

**MEMORANDUM
FINANCE DEPARTMENT**

TO: John Phillips, City Manager
SUBJECT: Modification of Purchasing Policy

Number: 008 – 12
Date: 05 - 9 - 11

In recent years, the city has migrated from the purchase of miscellaneous goods and services by check, to the purchase of miscellaneous goods and services by purchase card. This transition has simplified the purchase process and improved internal controls. The FY2012 budget increases the emphasis on the use of purchase cards because it includes revenue of \$30,000 for purchase card rebates. These are direct rebates to the city based on the annual dollar volume of purchase card activity. These rebates will require total annual purchase card transactions of \$4,615,385. This is a significant increase from our current purchase card volume of \$340,000. Staff recommends three changes to allow the city to meet this target. First, increase the dollar limit for purchases card transactions. Second, streamline the process for recording purchase card transactions. Third, centralize purchase card payment process for large dollar invoices.

Dollar limit – The goal is to increase the number and the dollar amount of purchase card transactions. Currently our low dollar ceiling of \$2,500 limits departmental use of purchase cards. This council approval limit dates to fiscal year 2000. By contrast Galesburg is at \$5,000 except for technology items which are \$10,000, Moline is at \$15,000 and Normal is at \$10,000 and considering increasing to the state limit of \$20,000. The recommended change is to increase the City of Rock Island limit to \$10,000. A document indentifying the recommended revisions to the city purchasing policy is attached.

Recording transactions – Purchase card transactions are recorded in the general ledger as manual checks (without producing a check). This is accomplished by printing the monthly purchase card statements, obtaining general ledger account numbers and vendor numbers and then entering each transaction in the accounts payable software. We have been working with American Bank and Trust Company and their business partner Promotion Support Services to develop an automated process for recording these transactions. The process involves the exchange and translation of files between American Bank, the City of Rock Island and Promotion Support Services. The process will provide departments with an Excel worksheet of monthly purchase card transactions to review and update. Ideally, the invoice number for the item obtained by purchase card will be the only information departments will need to add to the excel worksheet. The completed worksheets (example attached) will be translated and uploaded to the city general ledger saving hours of data entry each month.

Large dollar invoices – The first and second recommendations are focused on increasing the use of purchase cards at the department level. This final recommendation is to modify the approval process so certain large dollar purchases can also be paid with purchase cards. These will be targeted payments requiring special approval and handling within the finance department. We will work with American Bank and Trust Company to obtain special purchase cards and develop processes for these payments.

Recommendation:

Council approve the recommended changes to the city purchasing policy to increase the limits for bidding and council approval of purchases.

Submitted by: Tim Banks, Internal Auditor/Project Manager
Bill Scott, Finance Director

