



PURCHASING POLICIES AND
PROCEDURES MANUAL

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B. Introduction/Statement of Policy

The purpose of this purchasing manual is to provide the Village of Riverside staff with guidelines and directions for the acquisition of goods and services. When used with good judgment and common sense, these policies and procedures will allow the Village to obtain needed supplies and services efficiently and economically.

The manual is divided into sections dealing with purchasing policies and procedures. The policy sections contain all the purchasing policies as reviewed and recommended by the Village Board which must be adhered to by Village employees. The procedures sections provide a “how to” guide for processing purchase requisitions, purchase orders and payment requests.

Employees as well as non-employees who carry out the functions of the various Village Commissions are expected to read the policy manual and provide the Department of Finance with feedback regarding these policies and procedures. This manual is designed to be a fluid document and will be modified from time to time to conform with changes in legislation, technology and actual practice. Although it may not answer every question related to purchasing practices, it does provide general guidelines for purchasing activities. Employees with questions or who need help dealing with specific situations not covered by the manual should contact the Director of Finance or Village Manager for assistance.

The Village Manager, or his/her designee, will be the final authority regarding interpretation and enforcement of any of the provisions of this manual. Failure to follow the procedures outlined in this manual may lead to disciplinary action in accordance with the provisions of the Village of Riverside Employee Manual.

A. Code of Ethics

All Village personnel engaged in purchasing and related activities must conduct business dealings in a manner above reproach in every respect. Transactions relating to expenditure of public funds require the highest degree of public trust to protect the interests of the Village and the residents of Riverside. Village employees must strive to:

1. Ensure that public money is spent efficiently and effectively and in accordance with applicable statutes, regulations, and Village policies.
2. Not accept gifts or favors from current or potential suppliers which might compromise the integrity of their purchasing function (see chapter 19 of the Village Code regarding the State Gift Ban Act).
3. Specify generic descriptions of goods wherever possible in lieu of brand names when compiling specifications.
4. Never allow purchase orders for identical goods or services to be split or prepared to avoid Village Board approvals or to be made in order to circumvent established policy.
5. Purchase without favor or prejudice.
6. Ensure that all potential suppliers are provided with adequate and identical information upon which to base their offer or quotation and that any subsequent information be made available to all bidders.
7. Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and selection is based upon the lowest total cost compliant bid.
8. Offer a prompt and courteous response to all inquiries from potential or existing suppliers.

It will be the responsibility of the Village Manager to determine if a violation of this Code of Ethics has occurred and if disciplinary action is necessary in accordance with the Village's Personnel Manual.

B. Conflict of Interest Policy

Except as may be disclosed to and permitted by the Village Board, it will be a breach of ethical standards for any employee to participate directly or indirectly in the purchasing process when the employee knows that:

1. The employee is employed by or otherwise has a financial interest in a bidder, vendor or contractor involved in the procurement transaction; or

2. The employee, the employee's partner, or any member of the employee's immediate family has a financial interest in or holds a position with a bidder, or contractor such as an officer, director, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction; or
3. The employee, the employee's partner, or any member of the employee's immediate family has a financial interest arising from the procurement transaction; or
4. The employee, the employee's partner, or any member of the employee's immediate family is negotiating, or has an arrangement concerning, prospective employment with a bidder, vendor or contractor.

The employee's immediate family is defined as a spouse, children, parents, brothers and sisters, and any other person living in the same household as the employee.

A financial interest includes any ownership or investment interest including stock, partnership shares and limited liability company memberships, as well as loans, bonds or other financial instruments that are secured by an entity's property or revenue.

It will be the responsibility of the Village Manager to determine if a violation of this Conflict of Interest policy has occurred and if disciplinary action is necessary in accordance with the Village's Personnel Manual.

C. Gifts and Gratuities - Village Guidelines for Accepting (Village Code Chapter 19, State Gift Ban Act)

Village personnel should be aware that offers of gifts or favors from vendors can be designed to compromise objective judgment in product or service selection. Accordingly, it is Village policy to observe the highest standards of ethics and to shield the employee, the Village and the vendor from any suggestion or appearance of conflict of interest.

