



<b>Policy Number:</b>	<b>5110</b>
<b>Policy Title:</b>	<b>Procurement and Payment Policy</b>

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### **1.0 Purpose**

Provide the Fair Oaks Water District (FOWD) staff with guidelines for the procurement process and payment processing. The staff involved in the procurement process is required to understand the FOWD's procurement policies and procedures and is expected to exercise due diligence and prudent judgment in making procurement decisions to avoid the appearance of impropriety, ensure transparency, and maintain public confidence in the FOWD. It is important to consider the interest of the FOWD as a public agency at all times; ensuring that the product is always obtained efficiently, effectively, but in full accordance with applicable legal requirements for public agencies.

### **2.0 Scope**

Set internal control and provide opportunities for open, transparent and competitive bidding on all procurement of goods and services for the FOWD whenever practical.

### **3.0 Definition**

The term procurement, as used in this policy, generally refers to all supplies, materials, and services acquired and paid for by the FOWD. Payroll related expenses are treated separately and are excluded from the procurement policy.

### **4.0 Ethics**

- 4.1 Ethical business standards shall govern all procurement transactions. Disciplinary action for those violating ethical business standards will be taken in accordance with applicable FOWD policy, up to and including termination of employment.
- 4.2 FOWD personnel shall not solicit or accept a gift(s) from a supplier or prospective supplier.
- 4.3 **Conflict of Interest:** It is the policy of the FOWD that its employees conduct the affairs of the FOWD in accordance with highest ethical, legal and moral standards. An employee must not be in a position to make a decision for the FOWD if his or her personal, professional, or economic interests (or those of his or her immediate and extended family member) may be directly influenced or affected by the outcome.

### **5.0 Policy**

#### **5.1 Authorization of Expenses**

- 5.1.1 Expense authority is delegated to the General Manager by the Board of Directors through the adopted annual budget.

- 5.1.2 All commitment of FOWD funds for a purchase or expense under \$10,000 require approval by Senior Management and should be a necessary cost of running the FOWD. Purchases shall be in conformance with approved budgets.
  - 5.1.2.1 Senior Management includes the General Manager and Operations Manager.
- 5.1.3 Any commitment of FOWD funds for a purchase or expense of \$10,000 and greater shall be pre-authorized by the General Manager. This pre-authorization shall be documented using a Purchase Authorization.
- 5.1.4 Any new commitment of FOWD funds for a purchase or expense of \$25,000 and greater, whether previously approved in conjunction with the annual budget or not, shall first be submitted to the Board of Directors for approval.
- 5.1.5 Contracts or Expenses already approved via Board action do not need to be placed in the warrant report for Board action.

## **5.2 Purchase Authorization Process**

- 5.2.1 Prior to making any commitment of FOWD funds, the following process must be completed.
  - 5.2.1.1 A Purchase Authorization is required to be submitted to Senior Management for approval for all purchases.
    - 5.2.1.1.1 Senior Management is defined under section 5.1.2.1.
  - 5.2.1.2 An approved Purchase Authorization is required for all contracts.
  - 5.2.1.3 For purchases not included in the approved budget or which will cause expenses to exceed the budget line item, a budget transfer must be approved by the General Manager in accordance with section 7.
  - 5.2.1.4 A list of Purchase Authorization exemptions can be found under section 5.6.

## **5.3 Responsibility**

- 5.3.1 The person submitting the request to purchase is responsible for completing the Purchase Authorization in accordance with FOWD's procurement procedure.
- 5.3.2 The person approving the Purchase Authorization is responsible for ensuring that the item is in the approved budget and funding is available, except as otherwise provided in section 5.2.1.3.

- 5.3.3 Purchases shall be made by the Purchasing Administrator unless the purchase is made using the FOWD's credit card.

#### **5.4 Blanket Purchase Authorization**

- 5.4.1 A blanket purchase authorization is a single purchase authorization issued to cover repeat purchases of the same type from the same vendor.
- 5.4.2 A blanket purchase authorization shall not exceed twelve months and shall end with the FOWD calendar year.
- 5.4.3 A blanket purchase authorization shall have a maximum dollar value.
- 5.4.4 A blanket purchase authorization can be used to for service agreements and insurance benefits or similar type of transactions.