Approved: John Phillips, City Manager

ManualCheck_NEW

Vendor	Vendor Name	Invoice	Invoice Amt	Transaction Date	Account	Desc	AreaCode
			\$15.00	1/5/2011		30-	AADM
07044	MAMA COMPTON'S ROCK ISLAND, IL 61201		\$49.61	1/10/2011	101-122041-53109-0000000	30-Eating Places, Restaurants	AADM
00383	CITY LIMITS SALOON AND GR ROCK ISLAND, IL 61201		\$59.13	1/14/2011	101-122041-53109-0000000	30-Eating Places, Restaurants	AADM
			\$43.47	1/17/2011	101-122041-53109-0000000	30-Fast Food Restaurants	AADM
00716	NIU OUTREACH 815-753-0275, IL 60115		\$150.00	1/21/2011	101-122041-51501-0000000	30-Colleges, Universities	AADM
03601	POOR BOYS PIZZA INC ROCK ISLAND, IL 61201		\$56.79	1/24/2011	101-122041-53109-0000000	30-Eating Places, Restaurants	AADM
00173	ILLINOIS MUNICIPAL LEAGU 217-5251220, IL 62701		\$112.50	1/25/2011	101-122041-54401-0000000	30-Membership Organizations	AADM
12279	BUDS SKYLINE INN MOLINE, IL 61265		\$9.58	1/5/2011	101-122041-53109-0000000	4298-Eating Places, Restaurants	AADM
08174	BOXWOOD TECH 8884918833, MD 21031		\$495.00	1/24/2011	101-155041-53803-0000000	1699-Computer Network Services	AAMS
08174	BOXWOOD TECH 8884918833, MD 21031		\$295.00	1/24/2011	101-155041-53803-0000000	1699-Computer Network Services	AAMS
08174	BOXWOOD TECH 8884918833, MD 21031		(\$495.00)	1/24/2011	101-155041-53803-0000000	1699-Computer Network Services	AAMS
02944	AMERICAN PUBLIC WORKS 309-6939667, IL 61614		\$732.00	1/24/2011		1699-	AAMS
			\$0.50	1/13/2011	101-256081-54401-0000000	3599-Government Services (Not Elsewhere Classified)	AAMS
			\$388.80	1/25/2011		1032-	ACED
09267	VALLEY SAFETY SERVICES AS 413-3239571, MA 01007		\$39.00	1/21/2011	242-313851-53112-0000000	1992-Miscellaneous Business Services	ACED
			\$15.00	1/4/2011		3254-	ACED
			\$102.00	12/30/2010	101-314881-53112-0000000	424-Miscellaneous Business Services	ACED
			\$30.45	1/19/2011	101-314881-52203-0000000	424-Automated Fuel Dispensers	ACED
08155	NOTARY SERVICE AND BON 248-3321800, MI 48302		\$44.85	1/26/2011	101-314881-53112-0000000	424-Professional Services	ACED
00725	OFFICE MAX 800-283-7674, IL 60143		\$394.90	1/17/2011	242-314882-52101-0000000	658-Stationery Stores, Office, & School Supply Stores	ACED
			\$6.43	1/13/2011	101-314881-52303-0000000	842-Plumbing, Heating Equipment, and Supplies	ACED
00169	IGFOA 630-505-0679, IL 60559		\$145.00	1/28/2011	101-213061-54401-0000000	226-Civic, Social, Fraternal Associations	AFIN
06163	MOLINE FARM & FLEET MOLINE, IL 61265		\$317.70	1/10/2011	101-454273-52212-0000000	113-Miscellaneous Specialty Retail	AFIR
05958	EASTERN IOWA CC 563-336-3344, IA 52801		\$180.00	1/11/2011	101-454273-51501-0000000	113-Colleges, Universities	AFIR
10989	BOUND TREE MEDICAL LLC 614-347-5000, OH 43016		\$356.28	1/12/2011	101-454273-52404-0000000	113-Medical, Dental, Ophthalmic, and Hospital Equipment and Supplies	AFIR
10989	BOUND TREE MEDICAL LLC 614-347-5000, OH 43016		\$176.58	1/22/2011	101-454273-52404-0000000	113-Medical, Dental, Ophthalmic, and Hospital Equipment and Supplies	AFIR
			\$23.67	1/18/2011	101-453281-52212-0000000	3059-Miscellaneous Specialty Retail	AFIR
00669	MUTUAL WHEEL CO MILAN, IL 61264		\$91.48	1/5/2011	101-451041-52202-0000000	4604-Automotive Parts and Accessories Stores	AFIR
			\$598.00	1/13/2011	101-451041-51501-0000000	4604-Educational Services	AFIR
07607	FIREFIGHTERS BOOKSTORE IN 510-2683338, CA 92648		\$98.70	1/13/2011	101-451041-54305-0000000	4604-Book Stores	AFIR
09676	MIDWEST HORSESHOEING SUPP MILAN, IL 61264		\$24.30	1/21/2011	101-451041-52212-0000000	4604-Miscellaneous Specialty Retail	AFIR
00528	MENARDS 3067 MOLINE, IL 61265		\$290.21	1/20/2011	101-454273-52301-0000000	534-Home Supply Warehouse Stores	AFIR
			\$149.95	1/20/2011	101-454273-52212-0000000	534-Miscellaneous Specialty Retail	AFIR
06163	MOLINE FARM & FLEET MOLINE, IL 61265		\$251.66	1/20/2011	101-454273-52212-0000000	534-Miscellaneous Specialty Retail	AFIR
00099	HY VEE 1549 ROCK ISLAND, IL 61201		\$13.05	1/17/2011	251-711041-52216-0000000	1-Grocery Stores, Supermarkets	ALIB
02206	LAKESHORE LEARNING MATER 310-537-8600, CA 90895		\$115.40	1/27/2011	251-713471-51501-0000000	1208-Educational Services	ALIB
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$38.96	1/7/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
00258	B AND B DO IT BEST MILAN, IL 61264		\$13.98	1/7/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$6.49	1/10/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
09206	RIVER VALLEY TURF INC SILVIS, IL 61282		\$21.26	1/11/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$15.98	1/14/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$55.92	1/18/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$55.92	1/19/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
00528	MENARDS 3067 MOLINE, IL 61265		\$49.80	1/24/2011	251-711401-52301-0000000	2063-Home Supply Warehouse Stores	ALIB
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$50.26	1/26/2011	251-711401-52301-0000000	2063-Hardware Stores	ALIB
			\$17.50	1/28/2011	251-711401-53822-0000000	2063-Car Washes	ALIB
00099	HY VEE 1549 ROCK ISLAND, IL 61201		\$51.10	1/5/2011	901-356911-52216-0000000	955-Grocery Stores, Supermarkets	AMLK
			\$5.38	1/5/2011	901-356911-52212-0000000	955-Discount Stores	AMLK
00099	HY VEE 1549 ROCK ISLAND, IL 61201		\$23.23	1/12/2011	901-356911-52216-0000000	955-Grocery Stores, Supermarkets	AMLK
01889	JIMS RIB HAVEN INC ROCK ISLAND, IL 61201		\$65.00	1/12/2011	901-356911-53109-0000000	955-Eating Places, Restaurants	AMLK
08895	DOLLAR-GENERAL #3057 ROCK ISLAND, IL 61201		\$8.06	1/14/2011	901-356911-52212-0000000	955-Discount Stores	AMLK
00099	HY VEE 1549 ROCK ISLAND, IL 61201		\$27.47	1/17/2011	901-356911-52216-0000000	955-Grocery Stores, Supermarkets	AMLK
00099	HY VEE 1549 ROCK ISLAND, IL 61201		\$25.00	1/18/2011	901-356911-52216-0000000	955-Grocery Stores, Supermarkets	AMLK
03524	SCOTT AREA E-WASTE DAVENPORT, IA 52807		\$28.40	1/21/2011	901-356911-53112-0000000	955-Miscellaneous Business Services	AMLK
00146	HANDY TRUE VALUE ROCK ISLAND, IL 61201		\$8.15	1/24/2011	901-356911-52301-0000000	955-Hardware Stores	AMLK
			\$9.14	1/28/2011	901-356911-52212-0000000	955-Discount Stores	AMLK
11361	WALGREENS #3991 ROCK ISLAND, IL 61201		\$6.45	1/28/2011	901-356911-52214-0000000	955-Drug Stores and Pharmacies	AMLK

