
  - Payments to other governmental entities
  - Membership, required continued professional educational classes and dues
  - Union contractual reimbursements
  - Permit refunds
- O. Activities using monthly purchase orders should have their needs filled for the balance of the year by the date set annually by the Director of Finance.

## **RECEIVING**

- A. City personnel shall not order or receive goods and/or services that have not been properly authorized through the issuance of a purchase order, purchasing card or petty cash. City personnel shall not knowingly falsify receiving documents, change or present documents to make it appear that delivery took place after proper authorization was obtained.
- B. Receipt of goods and/or services procured with a purchase order must be entered in SAP within three (3) working days after goods and/or services have been delivered and accepted by the department. If a paper goods receipt is received, the City employee must date and sign the goods receipt. The goods receipt must be scanned and attached to the SAP transaction.

## **PROCEDURES**

Refer to the City of Toledo's Manual of Purchasing Procedure on the P-drive under Purchasing.

## **RESPONSIBILITY**

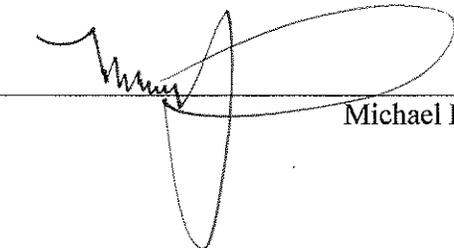
- A. All department and division heads are responsible for enforcing and following this Administrative Policy and Procedure.
- B. The Commissioner of Purchases and Supplies, under the direction of the Director of Finance, is responsible for monitoring and enforcing compliance with this Administrative Policy and Procedure.

## **COMPLIANCE**

- A. Violations of policy shall be reported to the appropriate authority. Consequences of violation may include disciplinary action up to and including termination.

## **EFFECTIVE DATE**

This Administrative Policy and procedure shall take effect and be enforced from September 1, 2012.

  
\_\_\_\_\_  
Michael P. Bell, Mayor

Revised 8.1.2012



## **The City of Toledo's Purchasing Process and Procedures**

### **Summary**

This document, Section II Procedure, referenced in AP&P#5, is provided to the Employees of the City of Toledo as a manual or "guide" by which to follow or reference when procuring commodities, services or entering into contracts for the City. This summarizes the Toledo Municipal Code Chapter 187 and various Administrative Policies relevant to the purchasing process for the City of Toledo. Additionally, the Commissioner of Purchasing & Supplies is available at 245-1194 to answer your questions with regard to this Section II Procedure. If there is a need to reference the Toledo Municipal Code it can be found on The City of Toledo's website; Ordinances are stored in numerical order by year on the City's P drive in the City Council folder; and Administrative Policies are in the Human Resources folder also located on the City's P drive. However all of the relevant sources quoted in this document can be found in the Purchasing Policies and Procedures folder within the Purchasing folder on the P-drive.

### **Introduction**

When procuring commodities and/or services for the City of Toledo one must become familiar with the various documents and methods that enable City purchasing.

The first and most widely used document is a Purchase Requisition. A purchase requisition is used to generate a Purchase Order. The purchase order contains a number that is given to the vendor at which point the requesting division may proceed with purchasing "off of" that purchase order. The vendor then invoices the City by sending an invoice to both the division purchasing the product(s) and to the Division of Accounts.

The second form of procuring products or services for the City of Toledo is to form a contractual agreement with a vendor. There are three types of contracts that the City enters into on a regular and recurring basis: contracts for construction work, contracts for the purchase of goods and services and

contracts for professional services. These contractual forms are termed "bid packets" and are located in the Purchasing folder on the P drive.

Another contractual mechanism for procuring products or services is via a Request for Proposal ( Request for Qualification, Request for Interest).RFPs are composed to solicit professional services or goods and services. The requesting division drafts the technical aspects or specifications. The appropriate contract packet (found in the Purchasing folder on the P drive) is placed with the project specifications and then sent to Purchasing for advertising( if contract amount will exceed \$40,000) in the City Journal .

The dollar range of the purchase or expenditure dictates the procedure that must be followed.

### **Purchases from 0--\$9,999**

**Rules:** All expenditures in this range may be purchased without the necessity of a contract or Council authority.

**Procedure:** The requesting division obtains at least three price quotes for the product or service desired (except in the case of sole source items or services or State Term) and then selects the best vendor from the price quotes submitted. Each division is encouraged to obtain at least one price quote from an MBE or WBE who offers the desired product or service. A listing of MBEs WBEs are available within the AA/CC Folder in the P-drive.

