

**BIG BEAR CITY**



**Community Services District**

**PURCHASING  
POLICY and PROCEDURES**

Adopted March 06, 2023

# **PURCHASING POLICY AND PROCEDURES**

## **POLICY STATEMENT**

Big Bear City Community Services District supports sustaining and promoting a procurement environment based on the understanding that departments are in the best position to determine what they need to run their programs. Policies, procedures, and processes are meant to reflect an environment that puts them in the best possible position to get the products and services they need in a timely and cost effective manner to effectively run their programs, while also making sure appropriate business processes are followed.

## **REASON/PURPOSE FOR POLICY**

Considerable authority has been delegated to departments to make purchasing decisions. This requires that employees involved at every step of the purchasing process take responsibility for understanding the District's policies and procedures regarding purchasing and vendor relations. Purchasing decisions are business decisions made on behalf of the District and, therefore, should be made with the utmost consideration for what is in the best interest of the District. Purchases also need to be made in the most efficient and cost effective manner. Following policy and procedures ensures that appropriate business processes occur when dealing with outside vendors.

**Below is a simple outline of Purchasing Procedures, specific policies and procedures are detailed through out the purchasing manual.**

1

- Requisitioner searches for sources, obtains quotes, prepares bids if needed.
- Requisitioner requests new vendor if needed.

2

- Requisitioner completes and approves the requisition if purchase exceeds \$4,999.99.
- Requisitioner provides Finance the requisition to verify the budget for available funds. If funds are available, Finance approves the PO and verifies the accounting code.

3

- Requisitioner ensures General Manager's approval of the Purchase Order (PO).

4

- Once the PO is complete, the order may be placed with the supplier, being certain to provide the supplier a copy of the PO.

5

- If a credit card is used, all original receipts (along with a copy of the original PO if required) must be submitted to Finance at the time of purchase.

6

- Requisitioner receives order.
- Requisitioner forwards all packing slips and invoices with PO number to Finance.
- If a packing list is not available, the requisitioner indicates on the copy of the PO the date the order/service has been received. If no PO is required and there is no packing list, then a copy of the original order may be used.
- Forward all of the above to Accounts Payable.

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- Finance verifies delivery and processes the invoice for payment.
- Payment is submitted to the Department Superintendents and the Finance Officer for approval.
- Finance prepares payment, secures check signatures from two authorized signatories, and posts the payment in the mail.

# POLICY

## INTRODUCTION

The District's goal for every purchasing transaction is to obtain the best value possible. Best value is determined by evaluating many factors (such as price, delivery capabilities, quality, past performance, training, financial stability, service capabilities, ease of ordering payment, etc.) and selecting a vendor that offers the best combination of those factors.

The Big Bear Community Services District Purchasing Policy (this "Policy") establishes policies and procedures for acquiring services and materials, equipment and supplies (referred collectively as "materials"), and for public works projects, for the Big Bear City Community Services District (the "District"), pursuant to Government Code Section 54201 *et seq.*

*California Government Code Section 54202:* requires every local agency to adopt policies and procedures, including bidding regulations, governing purchases of supplies, materials and equipment and that said purchases shall be in accordance with said duly adopted policies and procedures.

*California Government Code Section 54204:* requires that if the local agency is other than a city or county, policies provided for in *Section 54202* shall be adopted by means of a written rule or regulation, copies of which shall be available for public distribution.

When bids are required by policy, they are to be conducted on an open and competitive basis and without favoritism, in order to maximize the best value to the department and District. Interested suppliers will receive fair and impartial consideration.

The District's procurement policy is intended to be consistent with the Generally Accepted Accounting Principles. District departments will ensure that each transaction is classified or defined as an allowable expenditure.

## AUTHORITY AND RESPONSIBILITY

As stated above, the District maintains a procurement environment that delegates considerable decision-making authority to departments.

These activities include:

- Determining which products and services they need to run their programs.
- Initiating requisitions to preferred vendors.
- Appropriately handling individual purchases less than \$5,000.

Employees involved in the purchasing process take full responsibility for understanding the District's policies and procedures regarding purchasing and vendor relations. Purchasing decisions are business decisions made on behalf of the District and, therefore, should be made with the utmost consideration for what is in the best interest of the District.

