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| <b>Title:</b>        | <b>Purchasing and Accounts Payable</b> |                    |
| <b>Authority:</b>    | <b>Shorewood Village Board</b>         |                    |

The Village Board is adopting Policy No. 21 for the purpose of establishing guidelines for purchasing and accounts payable. These guidelines have been developed to achieve the goals of these purchasing processes while balancing the need for flexibility in departmental operations.

### Overview

The goals of these purchasing processes are to achieve the following objectives:

- A. That the Village obtains high quality of goods or services at the most favorable pricing,
- B. That all purchases made are duly authorized per the criteria set forth,
- C. That State and federal regulations regarding bidding and 1099 filing requirements are followed,
- D. That payments made are correct with respect to vendor, amount and account charged.
- E. That the Village promotes open and competitive processes, which provides equal opportunity access to any qualified and interested potential vendor for the major purchases of the Village.

### Competitive pricing

In order to help ensure that the Village is getting high quality goods or services at the most competitive pricing, the following purchasing practices should be applied based upon the item's expected purchase cost, and/or nature of the purchase.

#### **General Goods:**

- 1) If the item to be purchased is under \$1,000 in value the following methods should be used:

*While there are no specific bidding processes required for this level of purchase activity, price checking should be done whenever practical.*

- 2) If the item to be purchased is from \$1,000 - \$9,999 in value the following methods should be used: *(Fuel and Salt purchases, as well as maintenance fees for computer software or equipment or software contract fees that that have been detailed in the budget are exempt from this requirement)*

*Price checking from at least 3 vendors is required to be documented for all items purchased that are between \$1,000 and \$9,999 in value. However, multiple price checking is not required when pricing is based on the bidding done by other governments, such as items purchased under State contract pricing, V.A.L.U.E. contract pricing, or other similar programs.*

- 3) If the item to be purchased is \$10,000 or more in value the following methods should be used:

*Written price quotes from at least 3 vendors are required for items to be purchased that are \$10,000 or more in value. Quotes should be based on substantially equivalent products. All quotes should be based on the minimum appropriate standard for acceptable quality. However, multiple quotes are not required when pricing is based on the bidding done by other governments, such as items purchased under State contract pricing.*

**Additional Considerations – General Goods:**

- Pricing should be considered in conjunction with obtaining the appropriate quality of goods.
- Product availability and the timeliness of delivery may also impact purchasing decisions.
- The scope of products and the efficiencies of consolidating orders may be a differential factor.
- Making quantity or bulk purchases should be considered if significant savings can be realized.
- The amount of time spent on purchasing should be commensurate with the product costs.

**Contracts:**

- 1) All contracted services, professional service agreements, or consulting agreements which have a total value of between \$2,500 - \$9,999 must use the following procedures:

*Staff shall negotiate pricing with one or more potential service providers based on the scope of services required. The terms of these agreements must be made in writing prior to commencement of services and should include timelines and deliverables.*

- 2) All contracted services, professional service agreements, or consulting agreements of \$10,000 or more; or construction contracts of \$25,000 or more must use the following procedures:

*Staff shall prepare and solicit written Request for Quotes (RFQ), Request for Proposal (RFP), or other scope of services document that may be usual and customary for the type of services required.*

*These documents will be prepared in a manner that will identify in ample detail, the scope of services including the applicable timelines and deliverables, in order to facilitate qualified potential service providers to submit bids or negotiate pricing. Any factors other than cost of services that may impact the contract award should also be clearly stated when preparing these documents so that all respondents may address these issues.*

*The Village Manager may approve contract amendments that may be necessitated due to a change of scope based on operational needs, so long as the total annual contract amount does not exceed 115% of the original agreement.*

*In certain cases, legitimate business needs may justify sole source contracting when the products or services are one-of-a-kind, proprietary, required under other agreements, are in response to emergency situations, or when other time constraints make competitive procurement infeasible. In such cases, the reasons for sole source contracting must be explained and documented, and presented to the Village Board with the request for contract approval.*

*When bidding public construction projects, staff must also follow the provisions set forth under Wisconsin Statutes s. 62.15. When making expenditures for items funded directly by a state or federal grant, staff will also adhere to the procurement provisions identified by those grantors.*

When considering multi-year service contracts in order to obtain the most favorable pricing and quality of services, initial contract terms should be limited to no more than 3 years, unless a longer term is authorized by the Village Board. Contracts with terms of less than 5 years may be administratively renewed by the Village Manager for up to a combined total of 5 years without being resolicited. In any case, all service contract performance and service needs should be reevaluated and resolicited at a minimum of every 5 years unless otherwise approved by the Village Board.