No employee will permit any influence by vendors which could conflict with the best interest of the Village or prejudice the Village's reputation. Expenditures of Village funds to vendors will not by intention personally benefit any person employed by or holding an official capacity with the Village. Employees will strive to follow the following guidelines:

1. Any tangible gifts or gratuities will not be accepted where their value suggests something more than merely a social gesture (gifts valued at \$100 and over may not be accepted). Such gifts should be immediately returned to the Village Manager's office for return with an appropriate letter explaining the Village's policy. Promotional or advertising items of nominal value such as key chains, pens, coffee mugs, calendars and holiday candy are acceptable. Gifts that are capable of being shared, such as a box of chocolates, will be shared within the office or section where the recipient works.
2. Association with vendor representatives at business meals or business organization meetings is occasionally necessary and is neither questionable nor unethical, provided the

individual keeps himself/herself free of obligation and the meal and drinks provided do not exceed \$75 per day.

3. Personal loans of money or equipment are not to be accepted from a vendor or an individual associated with a vendor doing business with the Village.
4. Corporate discounts granted to Village employees are acceptable only if they are offered to all Village employees and other corporate clients of the vendor.

If there is any doubt about the propriety of accepting a gift, the matter should be referred to the Department Head who will, if necessary, discuss the matter with the Village Manager. In addition, questions may be referred to the Ethics Officer, per the State Gift Ban Act (Ord. 2295, 9-20-1999), who will provide guidance to officers and employees in the interpretation and implementation of the State Gift Ban Act.

D. Approval of Village Purchases

No employee will purchase goods or services on behalf of the Village without first obtaining approval as required by this policy. All purchases will require advance approval of the appropriate Department Head. All purchases over \$1,250 require a purchase order and must be approved by the Director of Finance and the Village Manager. Any purchases over \$10,000 require Board approval (Village Code- A 1-8-4: Requisitions, Purchases). Any person responsible for approving purchases at any level may delegate their approval authority to a designee in the event they are unavailable to approve purchases. However, responsibility still lies with the person responsible for approving purchases and not the designee.

Department Heads bear the responsibility for operating within their annual budgets approved by the Board of Trustees. Thus, items whose order would exceed the total budgeted amount within each Department's budget may not be ordered, except with prior approval by the Village Board. The Village Board may increase a department's budget by approving an appropriate budget amendment. Department Heads also bear full responsibility for all expenditures charged to their individual operations, and accordingly, must document their approval of all disbursements before payment can be made.

A. General Policy for Soliciting Quotes

Employees are responsible for obtaining quotes for purchases in the instances outlined below. Purchase requisitions expecting expenditures of \$1,250 and above should be submitting through the appropriate channels. Requisitions submitted without the required quotes or a satisfactory explanation of why quotes were not obtained (e.g. sole source, emergency, standardized vendor etc.) will be rejected to the originator without approval.

<u>Up to \$1,250</u>	One verbal quote is required, however, employees are encouraged to seek additional quotes when possible.
<u>\$1,251 - \$9,999</u>	Three verbal quotes must be obtained. The quotes must be listed in the notes of the purchase requisition. Written records regarding the dates, contacts and quotes received will be retained in the department's files for auditing purposes.
<u>\$10,000 & Above</u>	Must be competitively bid in accordance with State law and Village Ordinances. Village Board approval is required for all contracts equal to or above this dollar amount.

Requisitions approved by the Village Board are entered as purchase orders by the Finance Department the day after the Board meeting. These purchase orders will include the date of Village Board approval in the notes. The purchase order is then forwarded to the respective department.

Items purchased more than once during a fiscal year (e.g. forms, copier supplies, etc.) do not need quotes every time a purchase is made. However, items valued at \$10,000 or more or items having a cumulative value of \$10,000 or more over the course of a year must be approved by the Village Board.

B. Joint Purchasing

Village employees are encouraged to obtain goods and services that have already been competitively bid through the State of Illinois, West Central Municipal Conference or the Southwest Suburban Purchasing Cooperative program or similar joint purchasing arrangements with governmental units. Department Heads should review the items offered through these programs before seeking other vendors whenever possible as well as ensure that the goods or services are of a quality sufficient to meet the Village's needs and that pricing is competitive. Employees are encouraged to make known other opportunities for joint purchasing, such as those with other units of local government, as they become available.

Items obtained through the above joint purchasing agreements are not subject to requirements for seeking competitive quotes or bids (Ord. 2245, 9-21-1998). However, purchases in excess of \$10,000 will be presented to the Village Board prior to acquisition with a request to waive the competitive bid process, approve the purchase.