The division then fills out a Purchase Requisition that lists a brief description of what they are attempting to purchase ,notes the quotes obtained, the total amount required to complete the purchase and the appropriate account codes for the money to be encumbered. The division's representative and then the department's director sign the form *before* it is sent to Purchasing.

When the form is submitted to Purchasing for the Commissioner's approval, if approved, a purchasing clerk enters the information into the Financial System and encumbers the money.

After the money is encumbered, the clerk will print out two Purchase Orders and mails one to the vendor and inter-office mails the other to the requesting division.

### **Purchases from \$10,000--\$39,999**

City of Toledo Charter Section 228; Toledo Municipal Code Chapter 187.04 and 187.05; Ordinance 832-03 Section 1 (revising certain sections of TMC Chapter 187).

**Rules:** All purchases made within this range or greater must be under legislative authority and through a contractual agreement.

**Procedure:** Within this range, "informal" contracting is allowed. What is meant by "informal" is that the bid or RFP is not advertised in the City Journal and the division initiates the contract. The division drafts up specifications of what type of service or product they are interested in purchasing. After the specifications are completed, the division sends out bid packets to vendors in the community whom they believe offer the desired product or service. In informal contracting situations the division is highly encouraged to seek bids from MBE or WBE firms that are capable of offering the service requested. The division must post the bid/RFP on the city's website under "Purchasing/City Bids" for at least one week prior to accepting bids/RFPs for the contract or the purchase. The division can e-mail the bid/RFP specifications and an "invitation to bid or respond with a proposal", to the city's website coordinator.

The bid packets are completed by the vendors and then sent back to the division. The vendor is required to provide a bid guaranty in the amount of \$500 dollars. NOTE: an RFP does not require a bid guaranty. The bid guaranty may be a bid bond or a certified check or a cashier's check on a solvent bank. The division makes an award to the lowest and best vendor and sends contractual paperwork to purchasing. The paperwork/packet should include an award letter from the contract contact person from the originating division detailing the bid process involved on the project and lists all vendors who bid with their respective bid amounts (and bid guaranty) in addition to the reasons for award to the successful bidder.

The Commissioner then determines if proper purchasing procedures were followed, approves the processing of the contract and then assigns the contract to a purchasing clerk. The clerk examines all documents delivered and determines what documents (if any) are missing but required before the contract can be moved to the next department for review and signature. The Purchasing Clerk returns the bid guaranty to the non-selected bidders and retains the bid guaranty of the bidder selected. The selected bidder's bid guaranty is returned when the contract is entered into by the city, unless it is to be held in lieu of a performance bond.

After all paperwork is gathered and the funds are encumbered by way of a purchase requisition (as mentioned above), then the contract is placed into the City's signature/review process for eventual approval and signing by the Mayor.

SEE PAGE 5 FOR "CONTRACT SIGNATURE PROCESS"

## **Purchasing \$40,000 and greater**

Toledo Municipal Code Chapter 187, Sections 187.03, 187.06-07

**Rules:** Per Sections 187.03, 187.06, of the Municipal Code, any expenditure in this range must be contracted, per ordinance and advertised in at least two consecutive sessions of the City Journal. After advertising the bids must be opened in a formal bid opening, not to be held less than ten days after the first ad in the City Journal.

### **\*\*Specific Rules for Advertising\*\***

When a project needs to be formally advertised the purchase requisition submitted with the ad information should be very specific as to rules of engagement for submitting bids on the particular project. The originating division is responsible for including project specifications and pricing sheets within the packet submitted to purchasing for advertisement. The originating division also lists dates of any required or optional pre-bid meetings within the ad requisition.

The originating division must submit the names and addresses of vendors who are capable of performing the desired work so that a bid/RFP notice may be sent to them.

If there are any changes to the content of the original bid advertisement, the originating division shall submit to the Commissioner of Purchasing a "Bid/RFP Addendum" to be sent out to all vendors who have picked up the original packet at Purchasing and for posting on the city's website.

**Procedure:** The division fills out a purchase requisition that describes what should appear in the ad in the City Journal. The requisition is approved by the Commissioner of Purchasing and then forwarded to a Purchasing clerk for submission in the City Journal. The ad describes the method of bidding and gives the date and time of the bid opening (usually ten days after the second advertisement at 2:00 pm). The division has the discretion to determine the amount of time the project is advertised.