The Finance Department will be responsible to monitor all annual or multi-year contracts of \$2,500 or more that may be subject to renewal or rebidding, and include a report of such items as part of the quarterly financial reports to the Village Board.

#### Additional Considerations – Contracts:

Pricing may not be the sole criteria in selecting service providers. Contracts and proposals may also be evaluated based on a combination of factors that result in the best benefit to the Village, including but not limited to:

- The Understanding of the work required by the Village
- The Quality and Responsiveness of the proposal
- Willingness to accept contract terms or conditions
- Demonstrated competence and professional qualifications of the firm
- Background and related experience of the specific individuals to be assigned to the project
- Recent experience in successfully performing similar services / References
- Proposed methodology for completing work
- Level of staff interaction required to complete work
- To promote the use of local, small, minority-owned, and/or women-owned businesses.

#### Authorization

There are several levels of authorization that may be necessary to initiate a purchase using municipal funds. The level of authorization required will depend on which of the following conditions may apply to the purchase.

- 1) The budget is designed to provide a sufficient level of detail to provide funding authorization for most ongoing operating expenditures. If the item to be purchased is under \$5,000, and falls within budgetary limits, only Department Head approval is required.
- 2) If the item to be purchased is from \$5,000 - \$9,999 in value, or falls outside of overall budgetary limits, the Village Manager, or designee, must also approve the expenditure prior to initiating the purchase. *(Fuel and Salt purchases, as well as maintenance fees for computer software or equipment or software contract fees that that have been detailed in the budget are exempt from this requirement)*

### 3) Major Purchases:

*(In cases of emergency, or when time is of the essence, these items may be approved by the Village Manager, with a follow-up report to the Village Board at the next regularly scheduled meeting)*

#### a) Contracts for Professional Services:

In addition to the Village Manager's approval, for all contracted services, professional service or consulting agreements of \$10,000 or more in value must also be specifically approved by the Village Board. When multiple professional service contracts are awarded to any individual vendor within the same fiscal year, and the value of these contracts will cumulatively exceed \$10,000, these contracts must also be approved by the Village Board.

*(Documentation to support contract approval requests should include a proposed scope of work, including timelines and deliverables.)*

#### b) Equipment / Major item purchases:

In addition to the Village Manager's approval, items purchased of \$10,000 or more in value must also be specifically approved by the Village Board.

*(Equipment purchases that have been detailed in the budget and are within their authorized budgeted amounts are exempt from these requirements)*

#### c) Construction Contracts:

In addition to the Village Manager's approval, all construction or maintenance contracts of \$25,000 or more must also be specifically approved by the Village Board.

*(Documentation to support contract approval requests should include a proposed scope of work, including timelines and deliverables.)*

*(Smaller construction or maintenance contracts under \$25,000 may be negotiated and executed at the discretion of the Director of Public Works)*

### Additional Considerations - Authorization

- The Village Manager must pre-approve all out-of-town conference fees and travel.  
*(see also - Appendix N in the Human Resources Manual for allowable reimbursable expenses)*
- The monthly credit card report will be reviewed by the Village Manager.
- Any Purchase Orders will be issued through the Finance department as needed.
- A voucher report of disbursements will be presented to the Finance Committee and Village Board each regular meeting listing the detailed transactions processed for payment. Approval of this report by the Village Board documents that these reports have been presented.