C. Sole Source Purchases

Contracts for parts, supplies or equipment that are available only from a single source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:

1. Equipment for which there is no comparable competitive product or which is available only from one supplier
2. Public utility services from natural or regulated monopolies
3. A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer
4. An item where compatibility is the overriding consideration, such as computer software
5. A used item that becomes immediately available for which no other comparable items are available at such a comparable price.

Sole source purchase items are not subject to requirements for seeking competitive quotes or bids. However, purchases in excess of \$10,000 will be presented to the Village Board prior to acquisition with a request to waive the competitive bid process, and to approve the purchase.

D. Emergency Purchases Policy

Emergencies are defined as events that could not have been foreseen where immediate action is necessary to safeguard the public's health and safety. In case of an emergency arising from unforeseen causes which require the immediate purchase of commodities or contractual services, the Village Manager may secure in the open market at the lowest obtainable price any commodities or contractual services, including those costing more than \$10,000 without board approval (Village Code 1-8-4 C). In the absence of the Village Manager, the Chief of Police or the Chief of Fire may secure in the open market at the lowest obtainable price any commodities or contractual services costing no more than twenty five thousand dollars (\$25,000) without board approval. Documentation of the emergency and the need for immediate action will be presented to the Village Board in a reasonable period of time following resolution of the crisis.

E. Competitive Bidding Exemption

When, in the ordinary course of Village business, no single purchase of, or individual contract for, specific types of supplies and materials exceeds \$10,000, but the total dollar value of all purchases and/or contracts for said specific types of supplies and materials during the Village's fiscal year does exceed said amount, said purchases may not be subject to the competitive bidding requirement and may not require the Village Board to waive the competitive bidding requirement. At his/her discretion, the Village Manager will determine whether these purchases require Village Board approval of a waiver of bids. Where a bid waiver is determined

to not be necessary, said purchases will still be subject to the requirements of Chapter 3, Section A of this manual concerning quote solicitation for purchases under \$10,000.

It is not the intent of this subsection to encourage the circumvention of the bidding requirements and, to the extent practicable, Village staff is encouraged to rely upon the competitive bidding process. Rather, the competitive bidding exemption provided by this section is intended to recognize and address those situations in which a competitive bidding requirement is not necessarily practicable, and can be eliminated without jeopardizing the Village's ability to obtain a low and competitive price from a qualified responsible contractor/vendor.

A. When a Formal Bid Is Required

All purchase orders or contracts for supplies, materials, equipment or contractual services, and all public improvement contracts involving the expenditure of more than ten thousand dollars (\$10,000.00), will be left to the lowest responsible and responsive bidder (Village Code 1-8-4b). Sealed bids will be sought when a good or service is anticipated to cost more than \$10,000 either individually or in aggregate purchases made over the course of one fiscal year.

B. Preparing the Bid Document

1. It is the responsibility of the respective departments to prepare the bid documents. The most recent version of the approved bid documents can be obtained from the Village Manager and/or a sample version is available on the Village's network (p:\bid documents). Questions relating to the preparation of bid documents should be directed to the Village Manager.
2. All bid documents must contain the following information:
 - Cover Sheet stating the contract period, bid deposit, bond requirements, drawings requirement, and date, time and location of bid opening.
 - Bid Notice
 - General Terms, Conditions and Instructions
 - All contractor certification forms (e.g., certification that bidder has not been banned from bidding on contract as a result of a violation of either 720 ILCS 5/33E-3 or 5/33E-4.)
 - Bid Proposal
 - Contract
 - Prevailing Wages
3. After the document has been prepared, it must be reviewed and approved by the applicable department head before it is sent to the Village Manager and to the Village's attorney for review.
4. After approval of the completed bid document by the Village Manager and by the Village's Attorney, the Village Manager's office will be responsible for forwarding the legal notice to a newspaper of local circulation for publication. Such advertisement must be published once. The publication cannot be less than ten calendar days prior to the day fixed for opening the bids. (Ord. 1736, 3-16-1987)

Where the advertisement is for a public improvement, the published notice need give only a general description of the work to be done or the materials to be furnished, but detailed drawings, plans, profiles and specifications must be made available and placed on file in the office of the Village Manager prior to the first publication of such advertisement and must at all times be open to public inspection. In such advertisement, the right to reject any or all bids will be expressly reserved. (Village Code 1-8-4 F)

5. The approved bid document will then be returned to the originator to be mailed to prospective bidders.

C. Additional Requirements for the Bid Document

1. A cashier's check, certified check, or other approved security in an amount not greater than 10% of the bid may be required (Village Code 1-8-4G) to guarantee the successful bidder will sign a contract. It will be at the discretion of the Village Manager as to which contracts will require a bid deposit.