#### **5.5 Emergency**

- 5.5.1 In case of an emergency, the General Manager and/or the President or Vice President of the FOWD Board of Directors may authorize procurement requests as needed in lieu of the above requirements. Emergency purchases exceeding \$25,000 must be authorized by a combination approval from the General Manager and either Board President or Vice President. All emergency purchases shall be reported to full Board at the next Board meeting.
- 5.5.2 Emergency situations, for purposes of this policy, shall be defined as any situation which, if not corrected immediately, includes the following:
- would result in a hazard to persons or property
  - could result in damage to buildings or facilities
  - would result in a violation of law, statute or ordinance established by governmental or other regulatory agencies, or in any other fashion, if not acted upon
  - would be seriously detrimental to the interest of the FOWD
- 5.5.3 Failure to anticipate an operating need is not, of itself, considered a bona fide emergency.

#### **5.6 Purchase Authorization Exemption (all inclusive):**

- 5.6.1 Payroll and related expenses
- 5.6.1.1 A Purchase Authorization is not required.

#### **5.7 Post Authorization**

- 5.7.1 Post authorization refers to authorization obtained after charges have been incurred.

- 5.7.2 The post authorization requires Purchase Authorization information to be completed.
- 5.7.3 Purchase Authorization information may be stamped on the invoice.
- 5.7.4 The following is a list of items qualified as post authorization.
- Bank charges
  - Postage/shipping/certified mailing
  - Utility bills
  - Petty cash reimbursement
  - Routine water sampling
  - Employee recognition items
  - Water purchase
  - Fuel
  - Chemical
  - RealQuest
  - Answering service
  - Janitorial supplies
  - Legal
  - DOT Testing
  - Meals (Board approved functions and reasonable meal purchases for employees working under emergency conditions)
  - General Office Supplies (i.e. pens/pencils/paper)
  - Emergency purchase as defined in Section 5.5

## **5.8 Bid Process**

The FOWD strongly encourages a competitive bidding process for all goods and services acquired by the FOWD whenever practical. Bid requests shall be written in a manner that encourages open competition and specifications shall be written so as to ensure the quality and features needed by the FOWD. As necessary, the FOWD shall request sample product to be examined, tested, and analyzed to determine if product meets needed specifications and quality.

- 5.8.1 Procurement for goods and services less than \$500 do not require competitive bid process. Whenever practical, price quotes should be requested.
- 5.8.2 Procurement for goods and services from \$500 - \$9,999 require a minimum of three price quote requests.
- 5.8.3 Procurement for goods and services \$10,000 and greater require a minimum of three formal written bid requests.
- 5.8.4 The FOWD shall use the formal sealed bid process for all capital improvement projects.

- 5.8.5 The FOWD shall use the formal sealed bid process for goods and services \$25,000 and greater (see sections 5.11, 5.12 and 5.13 for exceptions).

## **5.9 Formal Sealed Bid Process Guideline**

### 5.9.1 Notices/Advertisement

5.9.1.1 The FOWD shall post the bid on the FOWD's website.

5.9.1.2 The FOWD shall advertise for construction projects as required by laws and regulations. Currently the FOWD is publishing a notice calling for bids at least once each week for two successive weeks in a newspaper of general circulation published within the FOWD.

## **5.10 Bid/Proposal Selection and Award**

5.10.1 All bids/proposals shall be awarded based on the best interest of the FOWD.

5.10.2 Selection process will primarily be based on the following.

- Price;
- Quality, experience, qualification, past performance, design, work approach;
- Completeness of bid/proposal; and
- References.

## **5.11 Sole Source**

5.11.1 When no other option exists and competitive bids are not available, sole source can be used, but it must be justified in writing and approved by the Board.

5.11.2 To be considered as sole source and therefore, exempt from the bid process, one of the following conditions must be met:

- The actual product or service needed is the only one that will meet the FOWD's need/requirements at that point in time, and it can only be purchased from one source (manufacturer or distributor).
- The product or service must match or be compatible with current equipment or services.
- The product needed is required for use in conjunction with a grant or contract.
- The service needed is controlled/mandated by the local utility or government.
- An unusual or compelling urgency exists.