Segregation of duties and responsibilities in the purchasing process provides controls. As the dollar value and complexity of a purchase increases, so does the level of authority and responsibility required to obligate the District for a purchase.

Examples of segregation of duties within the department are as follows:

- Requester/end user:
  - Determine what they need.
  - Determine whether the need can be fulfilled by a Preferred Vendor.
  - Research vendors.
  - Solicit prices.
  - Analyze costs and assess other important factors (i.e. delivery, customer service, quality, etc.).
  - Select a vendor.
  - Initiate a purchase, Work Order (WO) or Purchase Order (PO) depending on purchase amount and circumstances.
  - Track documents and paperwork.
  - Ensure the proper receipt of ordered goods or services.
- Approver (General Manager, Finance Officer, Financial Analyst, etc.)
  - Validate the legitimate business purpose of the transaction.
  - Determine whether the need can be fulfilled by a Preferred Vendor.
  - Approve POs.
  - Validate that adequate funding is available.
  - Ensure compliance with District policy and applicable regulations regarding Cost Accounting Standards.
  - Monitor and reconcile purchase transactions using the financial system and associated financial statements and reports.
  - Review and approve reimbursement requests and other special purchasing transactions.
  - Monitor budgets.

## **ETHICS**

Procurement practices shall comply with laws, regulations and guidelines of the State and any other applicable law, and the provisions of grant or funding contracts, if applicable.

Any employee/individual effecting any procurement action outside of the policies and procedures established by this Policy and without the General Manager or Board Authorization

to do so, shall be subject to disciplinary action and/or termination in accordance with District policies.

Board members, and District officers and employees shall not be financially interested in any contract made by them in their official capacity. (Government Code Section 1090). Board members, officers and employees shall not participate in any way to influence a government decision in which he/she knows or has a reason to know that he/she has a financial interest, (Government Code Section 87100.)

Please refer to the District's Conflict of Interest Code for employees required to complete Statements of Economic Interest (Form 700).

Confidential and proprietary information must be handled with due care and proper consideration of ethical and legal ramifications and government regulations.

Purchasing activities must be performed in accordance with all applicable laws and District policies.

Any employee who violates the standards set forth in this Section shall be subject to disciplinary action consistent with District personnel policies.

District personnel shall not solicit a gift or accept a significant gift from any supplier or prospective supplier. A 'significant gift' is defined as any item, service, favor, monies, credits, or discounts not available to others which could influence purchasing decisions. District personnel may accept trivial items as a matter of courtesy, but may not solicit them.

Acceptance of social invitations to occasional business meals, entertainment, and hospitality will be subject to prudent judgment as to whether the invitation places or appears to place the recipient under any obligation, the appropriateness of the occasion, frequency, and choice of facilities. Questions about the value of a gift or the appropriateness of an invitation should be referred to your supervisor to ensure compliance with the District's Conflict of Interest Code.

The District values its suppliers and assumes that vendors, in turn, value the District's business. No token or display of appreciation is necessary or encouraged. All vendors are asked to comply with the District's standards by not offering incentives, gifts, or services to individual personnel.

## **SIGNATURE AUTHORITY**

End users within departments typically do not have the authority to sign ANY contracts or agreements with outside parties in the name of the District or one of its departments.

Contracts and agreements that need to be signed by the District MUST be reviewed by the General Manager. The General Manager may also forward contracts and agreements for the purchase of products and services to the Board of Directors (BOD) for review to make sure appropriate policies and procedures were followed in the selection of vendors. Accordingly, a

Bid Documentation should accompany the contract/agreement to be reviewed as appropriate. Once the contract/agreement is reviewed and approved, it will be forwarded to the appropriate officer of the District for signature.

Signing authority dollar limits on individual purchases as listed below are for purchases that were already authorized by the Board either by resolution, Board action, or the annual budgeting process.

- General Manager \$50,000.00
- Finance Officer \$50,000.00
- Department Superintendent or Administrative Manager \$25,000.00
- Department Foreman \$5,000.00

Individual purchases and contracts above \$50,000.00 must be taken to the Board for approval prior to ordering goods or services and writing a Purchase Order, unless the situation constitutes an emergency.

