

RUTHERFORD COUNTY, TENNESSEE

Purchasing

Policies and Procedures

The purpose of this policy is to provide guidelines and regulations for departments of Rutherford County to comply with the centralized purchasing procedures adopted by the Rutherford County Commission and reflected in the Private Acts of 1943, Chapter 421 as amended and to comply with certain aspects of the Private Acts of 1979, Chapter 49, as amended. The Private Acts of 1943 establishes the Purchasing Committee through which all purchases of the County are to be made. The County Mayor, by virtue of position on the Purchasing Committee is given the sole authority to make all purchases, contracts and rental agreements. Purchases in excess of Ten Thousand Dollars (\$10,000.00) are to be made on the basis of solicited competitive bidding and subject to the approval of the Purchasing Committee. Purchases of less than \$10,000 are to be made after an effort to obtain the lowest or best price. Emergency purchases are to be made by the County Mayor without the approval of the Purchasing Committee and are not subject to the solicitation of competitive bidding if deemed appropriate.

These guidelines provide each department's administrative and accounting responsibilities:

ADMINISTRATIVE POLICIES

A. FISCAL RESPONSIBILITY:

County Official/Administrative or Department Head

- Provide County Mayor with a written requisition requesting that a certain item be purchased.
- Solicit possible vendors for best prices and remit listing of contacted vendors to the Mayor's office along with the requisition with preference of vendor.
- If cost of purchase is expected to range between \$1,500 and \$4,999.99, three verbal (including telephone) quotations, when possible, should be obtained and remitted with requisition (form provided).
- If cost of purchase is expected to range between \$5,000 and \$9,999.99, three written (including fax) quotations, when possible, should be obtained and remitted with requisition (form provided).
- If cost is expected to exceed the bid limit, bid specs should accompany the requisition along with a listing of potential vendors/addresses for the product.
- Requisition must state account code that purchase is expected to be paid from and estimate of cost.
- Upon receipt of goods or service, department head will immediately remit receiving documentation and a copy of the receiving report of purchase order to the Finance Department.
- Retain on file a copy of all information accumulated regarding the purchase.
- If County official/department head fails to obtain a purchase order prior to making a purchase, invoice and receiving documentation (packing slip, etc.) should be remitted directly to the Finance Department.

- All contracts for the rental or lease of real estate, machinery or other equipment and contracts for service/maintenance agreements (copiers, office equipment, etc.) will be executed by the County Mayor only. A requisition for the rental of such should follow the same procedures as a purchase and should be remitted to the County Mayor so that the arrangement can be made.
- Requisitions for blanket purchase orders for routine purchases from local vendors for smaller office supplies and maintenance supplies shall follow the same procedure as individual purchase orders. The department head will be responsible for keeping track of how much is left on the blanket purchase order and issue a new requisition when the original authorization is depleted. The receiving copy of the blanket purchase order should be remitted to the Finance Department with the final invoices so that the Finance Department will know to close that purchase order.
- Emergency Purchases – Emergency purchases will follow the same procedures noted above but may not have to follow advertisement of bids regulations if deemed appropriate by the County Mayor. **Emergency purchasing does not include conditions arising from the neglect or indifference in anticipating normal needs.** Upon requisitioning for an emergency purchase, detail documentation of the emergency must accompany the request.
- Purchases made without proper authorization – County official/department head will be required to complete the appropriate form provided by the Finance Department and remit said form to the County Mayor for approval when purchases did not follow proper procedure (form provided).

County Mayor's Office

- Upon receipt of a properly filed requisition, verification of funding is to be made.

If item does not exceed the bid limit, and funding is available:

- Verification of vendor contacts noted on the requisition may be made.
- A five copy purchase order for the goods or service will be issued with one copy being sent to the vendor (Purchase order will indicate to vendor to send invoice directly to the Finance Department).
- Two copies of the purchase order will be remitted to the originating department head indicating the County's commitment.
- One copy of the purchase order will be forwarded to the Finance Department
- One copy of the purchase order will be retained by the County Mayor's office and filed in an appropriate manner.

If item exceeds the bid limit, and funding is available:

- Bid specs will be advertised in the newspaper ten (10) days prior to meeting of the Purchasing Committee and invitations to bid will be sent to potential vendors.
- After due advertisement, bids received will be opened in a public meeting of the Purchasing Committee.
- Upon approval by the Purchasing Committee, a purchase order will be issued and sent to the vendor.
- Two copies of the purchase order will be remitted to the originating department head indicating the County's commitment.
- One copy of the purchase order will be forwarded to the Finance Department

- One copy of the purchase order will be retained by the County Mayor's office and filed in an appropriate manner.
- It will not be the responsibility of this office to issue a purchase order when purchase commitments have already been made.

If item did not follow proper purchasing procedure:

- Approve form submitted by department head explaining why proper purchasing procedures were not followed.
- Present such documentation to the Purchasing Committee for their review at the next available meeting.

Emergency Purchases:

- The same procedures shall be followed for obtaining a product. If time does not permit the advertising for bids, a purchase order can be issued without such. Detail documentation shall be required of the department head explaining the emergency and such documentation shall be presented to the Purchasing Committee for their review at the next available meeting.

Finance Department

- Accumulates/matches information received by department heads and County Mayor (purchase order, receiving report and documentation).
- When an invoice is received from a vendor or by a department that has not followed the proper purchasing procedure, a form shall be remitted to the department head to explain why purchase did not comply with adopted guidelines (form provided). Payment of said invoice will be made after this form has been completed by the department head and remitted to the Finance Department.
- Keys in appropriate information for payment to vendor.