The bid deposit of all except the three lowest bidders on each contract will be returned within twenty (20) calendar days after the opening of the bids. The remaining bid deposits on each contract will be returned, with the exception of the accepted bidder, after the contract is awarded. The bid deposit of the accepted bidder will be returned after acceptance by the Village of satisfactory performance bond where such bond is required or completion of contract where no performance bond is required.

2. When preparing the bid document, departments should consider whether to require contractors to provide a surety bond if awarded the contract. In instances where the bid is for construction services or significant building improvements, it is customary to require the contractor to provide a surety bond. A surety bond, issued by a surety company, stipulates a legal, written obligation to guarantee 100% payment for any financial loss caused by default of the contractor. When assigned to the Village of Riverside, it grants an assurance as to the performance and successful completion of the terms of the contract and assures payment of the taxes, licenses or assessments associated with the contract.
3. All companies or individuals who wish to bid on a good or service must submit their bids in a sealed envelope with the following information on the face: bidder's name, address, subject matter of bid, designated date of bid opening and hour designated for bid opening. If a list of bidders is maintained, all vendors on the list should be sent a copy of the bid document. It is the responsibility of each department to maintain bid lists for those goods or services for which they are responsible.
4. If a pre-bid conference is conducted, attendance is a mandatory condition of bidding. At the pre-bid conference, the responsible department should ensure that all attendees sign a "sign-in" sheet to ensure compliance with this requirement of bidding. Failure to attend a mandatory pre-bid conference will disqualify a bidder from being awarded the contract. Any questions in regards to the bid document should be directed to the Village Manager or Department Head.

D. Bid Opening Procedures

All sealed bids will be publicly opened by the Village Manager or his or her designee at the time stated in the legal notice. At least one other employee must serve as a witness and tabulate the bid results. A bid tabulation form must be completed. All proposals will be open to public inspection.

All bids must be received before the deadline on the day of the bid. Village Hall front desk personnel should be notified of the time and place of the bid opening for that day and reminded that no bids are to be accepted after the deadline for accepting bids.

If bid deposits are required, they will be forwarded to the Finance Department immediately following the bid opening. Procedures for depositing and returning bid deposits are described above in subsection C.

E. Post Bid Opening Requirements

After the bid opening has taken place, the responsible employee must prepare a memorandum that explains the purpose of the bid, includes the names and addresses of the companies who submitted bids as well as the amount each company bid, and recommends which company should be awarded the bid. The recommendation should be supported by reasons given in the below enumerations based on the following measures of responsiveness and responsibility:

Responsive Measures:

- a) The previous and existing compliance by the bidder with laws and ordinance relating to the contract or service
- b) Responsiveness to the exact requirements of the invitation to bid
- c) Ability to work cooperatively with the Village and its administration
- d) Past records of the bidder's transactions with the Village or with other entities as evidence of the bidder's responsibility, character, integrity, reputation, judgment, experience, efficiency and cooperativeness

Responsibility Measures:

- a) The ability, capacity, and skill of the bidder to perform the contract to provide the service required
- b) Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference
- c) The character, integrity, reputation, judgment, experience and efficiency of the bidder
- d) The quality of performance of previous contracts of services

- e) The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service
- f) The quality, availability, and adaptability of the supplies or contractual service to the particular use required
- g) The ability of the bidder to provide future maintenance and service for the use of the subject of the contract
- h) The number and scope of conditions attached to the bid
- i) Whether the bidder has a place of business in the Village

Once approved by the Department Head, the memo should be forwarded to the Village Manager.

All bid files must be maintained by the respective department issuing the proposal (the Public Works Engineering Division must maintain their bid files as required by State law). The bids should be filed and available for access when necessary (State law requires bid files be maintained for ten (10) years following the completion of the project). Following Village Board approval of the contract, the applicable department will mail letters to all bidders notifying them of the bid results and will contact the successful bidder to have the Village's contract signed and to obtain surety bonds and certificates of insurance when required. The signed contract will be forwarded to the Village Manager for safekeeping after it is received.