In the case of an absence or position vacancy then the Finance Officer can sign on behalf of the General Manager and vice versa. The head of the Board Finance Committee can also sign on behalf of the General Manager or Finance Officer. The General Manager and Finance Officer can sign on behalf of a Department Superintendent or Administrative Manager in conjunction with a Department Foreman. Superintendents and the Administrative Manager can authorize quotes up to their above noted purchasing authority.

## **INSURANCE REQUIREMENTS**

The District has established minimum contractor's liability insurance requirements. Vendors that do business with the District are expected to meet these minimum requirements. Risk management must be reviewed and approved to ensure that these standard insurance requirements of the District are met.

## **PURCHASING PROCESS**

The purchase of goods and services from outside vendors is to begin with the initiation of a purchase order in the approved Finance methodology when products/services will meet or exceed \$5,000. No order that meets the PO requirement threshold will be made UNTIL THE PURCHASE ORDER HAS BEEN AUTHORIZED and NOT when it is time to pay for the product or service.

A fully approved and budget checked PO is ready to be sent to the vendor. The finance procedures provide appropriate audit trail since all transactions are captured in the system specific to each individual purchase, putting the District in the best position to pay for purchases in a timely manner.

An official Purchase Order is the legal document that governs the transaction and protects the department and District.

Verbal purchases (without an approved PO, i.e. phone orders) are not considered valid by the District, nor are POs generated through an internal department system or means other than the District's accounting processes. Departments that use these means to initiate purchases with outside vendors assume responsibility for such purchases at their own risk.

Exceptions to Purchase Orders so the District can meet its recurring obligations are:

- Work Orders issued for fleet vehicle repairs. Work Orders shall reflect the correct cost PRIOR to work being performed.
- Utilities
- Payroll, benefit, and retirement related expenses for active and retired employees.
- Fuel
- Postage
- Recycling fees
- Pass-through fees (e.g. property tax revenue for the Fire department, sewer fees for BBARWA, etc.)
- Insurance
- Legal fees
- Audit fees
- Actuarial fees

Maintenance agreements (as defined below) when a current contract is in place and on file with the Accounting department.

## **BID PROCESS**

The District requires that bids be solicited for all purchases of \$25,000 or more.

Departments must consider annual or total multi-year spending for products or services needed on a regular or repetitive basis to determine whether a bid needs to be performed. It is not determined by the average monthly spending for a particular products or service. To reiterate, just because the monthly spending on a particular product or service may be less than \$25,000 does not exempt the department from having to solicit bids.

In addition, departments should generally plan to have established contracts re-bid at least every three to five years. Some contracts may be longer, primarily those that require a significant investment by the vendor.

All bid openings are to be scheduled with the District's Board Secretary.

## **SPECIAL PURCHASE ORDER TYPES**

- **MAINTENANCE AGREEMENTS**

Maintenance Agreements are to be used primarily to make payments for services that are provided on a regular and consistent basis, and in some cases for the regular delivery of a consistent quantity of product.

Specific examples include:

- Equipment preventive maintenance
- Cleaning services
- Landscape maintenance services
- IT support, upgrades, security, etc.

The underlying theme behind most maintenance agreements is that they are used to order and pay for ongoing services or delivery of a product when no individual ordering takes place. A contract/agreement should be in place that has been reviewed and approved by the General Manager.

Each year, during the month prior to budgeting for the upcoming fiscal year, the department should review the requisitioned maintenance agreements for changes.

- **GRANT SUBCONTRACTS**

A Grant Subcontract is an agreement written under the authority of, and consistent with, the terms and conditions of a prime award, and authorizes a portion of the research or substantive effort to be performed by another organization. This specifically refers to sponsored programs. These contracts do NOT require additional approval

- Subcontracts are negotiated with the contractor through the appropriate office.
- Make sure that the contract period is within the start and close dates of the budget period of the sponsored program.