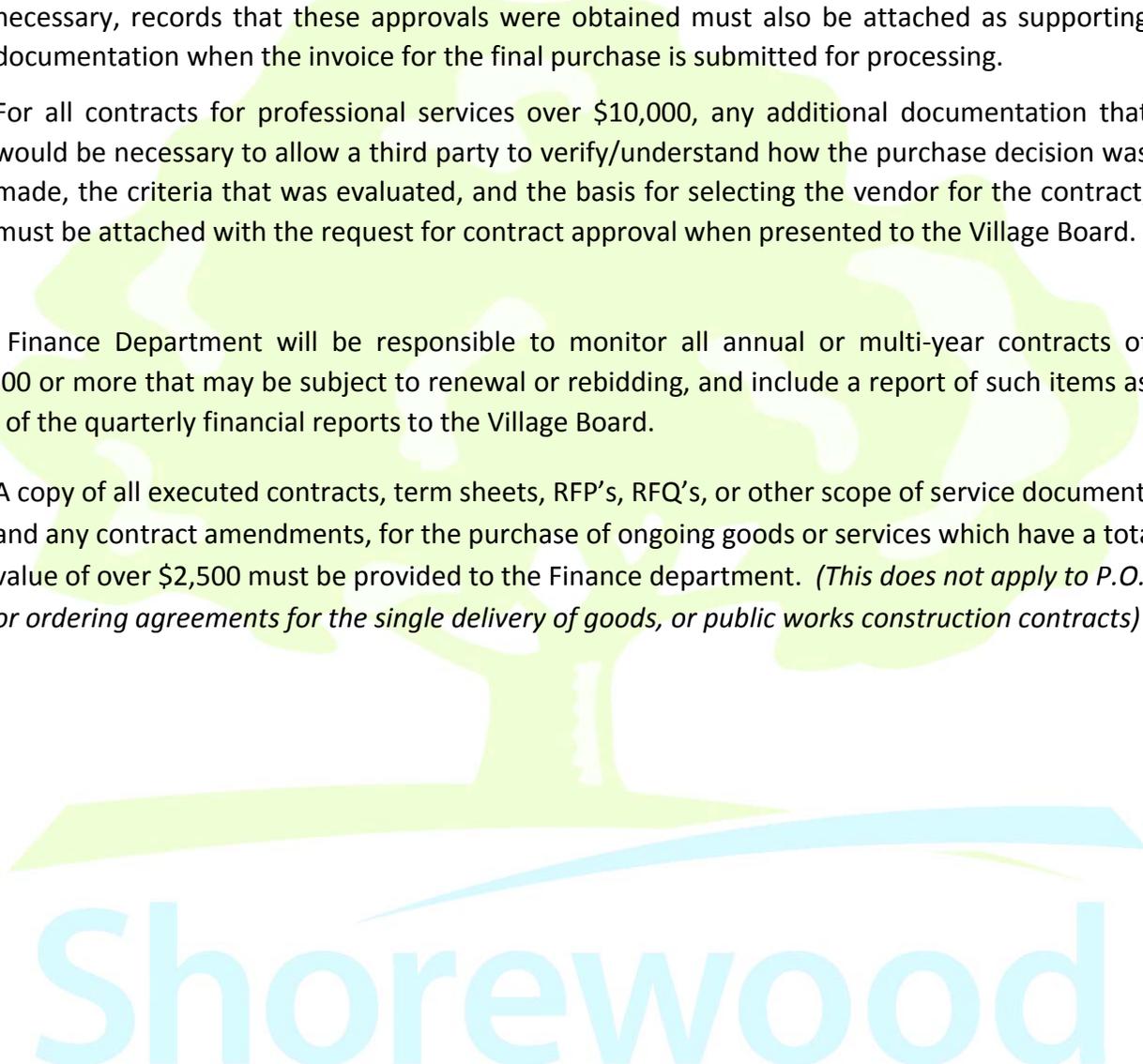
## Process Documentation

Department Heads have the responsibility for administering and documenting these purchasing practices within their respective departments.

- All price checking documentation and/or written quotes obtained for the purchase of goods for items from \$1,000 - \$9,999 in value, must be attached as supporting documentation when the invoice for the final purchase is submitted for processing.
- In cases when additional authorization other than Department Head approval may be necessary, records that these approvals were obtained must also be attached as supporting documentation when the invoice for the final purchase is submitted for processing.
- For all contracts for professional services over \$10,000, any additional documentation that would be necessary to allow a third party to verify/understand how the purchase decision was made, the criteria that was evaluated, and the basis for selecting the vendor for the contract, must be attached with the request for contract approval when presented to the Village Board.