Per TMC Chapter 187.10, sealed Bids are delivered to the Division of Purchasing and Supplies. Bids submitted must have a bid guaranty in the amount of \$2,000 dollars in the form of a bid bond or a certified check or a cashier's check on a solvent bank. Bids are opened and read aloud at the Tuesday 2 o'clock bid opening. After the bids are opened and read, the originating division retrieves all of the bid documents and reviews them

before making an award. RFPs are also received in the Division of Purchasing for normal bid opening(Tuesday at 2pm) but are not opened. The names of the vendors who have submitted proposals are read instead of pricing information. After the names are read all of the proposals are provided to the originating division for evaluation and subsequent award.

Once the division decides who the successful vendor/bidder is to be recommended, they complete a contract packet and forward all documents to Purchasing. The originating division must include an award letter recommendation addressed to Purchasing detailing the process of award in addition to the reasons for award recommendation.

The Commissioner reviews the documents, inclusive of the award recommendation, and approves processing of the contract, pursuant to AP&P#6,TMC Chapter 187 and these Procedures. The contract is then assigned to a clerk. The funds are encumbered by way of a purchase requisition and the documents are checked for legality and completeness. After all necessary paperwork is received and/or corrected, the contract is then forwarded to the next stage of the contract signature process.

#### CONTRACT SIGNATURE PROCESS

- ❖ Originating division's Commissioner signs the first line of the Contract Sign-Off sheet and then forwards the contract to the Departmental Director for approval and signature.
- ❖ The contract packet is then forwarded to the Division of Purchasing & Supplies for approval and processing.
- ❖ The Office of Affirmative Action and Contract Compliance reviews all contracts to enforce living wage and prevailing wage legal requirements and to enforce the MBE or WBE goal; 12.3% in construction and 7% in professional goods, services, and supplies.
- ❖ The Division of Taxation reviews all contracts to ensure that prime contractors as well as sub-contractors are in compliance with Toledo Income Tax .
- ❖ The Finance Administration reviews all contracts to make sure that there are actually funds available for expenditure and in the proper accounts. The Director of Finance verifies the financial integrity of the contract by signing the Fiscal Officer's certificate.

- ❖ The Law Department reviews the Agreement for legality before its final approval by the Mayor.

**\*\*A contract is not officially a contract until the Mayor or his duly designated representative has signed the Agreement section of the contract packet\*\***

### **Board of Awards**

**Toledo Municipal Code Chapter 187.12(a) and 187.12(c)**

For construction contracts or any major purchase in the amount of \$100,000 or more, the department director shall provide the Commissioner of Purchasing with a written award recommendation. The recommendation must state which, if any, bid or proposal is acceptable to the division and why. The Commissioner of Purchasing will schedule the matter before the Board of Awards for a determination regarding the recommendation. The department director in concert with a representative from the Mayor's office, Finance Department, Law Department, Office of Affirmative Action/Contract Compliance, and the Division of Purchasing shall determine the lowest and best bidder, or they may reject all bids.

All proposed contracts or major purchases that require to be scheduled before the Board of Awards must reach the Division of Purchasing by noon on the Wednesday before the Board of Awards' Friday meeting.

If the authorizing ordinance for the contract has not yet been approved by City Council then the originating division can bring forth the proposed contract or major purchase to the Board of Awards for conditional approval. Once Council approves the legislation the contract can start the approval/signature process.

### **Supplemental Board of Review**

**Administrative Policy #33**

When it is necessary to change the scope of work on a contract resulting in at least a 15% increase to the original amount of the contract, the supplemental shall be referred to the Contract Supplemental Board of Review.

All supplementals that are 15% or more above the original amount of the contract or major purchase ( inclusive of cumulative supplementals ) shall be scheduled for review by the Board. Likewise, supplementals that are less than 15% of the original amount but are \$200,000 or more are to be brought before the Supplemental Board of Review. However, supplementals that are 15% or more above the original amount of the contract or major purchase but are less than \$10,000 do not require Board approval unless the

Commissioner of Purchasing brings it before the Board for review. **Contract close-outs are required to go before the Board** pursuant to the above-delineated provisions, EXCEPT, a decrease does not require Board approval, unless the decrease impacts the MBE/WBE participation, or other significant component of the contract .

**If the originating division's supplemental request is required to be brought before the Board of Review, per AP&P#33 and these Procedures, then the supplemental and all necessary copies of the required paperwork must reach the Division of Purchasing and Supplies by noon on the Wednesday before the Friday Board meeting.**

Per AP 33 , the Review Board shall be chaired by the Director of the Law Department and consist of the Director of Finance, the Commissioner of the Division of Purchasing & Supplies, the Commissioner of AA/CC, the Assistant Chief Operating Officer and the department head responsible for the original contract.