- **WORK ORDERS – VEHICLE REPAIR AND MAINTENANCE**

A Work Order (WO) shall be made for **ALL** vehicle maintenance and repair purchases. The WO shall serve as the purchasing requisition for such materials and services regardless of the cost. The work order shall be COMPLETE, SIGNED and DATED and shall be noted when services/materials are completed and received. A copy of the Work Order shall be forwarded to Finance upon purchase completion, along with any invoices and receiving documentation.

## **RECEIVING**

A receipt is the department's way of indicating to Finance that the product has been received or the service has been provided and, therefore, the PO is approved for payment, or that an order not requiring a PO is received satisfactorily and may be paid.

A three-way match is required for payment of POs (a copy of PO, packing list, and invoice/receipt.)

- Receipts must be sent as soon as possible after receiving the product/service to authorize payment.
- When requesting payment for services rendered, a two-way match is required (WO indicating completion or service ticket, and an invoice.)
- If the department will not be sending a receipt right away (i.e. due to a dispute with the vendor) please notify Finance and include copies of relevant paperwork.

## **INVOICING/PAYMENT**

A purchase transaction is complete only after the goods/services have been received and the supplier has been paid. When a PO is issued, the department assumes responsibility to make sure the vendor is paid within an appropriate period of time. By issuing a PO, funds are encumbered for that purchase. Finance pays the invoices for the District.

## **PAYMENT PROCESSING**

**Vendors are instructed to send invoices directly** to Finance for proper processing. This is the best way to ensure invoices are paid in a timely manner.

Finance will match invoices to receiving documentation and forward the invoice to the department for authorization. Once authorized, the department will return the invoice to Finance. If an invoice should not be entered/paid (due to a dispute with the vendor, etc.) the department shall notify Finance in a timely manner.

In order to maintain a good payment record and to encourage the proper use of POs, Finance will give the highest priority to original invoices supported by properly issued and approved POs and confirmation of receipt of goods and services. Lack of proper documentation of purchase order issuance may delay payment of the invoice.

Once the invoices are entered into the accounting system, they are sent to the Finance Officer or other authorized person for review and final authorization. Following the Finance Officer authorization, the invoices are returned to Finance for payment.

Checks written in payment of invoices are signed by two (2) individuals, preferably the General Manager and the chair of the Finance Committee. If one, or both of those individuals are

unavailable, alternate signers are Department superintendents and managers, and the Finance Officer.

Checks should not be signed by any individual that has authorized the invoice prior to payment.

- **PAYMENT TERMS AND PENALTIES**

The District's standard payment of vendor invoices is thirty (30) days after invoice receipt.

- **OTHER ACCEPTABLE PAYMENT METHODS**

- Cal Card
  - Individual limits can be set by the Finance department for all Cal Card holders (both an amount per transaction limit, as well as a monthly total limit.)
- Specific examples of when the Cal Card should be used include:
  - Registration fees
  - Subscriptions
  - Membership dues
  - Emergencies (products or services)
  - Internet orders (only when items needed cannot reasonably be found through another source.)

Departments are encouraged to use the Cal Card for small dollar, low risk transactions (i.e. less than \$500.00)

## **ENFORCEMENT/CONSEQUENCES**

Employees must be authorized to commit the District to a purchase. District staff are responsible for adherence to all sections of the policy. Examples of improper use of purchasing authority include:

- Stringing or splitting a large purchase into two or more smaller orders in order to avoid bid or purchase order requirements
- Using an inappropriate account code
- Conflict of interest and/or poor ethical conduct
- Not processing a purchase for each transaction (PO process)
- Improper, misleading, or deceptive use of the Sole Source Justification or Bid Documentation Form or any related information.

Departments, as well as individuals, will be subject to disciplinary action for failing to handle purchases according to policy and procedures. This may include:

- Elimination of purchasing authority for the department
- Employee may be recommended for discipline

## **REQUESTING NEW VENDORS**

If a new vendor needs to be added to the accounting system, departments must provide a signed and dated IRS Form W-9 from the vendor. The W-9 is forwarded to Finance. This process is administered by Finance who will first verify whether the vendor already exists in the system and may also check several other sources (the Federal 'Do Not Use' List, US Treasury, etc.) before adding the new vendor.