All contracts for work materials or supplies exceeding \$10,000 must be executed in writing and must be signed by the Village Manager or Director of Finance. One executed copy must be filed in the office of the Village Manager and the other must be delivered to the contractor. All contracts must be in the names of and run to the Village. (Ord. 1678, 12-16-1985)

Signed contracts, certificates of insurance and surety bonds must be obtained from the contractor before work begins. It is the responsibility of the applicable department to ensure that the Village's contract has been signed, and certificate of insurance and surety bonds are obtained before work begins.

F. Waiver of Competitive Bidding

The Village Board, by a two-thirds vote of all the Trustees then holding office, may waive the bidding procedures and enter into a contract or agreement (Village Code 2-23-6). Requests for bid waivers will be made only when goods or services are proprietary (i.e. sole source), where standardization is necessary or desirable (e.g. furniture), in emergencies as defined in this manual, when items have already been competitively bid through joint purchase agreements, or when it is in the best interests of the Village to do so. In any instance, a statement justifying the need for a bid waiver must be included in the agenda history sheet for inclusion on the Village Board's agenda.

G. Bid Lists

Each department will be responsible for maintaining their own lists of prospective bidders. Requests to be placed on the bid list received by the Director of Finance will be forwarded to the appropriate individuals or departments for consideration. Departments will be responsible for maintaining current lists of bidders and for determining prospective bidder's qualifications.

H. Requests for Professional Services

Some contracts, by their nature, are not adapted to award by competitive bidding. Examples include, but are not limited to, contracts for the services of individuals possessing a high degree of professional skill where the education, experience or character of the individual is a significant factor in determining their ability to meet the Village's needs. These contracts generally result from a request for proposal (RFP) solicited from consultants for "Professional Services."

The Village is required by the Local Government Professional Services Selection Act (50 ILCS 510) to follow specific procedures when hiring an architect, engineer or land surveyor. The procedures must be followed unless 1) the Village has a satisfactory relationship for services with one or more firms, or 2) an emergency situation exists and an architect, engineer or land surveyor must be selected in an expeditious manner, or 3) when the cost of such services "is expected to be less than \$25,000." If none of these conditions apply, the Village must solicit proposals and adhere to the following requirements:

1. **Public Notice.** Permitting firms engaged in the lawful practice of their professions to annually file a statement of qualifications and performance data with the Village. The Village must also 1) mail a notice requesting a statement of interest in the specific project to all firms who have a current statement of qualifications and performance data on file with the Village and 2) place an advertisement in a secular English language daily newspaper of general circulation throughout the Village, requesting a statement of interest in the specific project and further requesting statements of qualifications and performance data from those firms which do not have such a statement on file with the Village. Such advertisement must state the day, hour and place the statement of interest and the statements of qualifications and performance data will be due.
2. **Selection Procedure.** The Village then must evaluate the firms submitting letters of interest, taking into account cost (if available), qualifications, ability of professional personnel, past record and experience, performance data on file, willingness to meet time and budget requirements, location, workload of the firm and such other factors as the Village may determine in writing are applicable. The Village may conduct discussions with and require public presentations by firms deemed to be the most qualified regarding their qualifications, approach to the project and ability to furnish the required services.
3. On the basis of evaluations, discussions and presentations, the Village will select no fewer than three (3) firms which it determines to be the most qualified to provide services for the project and rank them in order of qualifications and cost (if available) to provide services regarding the specific project. The Village will then contact the firm ranked most preferred.

If a price has not already been specified, the Village will attempt to negotiate a contract at a fair and reasonable compensation, taking into account the estimated value, scope, complexity, and professional nature of the services to be rendered. If fewer than three (3) firms submit letters of interest and the Village determines that one or both of those firms are so qualified, the Village may proceed to negotiate a contract.

4. Contract Negotiation. The Village will prepare a written description of the scope of the proposed services to be used as a basis for negotiations and will negotiate a contract with the highest qualified firm at compensation the Village determines in writing to be fair and reasonable. In making this decision, the Village will take into account the estimated value, scope, complexity and professional nature of the services to be rendered.
5. If the Village is unable to negotiate a contract with the preferred firm, negotiations with that firm will be terminated. The Village will then begin negotiations with the firm which is next preferred. If the Village is unable to negotiate a contract with that firm, negotiations with that firm will be terminated. The Village will then begin negotiations with the firm which is next preferred.
6. If the Village is unable to negotiate a satisfactory contract with any of the selected firms, it will re-evaluate the services requested, including the estimated value, scope, and complexity and fee requirements. The Village will then compile a second list of not less than three qualified firms and proceed in accordance with these procedures.