Purchasing Policies

It is the philosophy of the City of Rock Island to conduct a purchasing process which will result in maximum value in the goods and services purchased for the tax dollar spent. It is the City of Rock Island's policy that the purchasing process will achieve the following objectives:

- Purchase goods and services at the lowest cost consistent with specified quality and service levels
- Promote full competition from vendors through a standardized bidding process
- Comply with all local, state and federal regulations regarding the purchase of municipal goods and services
- Maintain continuity of supply to support the various services provided by the City
- Maintain standards of quality in materials
- Avoid duplication, waste and obsolescence with respect to materials and equipment
- Maintain the minimum investment in materials inventory needed to provide cost effective services

Category A: Goods and Services with a Cost exceeding ~~\$5,000~~ \$15,000

Formal written bids or proposals will be opened after an approved solicitation process including a public notice of the opportunity to submit bids or proposals. Rock Island vendors will be included in the solicitation. The purchase will be made from the vendor who submits the lowest bid or proposal in substantial compliance with the bid specifications or Request for Proposal. All purchases must be formally approved by the City Council in advance and the City Council may reject any and all bids and to waive technicalities in the bidding process.

Category B: Goods and Services with a Cost exceeding ~~\$2,500~~ \$10,000 but less than or equal to ~~\$5,000~~ \$15,000

Pricing information will be gathered through an approved process such as sealed bids, price negotiations, written quotations or telephone solicitation. Rock Island vendors will be included in the solicitation. The purchase will be made from the vendor who offers the lowest price in substantial compliance with the bid specifications. All purchases must be formally approved by the City Council in advance and the City Council may reject any and all bids and waive technicalities in the bidding process.

Category C: Goods and Services with a Cost exceeding ~~\$500~~ \$5,000 but less than or equal to ~~\$2,500~~ \$10,000

Pricing information will be gathered through an approved process such as sealed bids, price negotiations, written quotations or telephone solicitation. Rock Island vendors will be included in the solicitation. The purchase will be made from the vendor who offers the lowest price in substantial compliance with the bid specifications. All purchases must be approved by the responsible department or division manager. The department manager may reject any and all bids and waive technicalities in the bidding process.