## **5.12 Request for Proposal or Qualification**

5.12.1 Request for proposal or qualification may be used in lieu of the bid process when selection is based on qualification, quality, experience, design, past performance, or work approach.

## **5.13 Preferred Vendors**

5.13.1 Preferred Vendors contracts are established by the FOWD for product and services needed on a regular basis. These relationships are established through a contract or pricing agreement. Preferred contract or pricing agreement must be approved by the Board.

5.13.1.1 A **contract** is established based on the results of a formal competitive bid process. The vendor(s) that are awarded contracts are determined to represent the best overall value to the FOWD.

5.13.1.2 A **pricing agreement** is established based on a negotiation between the FOWD and the vendor. Typically these agreements are established because it has been determined to be the best interest of the FOWD to establish with these vendors.

5.13.1.3 The District shall establish guidelines on preferred vendor selection process and publish a preferred vendors list on its website.

## **6.0 Contracts**

### **6.1 Contracts for Procurement of Goods and Services**

6.1.1 All contracts shall be in FOWD's approved written form. Any deviations from the FOWD's approved form shall be approved by the General Manager.

6.1.2 All contracts are to be signed by the General Manager. The General Manager can delegate this authority to the Operations Manager.

6.1.3 Any amendments to contract shall follow the same requirements as item 6.1.1.

## **7.0 Budget Transfer**

7.1 As approved by FOWD Board, the line items in the budget serve as expense monitoring tool. The General Manager is authorized to transfer the funds from the FOWD Contingency Fund as deemed necessary. Contingency Fund transfers require the Board of Directors notification.

## **8.0 Educational and Training Functions**

8.1 The Board of Directors supports FOWD paid attendance by Board members and staff at educational and training functions that:

8.1.1 Directly relate to the purposes of the FOWD or,

8.1.2 Contribute to a better understanding of broad water industry issues relevant to FOWD operations.

8.2 Board Members:

8.2.1 Board members are authorized to attend no more than three appropriate annual education and training association conferences (herein referred to as “events”) that, in the view of the Board, provide value to the FOWD, such as ACWA, AWWA, and the WEF conferences. In this regard the Board shall;

8.2.1.1 Work out a schedule of event attendance by Board members

8.2.2 New Board members are encouraged to attend the Special District’s Board Management Institute’s training program or similar program, in the first year of a new Board member’s term or, if not possible, the following year.

8.2.3 Upon returning from educational and training functions where the FOWD pays expenses, Board members shall make a brief oral or written report to the Board during the next regular meeting of the Board. Materials from the session(s) may be delivered to the FOWD office to be included in the FOWD library for the future use of Directors and Staff.

8.3 Employees:

8.3.1 Employees are encouraged to maintain professional certifications directly relating to the FOWD’s operations and attend relevant educational and training functions outlined above in sections 8.1.1 & 8.1.2. The General Manager, upon recommendation of a Department Head, may grant approval for attendance at functions meeting the test of section 8.1.1 or 8.1.2 above for employees. Employees shall follow the other provisions of this policy where appropriate. In approving and scheduling staff attendance at these functions, the General Manager shall follow the general concepts laid out in this policy regarding Board members to assure that appropriate employee attendance at such functions is allowed while reasonable economy is maintained.

## **9.0 Payment Processing**

### **9.1 Travel Reimbursement**

9.1.1 The FOWD shall pay for related business expenses for attending educational and training functions when attendance is authorized.

9.1.2 Reimbursement: Receipts are required for claimed reimbursable expense items exceeding \$10.00. A FOWD provided claim form is required for reimbursement of claimed expenses. The Finance Manager will review and



the General Manager will approve claim forms for completeness and accuracy. Claim forms for the General Manager will be reviewed by the Finance Manager and approved by the Board President. Approved claim forms will typically be reimbursed within 10 business days.