If a contract is used other than the Village's standard contract, the following items should be included: indemnification, insurance, and venue.

A. Regular Purchase Orders

With the exception of purchases processed with a blanket purchase order (see description below), all purchases will require the issuance of a regular purchase order to the vendor before an order for goods or services is filled. No employee will have the authority to purchase items on the Village's behalf without first entering a purchase requisition and obtaining the required approvals from supervisory staff or the Village Board where applicable. Purchase orders will be required for all items exceeding \$1,250 individually or in aggregate. Employees will be responsible for planning for purchases exceeding \$1,250 in advance, and should allow sufficient time to have a requisition processed and purchase order issued and mailed to the vendor. With the exception of emergency purchase orders, purchase order numbers will not be issued in advance unless a requisition has been processed and has received the necessary approvals.

B. Change Orders To Existing Purchase Orders

After an existing purchase order is issued to the vendor, it may become necessary to change it to include additional quantities, or other unforeseen circumstances not known when the purchase order was originated. When this occurs, the employee who completed the original requisition will process another requisition for the change order. The new requisition shall note the original purchase order number for which the change is being made and briefly explain the need for the change. After the requisition is received and approved by the Department Head, Director of Finance, and Village Manager it will be added to the original purchase order and a change order will be issued to the vendor. Please note that any changes above \$1,250 require employees to follow the guidelines established in Chapter 3, section A of this manual to ensure that the purchase is still competitive. Also any change orders to original contracts of \$10,000 or more require the prior approval of the Village Manager and Village Board. For more information, please refer to the financial policy on change orders included in this manual.

C. Blanket Purchase Orders

Blanket Purchase Orders are intended to give employees flexibility when purchasing items for less than \$1,250. Orders exceeding \$1,250 must be processed using a regular purchase order.

In instances where a blanket purchase order has been issued to a vendor, it is not necessary to process a purchase requisition and have a purchase order issued in advance of obtaining the goods or services. After the purchase has been approved within the department, the invoice must be sent to the accounts payable clerk referencing the purchase order for processing.

D. Confirming Purchase Orders

Except in the case of emergency purchase orders, (see chapter 3D above) the Village will not issue confirming purchase orders to vendors. With the exception of purchases under \$1,250 for which a blanket purchase order is issued, each department is responsible for ensuring that a valid purchase order is issued to the vendor prior to the acquisition of goods or services.

E. Prepayments

The Village will not pay for goods and services until the goods are received or the service is rendered.

Exceptions:

1. Deposits on certain jobs or activities when approved by the Director of Finance.
2. Memberships, training, and books or periodicals.
3. Payments to local, State, and Federal government entities.
4. Service and maintenance contracts where necessary.
5. Small orders (under \$1,250.00) where the department head approves prepayment.
6. Approval by the Director of Finance or Village Manager.
7. Approval by the Village Board.

F. Manual Checks

Manual checks are interim checks issued to vendors as payments for goods delivered or services performed. The checks are issued between normal accounts payable cycles when an emergency or other extenuating circumstance as determined by the Director of Finance makes it impractical or unreasonable to process the payment following normal payment methods. As the name implies, manual checks are labor intensive and time consuming to issue, therefore, their use as a method of payment must be restricted to the following unique or special circumstances.

1. Checks less than \$10,000 which have been approved by the Village Manager and which meets the criteria of being necessary and in the best interest of the Village to do so to prevent interruption in business operations which could be counterproductive or have negative consequences to the Village.
2. Checks greater than \$10,000 whereby the Board has previously approved the vendor and contract amount.
3. An emergency which could affect the health and welfare of the Village whereby quick action is needed to protect the public interest.
4. During the summer months of July, August and September whereby the Board meets once a month and the Village Manager must pay reoccurring bills to prevent late fees or penalties from occurring. (Village Ordinance -2473)

All requests for manual checks must be processed by completing a check request form (see Exhibit 2). The completed form must include the vendor's name and address, the account number against which it is being charged, a description of the item purchased and an explanation as to the need for the check. The form must also include the signature of the applicable Department Head. Completed forms must be submitted to the Director of Finance and Village Manager for approval.