B. ACCOUNTING:

Finance Department

- Pre-audit of invoices for accuracy and validity
- Reconciliation of o/s purchase orders to encumbered amounts
- Reconciliation of monthly statements for vendors

Forms to be used:

Requisition (2 copy) – copy for department head, copy for County Mayor's office

Purchase Order (5 copy) – copy for vendor, copy for County Mayor, 2 copies to department head (one for their files, one to later be remitted to Finance Department for receiving) copy for Finance Department

Form for solicitation of prices from vendors

Form for explanation for not following proper purchasing procedures

CLARIFICATIONS OF PURCHASING PROCEDURES

In County Government, a purchase order system serves as a vital internal control procedure over disbursements. At the individual department level, the purchase order (PO) is used to inform staff that there are limits to their ability to commit the expenditure of County funds. The PO also allows the department to “ration” their appropriation in an effort to avoid the need for budget amendments. The department can direct that only certain employees may initiate a purchase requisition, thus assigning the responsibility to those employees to monitor expenditures against their Pos. The Purchasing Agent and the Finance Department rely on POs to help measure the rate at which appropriations are being exhausted. Below is a summary of some concerns certain departments have expressed and is an attempt to further clarify these matters.

1. EXEMPTIONS FROM PURCHASE ORDER REQUIREMENT. – Certain items were exempt by law from this requirement. We have identified other items which should not require PO authorization, and the County commission accepted these items as additions to the list. The complete list of exempt items is listed below. *Please note that these purchases also do not require completion of the Authorization for Payment form.* We have included a standard form entitled “Disbursement Request” to transmit these items directly to the Finance Department for payment. These items were approved by the Budget Committee on October 10, 1996.

- Utilities – Including water, telephone, cellular phones, gas and electric bills
- Postage and shipping costs
- Travel reimbursements
- Seminars
- Dues
- Memberships
- Subscriptions
- Drug & medical costs for inmates
- Refunds (Ambulance Service overpayments and Building Codes refunds for voided building permits)
- Payroll costs
- Court costs
- Lease payments
- Maintenance agreements

2. BLANKET PURCHASE ORDERS. – Trying to minimize the stress of complying with the new procedures, departments were allowed to utilize blanket purchase orders in many instances. This practice is not considered the most desirable method of controlling expenditures, but is necessary to avoid undue complication in the system. Initially, blanket purchase orders for items required each month were limited to \$1,500. However, this is strictly left to the discretion of the county Mayor. If you have unusual circumstances which warrant a higher limit, please advise the County Mayor. The policy requires department to monitor expenditures against blanket Pos, and to request a new blanket PO when the first one is depleted. Attached is a form that most departments utilize to monitor the balance of blanket Pos. In some cases, invoices may not be

reported to your designated person until the balance has been exhausted, resulting in purchases exceeding the PO. In these cases refer to number 3 below.

3. PURCHASES EXCEEDING THE PURCHASE ORDER LIMIT – In some cases the amount of the purchase exceeds the amount of the PO. The PO is in many cases an estimate of the amount of the purchase, and should not be viewed as the absolute limit of the authorized expenditure. We have discussed this with our auditors, who agree that we should be allowed to exceed the amount of the purchase order by a reasonable amount. Reasonable would generally be interpreted as ten percent (10%). In these cases, the invoices may be batched with the blue copy of the PO and sent to the Finance Department for payment. No further authorization is required. If purchases exceed the PO by more than ten percent (10%), the Finance Department may request that you complete an authorization for payment, so that the County Mayor may authorize this expenditure in excess of the PO.

4. PURCHASES MADE WITHOUT A PURCHASE ORDER. – Failure to comply with a County policy is an offense which may warrant a reprimand. Employees who make purchases without proper prior authorization should be advised that this is not allowable. If such a situation occurs, the department would then complete an authorization for payment form and submit along with the invoice to the County Mayor for approval. An example of this form is attached.

5. CHANGES TO ACCOUNT CODES. – The Finance Department private act requires that we ensure that all purchases are charged to the appropriate account code. This usually takes place when the County Mayor's staff reviews the PO or the authorization for payment. In either case, a copy of the changed document will be provided to the department.

6. VENDOR INQUIRIES AND/OR COMPLAINTS – Often vendors call your office and/or ours to determine the status of an expected payment. We will attempt to resolve these matters to the satisfaction of the vendor. However, we must work within the limits that our staffing will allow. For that reason we require invoices to be submitted for payment at least two days prior to our bill paying dates. Our normal bill paying dates are the 10th and 25th, or the last working day prior thereto each month (unless notified otherwise at times such as Christmas). Invoices submitted after those dates are considered late, and will more than likely be processed in a subsequent payment batch. If you have invoices ready for payment between these dates, please submit them to our office earlier, to expedite the pre-audit process.

7. COPIES OR HANDWRITTEN INVOICES – The Finance Department private act requires this office to verify that all claims against the county are authentic and valid. Handwritten invoices on blank/notebook paper are unacceptable forms of documentation. We have asked that if a vendor delivers such invoices to you that you ask them to prepare a more formal invoice which should include the business name, mailing address and phone number. This will allow us to verify that the business is properly licensed. If the only documentation you have is a copy of an invoice, we ask that you explain the absence of the original, and verify that the original has not already been paid. The explanation may be made on the copy itself, or can be attached, but in any case should be signed by the person designate to approve invoices.

**Rutherford County, Tennessee
Authorization for Payment of Invoice**

Department: _____

The following information is needed to complete processing of this invoice. Please fill out this form and remit with the attached documentation to the County Mayor's office ASAP.

Account Code: _____

Vendor _____

Invoice Amount: _____

Invoice #: _____

Explanation for not following proper Purchasing Procedure:

Procedure: _____

Department Head Signature

County Mayor Signature

Date