- 9.1.3 Travel Arrangements: Travel arrangements shall be made by a FOWD designated Travel Agent.
- 9.1.4 Activity Fees: Fees for attending functions will normally be paid in advance by the FOWD.
- 9.1.5 Activity Days: Paid activity days shall be limited to actual days of attendance at function, plus one travel day if needed.
- 9.1.6 Companion Travel: Companion travel and participation fees are not the responsibility of the FOWD and will not be arranged by FOWD Personnel.
- 9.1.7 Receipts: All expenses require the following written documentation on the receipt: who attended and what the business purpose of the expense was. Receipts shall be submitted to the FOWD within five business days upon return, even if a claim form is not required for reimbursement.
- 9.1.8 Travel Cost: Travel costs shall be based on actual mode of travel. The FOWD may reimburse expenses up to the cost of an unrestricted round trip coach fare airline ticket.
- 9.1.9 Auto: Personal auto use will be reimbursed based upon actual miles traveled at the prevailing Internal Revenue Service mileage rate not to exceed the price of an unrestricted round trip coach airfare.
- 9.1.10 Lodging Cost: The FOWD will pay up to the published conference rates and applicable taxes for *Host* hotel accommodations equivalent to a single room rate or IRS per diem for conferences that do not have *Host* hotel accommodations. Room vouchers or receipts are required to be submitted with the expense claim form upon return.
- 9.1.11 Meal Costs: The FOWD will reimburse for meal costs for employees traveling outside of the Sacramento area. The FOWD will use the per diem amounts as outlined by the annual Internal Revenue Service (IRS) guidelines. Employees will be provided the flat per diem stipend and no receipts will be required from the employee.
- 9.1.12 Car Rental: A car may be rented if the destination from the airport or other arrival location is beyond a reasonable limit, or other mode of transportation is not available or practical.
- 9.1.13 Other Expenses: Other incidental business expenses, including but not limited to items such as taxi fares and parking will be reimbursed at cost. A receipt will be required if any expenses exceeding \$10.00. Expenses for optional social and or non-business activities (i.e. optional activities) not included in the normal conference fee and are not reimbursable.
- 9.1.14 No tipping is allowed using FOWD money.

## **9.2 Payment Terms and Invoicing**

- 9.2.1 Vendors are instructed to send invoices directly to accounts payable for proper processing. This is the best way to ensure invoices are paid in a timely manner.
- 9.2.2 Payment Terms for invoices less than \$25,000.
  - 9.2.2.1 For undisputed invoices, the FOWD will pay outside vendors within 30 days from the date of invoice (net 30).
- 9.2.3 Payment Terms for invoices \$25,000 and greater.
  - 9.2.3.1 For undisputed invoices, the FOWD will pay invoices \$25,000 and greater upon approval by the Board of Directors. Based on section 5.1 Authorization of Expenses:
    - 9.2.3.1.1 Thus, depending when the invoices are submitted and the timing of the FOWD's Board meeting, the check processing for expenses \$25,000 and greater can take up to 60 days.
- 9.2.4 If there are disputes with the invoices, the FOWD will not issue payment until full resolution of disputes.

## **10.0 Credit Card Usage**

- 10.1 No FOWD credit cards are to be issued to Directors.
- 10.2 FOWD credit cards for management or staff usage should follow the Credit Card Policy No. 5090.

## **11.0 Check Signature Authority and Fund Transfer**

- 11.1 A resolution of the Board of Directors of the FOWD will declare persons authorized to sign on behalf of the FOWD.
- 11.2 General Fund and Payroll Accounts - All checks for payment of monies drawn on the General Fund Account shall be signed on behalf of the FOWD by a minimum of two signatures.
  - 11.2.1 For check amounts under \$25,000, any two of the following signatures are required:
    - 11.2.1.1 General Manager
    - 11.2.1.2 Operations Manager
    - 11.2.1.3 Customer Service Manager

11.2.2 For check amounts \$25,000 and greater, two of the following signatures are required, one of which must be the Board President:

11.2.2.1 Board President

11.2.2.2 General Manager

11.2.2.3 Operations Manager

11.2.2.4 Customer Service Manager

11.3 Investment Account(s) - All amounts drawn on these accounts, except transfers to the General Fund Account and Payroll Account, shall be signed by any two signatures as follows:

11.3.1 General Manager

11.3.2 Operations Manager

11.3.3 Finance Manager

11.3.4 Customer Service Manager

11.4 Transfer of funds: Transfers of funds between FOWD accounts can be executed using electronic or phone procedures by either of the following individuals:

11.4.1 General Manager

11.4.2 Operations Manager

11.4.3 Finance Manager

11.4.4 Customer Service Manager

11.5 The Board Vice-President may sign checks as an alternate to the President.