The Department of Finance will not issue manual checks in instances where reasonable means could have been taken to process the payment following normal payment methods.

G. Petty Cash

This policy sets forth procedures for the handling of petty cash monies at the Village Hall, and Police Department. It further establishes the procedures for reporting petty cash disbursements by department to the Department of Finance as well as reimbursements to each petty cash box.

Petty cash boxes are located at the Village Hall and Police Department. Persons accountable for these boxes at each of these buildings are responsible for seeing that the total number of receipts and cash equal the total amount funded. The Petty Cash box is subject to audit and the person responsible for the safekeeping of the box in the various departments will be accountable for any non-compliance with this procedure or shortage of funds.

The following policy and procedural guidelines have been established to promote a more efficient and accountable petty cash operation. All departments within the Village are responsible for abiding by this policy. There are no exceptions.

1. Petty Cash Disbursements to Employees

- a. There is a \$40 limit per petty cash request per day. Any amount above \$40 must be reimbursed via a claim voucher submitted through the accounts payable process. Reimbursable expenses under \$40 incurred by an employee for training expenses, etc. should be reimbursed from petty cash rather than through the accounts payable process.
- b. No one is allowed to take money from petty cash without a petty cash request form and/or a receipt which **must** be signed by the appropriate supervisor. The petty cash request form must also be signed by the employee who will receive the money. Exhibit 3 is an example of a petty cash request form.
 - If a petty cash request form is submitted without a receipt (e.g. money is requested before a receipt has been obtained), the person disbursing the money must mark "HOLD" on the receipt form and the employee must bring back a receipt no later than the **next business day after** the money is spent, along with the change (if applicable). At this time, the "HOLD" is crossed off the receipt form, it is marked paid, the proper dollar amount is written down and the receipt is put in the petty cash box.

- If a receipt is submitted with the petty cash request form, the employee is reimbursed and no further action by the employee is needed. At this time, the petty cash request form is marked “PAID” with the date on it and put in the petty cash box.
- All receipts **must** be original. If desired, copies may be made and kept by each individual employee, but the original must be given to the respective person responsible for petty cash in each department.
- If for some reason the employee did not obtain a receipt for submittal with the petty cash request form, supervisory approval **MUST** be noted on the petty cash receipt form.

c. All petty cash request forms must contain the following information:

- Date
- Detailed description of the expenditure
- Name of person(s) to receive money
- Signature of Department Head approving reimbursement of expense.
- Account number to which the expenditure will be charged
- Receipt (if received, otherwise the petty cash request form will be marked “HOLD”)

2. Reimbursing Each Petty Cash Box

- a. The persons responsible for the various petty cash boxes not only disburse petty cash to various employees but they also must reconcile the petty cash box and request petty cash reimbursements by the payables deadline. It is recommended that this be done on a weekly basis, if possible.
- b. The chart below depicts the maximum amount of petty cash allotted for each building.

DEPARTMENT	PETTY CASH AMOUNT
Village Hall	\$ 600
Police	\$ 300

If the amounts indicated are not sufficient to meet the needs of the department, the Department Head can request an increase in the petty cash allotment. This request

must be made to the Director of Finance and approved by the Director of Finance and Village Manager.

- c. To seek Petty Cash Reimbursement a summary listing of all petty cash transactions for the applicable period of time must be attached to the individual receipts and signed by the respective department head and given to the accounts payable clerk for processing. This sheet must contain the following information:
 - Detailed list of account numbers
 - Detailed description of charges for each account number (date, place, name and reason for charge)
 - Amount of charges for each account number and correlating description
 - All original petty cash receipt slips and corresponding receipts
- d. Upon receipt of the above information, the Accounts Payable Clerk will forward the form to the Director of Finance for approval and then reimburse the respective department from the Village Hall's daily bank deposit. The check is then deposited with the Village's daily bank deposit.
- e. The envelope with the petty cash request forms and receipts is then attached to the file copy of the check that was cut for reimbursement and is stored with the accounts payable files.
- f. Petty Cash will be subject to periodic announced and unannounced audits to determine compliance with these procedures. Any discrepancies with compliance or cash balance will be immediately reported to the Director of Finance and a written report will be provided with copies to the Village Manager and Department Head.
- g. Any questions regarding these procedures may be directed to the Director of Finance.