## **SHIP TO LOCATIONS**

Departments are expected to select the appropriate "ship to" address. Only a pre-established location can be selected by the requester. Only District addresses may be used.

## **CHANGES TO PURCHASE ORDERS**

Changes to a purchase order must be approved by the Finance Officer, or Finance Analyst, and General Manager.

## **PREPAID AND PARTIAL PAYMENT PURCHASE ORDERS**

The use of pre-paid "check enclosed" purchase orders is discouraged and should be utilized very rarely. Such payments in advance, for receipt of goods places the department and the District at risk of loss if these goods are not received as ordered, or in an unsatisfactory condition.

However, occasionally a vendor refuses to accept a District purchase order without full or partial payment in advance. In order for a pre-payment to be considered, the purchase order must be accompanied by documentation explaining the reason for the pre-payment. The dollar amounts must be correct and include handling or shipping charges and all applicable fees and taxes. Documentation verifying the prices, such as a quote from the vendor, price list, vendor order form, or pro-forma invoice, must be provided. This documentation must also include evidence of the vendor's demand for payment.

## **INCORRECT OR DAMAGED SHIPMENTS**

If a shipment is received with incorrect or damaged goods, the packing materials, packing slip, and/or shipping ticket should be saved. These may be needed if the items have to be returned or exchanged with the vendor. Adhere to the following to ensure incorrect shipments are handled properly:

- The department shall notify the vendor immediately in writing so that appropriate action may be taken such as issuing credit or providing a replacement.

- If the order has to be shipped back to the vendor, it should be packed in the original cartons and the vendor's process for return should be followed.
- The department should also accurately record this activity (i.e. number of items received, number of items returned, comments, etc.)

## **CREDITS**

Credits may occur due to receipt of defective merchandise, returned goods, discounts, or incorrect invoice payments. Unlike invoices, the application of credits is not simply a matter of verifying the facts on the memo and confirming that the subject goods or services have been rejected. Specific business and accounting questions may need to be resolved with the vendor before the credit is applied. Improperly applied credits are difficult to correct. If a department believes it is entitled to a credit from a vendor or receives a credit memo that is deemed to be valid, the department should contact Finance for assistance. All credit memos shall be sent to Finance for processing.

## **DIRECT BILLING, HOUSE ACCOUNTS, CREDIT CARDS**

District departments are not authorized to establish direct billing accounts, house accounts, or credit cards with any vendor in the name of the District. Departments are not authorized to accept offers for credit cards, charge accounts, or house accounts from vendors who increasingly send such advertisements to departments.

Only authorized District personnel may negotiate/set up credit agreements with vendors. Such requests should be routed to the Financial Analyst who, in limited instances, will authorize departments to arrange direct billing with a vendor.

## **CAPITAL EQUIPMENT/ASSET TRACKING**

Please refer to the District's Capitalization Policy for specifics.

## **BUY VS. LEASE**

Circumstances may require the leasing of equipment to satisfy specific needs. The economic benefits of leasing vs. buying must be determined before entering into any lease agreement. Departments should consult with the Finance Officer and General Manager to determine if equipment could be financed internally at a lower cost. Ultimately, the District determines the qualified leasing vendors who will provide services to the District, and reserves the right to finance internally any such leases.

If sponsored project funds (grants) are involved in the acquisition of the equipment, it must be determined that the source of the funding allows for leasing.

Leasing may be advantageous if the total cost of a lease for the period of the equipment's life or the technological life is less than the purchase price. The total cost of the lease must be

compared to the total cost of the purchase, taking into account such factors as equipment costs, maintenance costs, interest, taxes, and insurance.

## **INFORMATION TO VENDORS REGARDING PURCHASING POLICY**

Vendors are informed of the following with regards to Purchasing Policy:

- All purchases of goods and services from outside vendors in the amount of \$5,000 or more are to be preceded by the issuance of a fully budget checked and authorized purchase order generated by the District that is then provided to the vendor unless specifically stated as exempt in the above policy.
- All invoices should be sent to the Finance Department. Invoices should not be sent until after the product is shipped or the service has been performed and must reference the appropriate PO number.
- Finance will make sure departments receive a copy of invoices when their approval is required prior to payment.