Category D: Goods and Services with a Cost less than or equal to \$500 \$5,000

Purchases may be made without price solicitation with the approval of the responsible supervisor. Purchases should be made from Rock Island vendors if they provide competitive pricing.

The authorization of the City Council can be replaced by the Library Board, Police Pension Board, Fire Pension Board or the Park Board, and the City Manager authorization can be replaced by the Library Director and the Parks and Recreation Director for their respective operations.

For the purpose of determining which purchase category to utilize, a cost is assumed to be the invoice cost. For example, the purchase of ten (10) items with a unit cost of \$200 a piece would be one Category C purchase rather than ten (10) Category D purchases.

Purchasing Policy Exceptions

Exception #1: Emergency Purchases

Description:

The acquisition of goods and services when following the normal acquisition procedures would create an unacceptable delay in resolving an emergency situation. A delay is unacceptable if it would create an environmental hazard, place the public at risk, lead to increased damage to public facilities or create a significant inconvenience for the public. Examples include water or sewer system leaks and the unexpected failure of critical equipment or facilities.

Alternate Procedure:

The necessary goods and services will be acquired as quickly as possible. In the case of construction services, the repair contractor will be selected from the rotating list of contractors maintained for that purpose and paid on a time and material basis as defined in the City's standard specifications. Goods and other services will be acquired from the vendor that can make the earliest delivery at reasonable prices.

Approval Process:

The initial acquisition will be approved by department manager. If the acquisition cost exceeds ~~\$2,500~~, **\$10,000**, the bill or bills will be presented to the City Council for approval prior to payment. If the cost is less than ~~\$2,500~~, **\$10,000** the bill or bills will be paid through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #2: Moving Expenses

Description:

Direct payments to moving vendors or reimbursements to employees that result from expenses incurred while moving their household possessions to the Quad Cities to begin employment with the City.

Alternate Procedure:

If possible, three (3) competitive quotations will be secured for services that exceed ~~\$500~~ **\$5,000**.

Approval Process:

The amount of the moving allowance will be approved by the City Manager. The initial acquisition of the services will be approved by Personnel Director. Bills in excess of ~~\$2,500~~ **\$5,000** will be presented

to the City Council for approval prior to payment. Bills that are less than ~~\$2,500~~ **\$5,000** will be paid through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #3: Travel and Training Expenses

Description:

Costs incurred while traveling on City business and participating in training authorized by the City.

Alternate Procedure:

The City's regular Travel Policy will govern all purchases.

Approval Process:

Payments will be approved by the department manager. Bills will be paid through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #4: Payroll Payments

Description:

Payroll costs for employees authorized in the current budget.

Alternate Procedure:

Paychecks will be issued to employees at the end of the week following completion of a pay period.

Approval Process:

A payroll report will be approved by the Finance Director and presented to the City Council after payment.

Exception #5: Utility Bills

Description:

Bills for natural gas, electricity and communications services, such as cellular telephones, pagers, long distance telephone and local telephone.

Alternate Procedure:

Utility bills in all amounts will be processed through the normal accounts payable process.

Approval Process:

Payments will be approved by the Finance Director and information about the payments will be presented to the City Council after payment along with the other routine accounts payable.

Exception #6: Health Insurance Reimbursements

Description:

Reimbursements to the City's health insurance providers for payments made to medical professionals and program participants.

Alternate Procedure:

Individual payments are governed by the rules and regulations controlling the health insurance program.

Approval Process:

The Finance Director will approve payments to medical providers and information about the payments will be presented to the City Council after payment along with the other routine accounts payable.

Exception #7: Contract Payments except for Contracts for the Construction of Capital Improvements

Description:

Partial and final payments on all contracts, purchase orders, and agreements that have been previously approved by the City Council, unless the payment causes the total contract amount to exceed the original authorization by more than ~~\$2,500~~ **\$5,000**.

Alternate Procedure:

Payments in all amounts, unless the original contract amount will be exceeded by more than ~~\$2,500~~, **\$5,000**, will be processed through the normal accounts payable process.

Approval Process:

Contracts exceeding ~~\$2,500~~ **\$10,000** will be approved in advance by the City Council. Information about the payments will be presented to the City Council after payment along with the other routine accounts payable.