H. Commercial Card Payments

The Village Board has provided Department Heads and those others identified by department heads with Commercial Cards for use in making purchases. Each employee provided a Commercial Card is responsible for the security of the card and should not permit its use for means other than those permitted by this policy. Commercial card payments will be limited to the purchase of items where a purchase order cannot be used (e.g. airline reservations, restaurants etc.) or when the amount of the item is under the threshold of needing a purchase order (\$1,250). Commercial cards must not be used to circumvent the normal payment process.

As with all purchases made on the Village's behalf, goods purchased with a debit card are exempt from sales tax. This is indicated on the front of all commercial cards and should be pointed out to the sales clerk to prevent sales tax from being charged on all purchases made

with the card. If necessary, employees may still obtain copies of the Village's tax exempt number to provide to any requesting vendors.

Receipts for goods or services purchased with a commercial card must be submitted to accounts payable immediately following date of purchase. If a receipt is not issued, a packing slip may be provided to accounts payable. Employees who do not provide receipts (or an explanation as to why receipts are not available) will have their debit card suspended until such time all receipts and explanations are accounted for.

The accounts payable clerk receives a monthly statement from the debit card company which is then automatically debited from the Village's bank account to avoid late fees and finance charges. Upon receipt of the debit card invoice the accounts payable clerk will match up all receipts with those appearing on the statement. Upon reconciliation of the statement by the Accounts Payable Clerk the statement is forwarded on to the Director of Finance for approval.

The Director of Finance will maintain a list of the debit cards issued to each employee and will request that they be returned prior to termination of employment. Returned cards will be forwarded to the Director of Finance and will be canceled.

I. Accounts Payable Vouchers

Purchase orders are the preferred method of payment for most Village transactions. However, in the following instances, accounts payable vouchers may be used for payment processing.

1. Building Deposit Refunds and Recreation Program Refunds (requires approval of Director of Finance).
2. Requests for Manual Checks (requires approval of Department Head, Director of Finance and Village Manager)
3. Reimbursements to Village employees for expenses incurred (requires approval of Department Head, Director of Finance and Village Manager).

A. Change Order Policy

State statute requires Village Board approval of all change orders for \$10,000 or more and for all change orders which, when combined with those previously approved, increase or reduce the contract price by more than \$10,000. The following financial policy is consistent with this statute.

It will be the responsibility of each Department Head to ensure that all change orders are submitted to the Village Manager and Village Board for approval with an appropriate written justification. In addition, Department Heads will be responsible for monitoring all contract payouts and retainages and ensuring that the amount of the change order is correct.

1. Change Orders increasing or reducing the Original Contract Price by less than \$10,000

- a. Change orders which increase or reduce the original contract price by less than \$10,000 must be approved by the Village Manager or his/her designee. The Village Manager may at his/her discretion require change orders less than \$10,000 to be approved by the Village Board. It is current practice that all change orders, regardless of amount, are submitted to the Village Board. However, in the interest of keeping projects on schedule, some change orders under \$10,000 may have already been approved by the Village Manager and thus any approval by the board is for informational purposes only.

Note: A change order (and all subsequent change orders) must be submitted to the Village Board for approval if it increases or reduces an original contract for \$10,000 or more when combined with all other change orders previously approved. In these instances, departments will be responsible for following the procedures described below for submitting change orders to the Village Board.

2. Change Orders increasing or reducing the Original Contract Price by \$10,000 or more:

- a. Change orders which increase or reduce an original contract by \$10,000 or more require the approval of the Village Manager and Village Board. In instances where it is impractical to delay a project waiting for Village Board approval, the Village Manager may at his/her discretion approve change orders up to \$25,000 with Village Board approval to follow. This is necessary to prevent holding up the progress of a project. In these instances, departments should follow the procedures for submitting change orders to the Village Board as outlined below.

B. PROCEDURES FOR SUBMITTING CHANGE ORDERS TO THE VILLAGE BOARD

Change orders requiring Village Board approval will be placed on the Village Board's agenda and will be accompanied by the following:

1. An agenda history sheet explaining the original project cost and explanation as to the reason for the change in project cost. The account number to be charged should be identified as well as any resulting budget overages or shortages and necessary budget amendments.
2. A memorandum explaining the need for the contract revision.

Change orders must be numbered sequentially and must bear the signature of the Department Head. In instances where a final balancing change order (regardless of the amount) reduces the contract price, departments must instruct Finance to close out the remaining encumbered funds.