The Finance Department will be responsible to monitor all annual or multi-year contracts of \$2,500 or more that may be subject to renewal or rebidding, and include a report of such items as part of the quarterly financial reports to the Village Board.

- A copy of all executed contracts, term sheets, RFP's, RFQ's, or other scope of service documents; and any contract amendments, for the purchase of ongoing goods or services which have a total value of over \$2,500 must be provided to the Finance department. *(This does not apply to P.O.'s or ordering agreements for the single delivery of goods, or public works construction contracts)*



# Shorewood

## Accounts Payable - Accuracy of payments

### Vendors:

All Regular Vendors will be required to have a W-9 on file prior to processing any requests for payment. When making a purchase from a new vendor, a W-9 form should be forwarded to the finance department so that the vendor can be added to the system for invoice processing.

The use of Miscellaneous (one-time) vendors is only permitted to process payments for one-time purchases of less than \$500. If a vendor is likely to be used more than once or have total payments which exceed \$500 in any 12 month period, they must be established as a regular vendor.

### Authorization:

Only properly authorized expenditures should be submitted for payment processing. Department Head approval is obtained when they approve invoices in BS&A for payment processing.

### Invoice Entry:

Departmental purchases will be entered into BS&A through the accounts payable module by departmental staff in order to process payments.

Proper invoice entry will include the following components:

- The correct vendor has been selected
- The actual invoice date and number is entered
- The correct amount of current charges (no past due amounts)(no sales tax)
- A posting date that corresponds to when the goods were received
- A due date that corresponds with the published A/P schedule for payment processing
- The correct expense account number for the type of purchase

### Supporting Documents:

To ensure that adequate documentation is attached to the BS&A invoice to support payment processing, the following items should be attached if available:

- The actual invoice will be scanned and attached to the record in BS&A. Vendor invoices must clearly state, or be supported by attachments which adequately describe, the items purchased or services performed. If services were performed under a contract agreement, the invoices or attachments should also reference information or progress on deliverables.  
*(note: statements may not be used for payment processing, but may be included to aid in totaling)*
- Proof of Purchase: the shipping document / packing slip, or pick-up receipt (as applicable)
- Any documentation (as applicable) related to authorization, competitive pricing, or other information that would be necessary to allow a third party to verify that these purchasing processes have been followed, and/or understand how the payment has been coded.

### Department Approval & Processing

All invoices must then be approved by the Department Head in BS&A to acknowledge that they have reviewed these transactions and they have been properly entered.

The department will then print (or email) an invoice register which shows the invoices to be paid for a given check run. This report, along with any stubs that should accompany the checks when payments have been processed, must then be sent to the finance department for final processing.

### Finance review:

The Assistant to the Finance Director, or other designated Accounts Payable staff, will perform a general review of the supporting documentation and the BS&A invoice entry data input by department staff and approved by the Department Heads.

Should any inconsistencies in the data entry or deficiencies in the attached supporting documentation be found, finance staff will contact department personnel in an attempt to resolve these matters.

A/P processing staff will then generate an invoice register for all payments to be made for that check run, ensuring that the total agrees to the total of all department reports. Once these steps are completed, "A/P processing" approves the invoice in BS&A.

The Finance Director, or Clerk/Treasurer as an alternate, will then review a report of all invoices that have been submitted for processing. Any additional questions will be addressed and then the invoices will be journalized and posted. This journalization serves as approval to process payments.

### Issuing Payments

Checks will then be processed based on the invoices entered. The Assistant to the Finance Director, or other designated accounts payable staff, will process checks and post those transactions to the general ledger from journalized invoices.

Note: The ability to journalize invoices rests with the Finance Director and Clerk/Treasurer, who do not have system authorization to print checks.

Payments will then be released and a voucher report of disbursements will be prepared for presentation to the Finance Committee and the Village Board.

\*Originally adopted March 2, 2015

\*Revised June 5, 2017