If a payment will cause the original contract amount to be exceeded by more than ~~\$2,500~~, **\$5,000**, it will be submitted to the City Council for approval prior to payment.

Exception #8: Contract Payments for the Construction of Capital Improvements

Description:

Partial and final payments on all contracts for capital improvements.

Alternate Procedure:

The City Manager or Public Works Director shall authorize all change orders on contracts for the construction of capital improvements.

Approval Process:

Partial and final payments on all contracts for capital improvements will be submitted to the City Council for approval prior to payment. The payment request form will include a listing of all approved change orders, the original contract amount and the current approved contract amount.

Exception #9: Loans, Rebates and Refunds (except housing rehabilitation loans)

Description:

Payments due through approved programs such as the Commercial and Industrial Revolving Loan Fund, the Facade Program, utility refunds, sales tax rebates, CDBG funded housing programs and others.

Alternate Procedure:

Payments will be made according to the program specific administrative procedures approved by the City Council.

Approval Process:

All payments will be made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #10: Debt Service

Alternate Procedure:

The payment schedules will be approved by the City Council at the time the debt is incurred.

Approval Process:

The payments will be approved by the Finance Director and made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #11: Landfill and Composting Facility Tipping Fees

Description:

Fees paid to landfills and composting facilities for the disposal of refuse and yard waste.

Alternate Procedure:

The unit prices for landfill and composting services will be included in formal contracts approved in advance by the City Council.

Approval Process:

The payments will be approved by the Public Works Director and made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #12: Asphalt, Ready-Mix Concrete and Construction/Maintenance Aggregates

Description:

The purchase of asphalt products, ready-mix concrete and aggregates for use in construction and maintenance activities

Alternate Procedure:

These materials are acquired on an as-needed basis from nearby vendors based upon the product needed, hauling distance and purchase price.

Approval Process:

Payments will be approved by the Public Works Director and made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #13: Internal Service Fund Payments and Inter-fund Transfers

Description:

Payments made from one City fund to another for direct services such as equipment maintenance or transfers included in the approved budget.

Alternate Procedure:

The transfers are all governed by approved and audited internal procedures.

Approval Process:

The payments will be approved by the Finance Director and reported to the City Council after payment along with the routine accounts payable reports.

Exception #14: Temporary Employment Service Payments

Description:

Fees paid to temporary employment service contractors for temporary employees working in City departments

Alternate Procedure:

Temporary service contracts are approved by the City Council and a listing of contract service/seasonal employees is included in the budget. The short term use of temporary employees to fill vacant, full time positions is approved on a case-by-case basis by the City Manager.

Approval Process:

The payments will be approved by the Personnel Director and made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #15: Bulk Fuel Purchases

Description:

The acquisition of fuel (gasoline, diesel and ethanol) for City equipment and facilities

Alternate Procedure:

These fuels are purchased as-needed on a tanker load basis from the vendor who provides the lowest delivered price. Telephone quotations are gathered for every purchase.

Approval Process:

The payments will be approved by the Public Works Director and made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #16: Grants Awarded to the Martin Luther King, Jr. Center Non-profit Corporations

Description:

Payments on all grant contracts that have been awarded to the Martin Luther King, Jr. Center, Inc 501 (c)(3) non-profit corporation governed by the Board of Directors

Alternate Procedure:

Specific payments and payment schedules are governed by the rules and regulations of the associated funding sources

Approval Process:

All payments will be made through the normal accounts payable process and the information will be reported to the Board and City Council after payment along with the routine accounts payable reports. The Board of Directors must review and approve all expenditure reports on a monthly basis.

Exception #17: Collection Agency, Ambulance Billing and Banking Services

Description:

Fees paid to contract providers for collection services, ambulance billings and banking services.

Alternate Procedure:

The unit prices or methods of payment will be included in formal contracts approved in advance by the City Council.

Approval Process:

The payments will be approved by the Finance Director and made through the normal accounts payable process and the information will be reported to the City Council after payment along with the routine accounts payable reports.

Exception #18: Payments Required by State and Federal Law

Description:

Non-discretionary payments made to comply with state and federal laws such as unemployment compensation and transfer of drug forfeiture money to the State of Illinois.

Alternate Procedure:

The payments are made pursuant to the applicable laws.

Approval Process:

The payments will be approved by the responsible department manager and made through the normal accounts payable process. The payment information will be reported to the City Council after payment along with the routine accounts payable reports.