
 <p style="text-align: center;">ADMINISTRATIVE ORDER</p>	<p>Approved By:</p>  <p>City Manager</p>	<p>No. 14</p> <p>Effective Date: Original 9/30/2005 Revised 4/12/2017 Revised 1/10/2018 Revised 2/4/2020 Revised 7/17/2023</p>
<p>Subject: Purchasing and Fixed Asset Policies and Procedures Manual</p>		

PURPOSE:

This Administrative Order is issued to provide comprehensive purchasing and fixed asset policies and procedures for procuring goods and services and tracking fixed assets.

POLICY:

The Illinois Municipal Code, 65 ILCS 5/1-1-1 *et seq.*, establishes the dollar value for requiring sealed bids for public works contracts and municipal supplies. Corporation Counsel has advised that as a home-rule unit of government, the City has the authority to set its own dollar limits. The City currently uses the State threshold for sealed bids. Effective August 25, 2017, Public Act 100-0338 increased the municipal bid threshold from \$20,000 to \$25,000. The City Council may by a 2/3 majority vote waive bids and negotiate purchases.

Section 31.025 of the Highland Park Code of 1968, as amended, establishes the City Manager or his/her designee as the general purchasing agent of the City. In this role, the purchasing agent is responsible for all purchases of supplies, material and equipment as authorized by the City Council, in the manner prescribed by, and subject to the limitations imposed by law. The Deputy Finance Director has been designated as the person primarily responsible for ensuring that the City’s purchasing policies and procedures are followed.

PROCESS:

The City’s purchasing and fixed asset tracking procedures are de-centralized. Each department is given responsibility to specialize in its own procurement of goods and services, and to track assets with values of greater than \$5,000. Within each operating department, personnel have been designated by department heads to act as “purchasing agents” for the City. While each department is allowed to perform its own procurement for reasons of operating efficiency, each must adhere to strict internal controls as provided in the attached manual.

The Finance Department is responsible for overseeing the purchasing function and tracking of fixed assets carried out by operating departments.

All purchases must be authorized by the City's budget process. Proper authorization must be acquired before making unbudgeted purchases or purchases that exceed budgetary appropriations. Operating departments are required to code purchases to proper budgetary accounts and fiscal periods.

INTERPRETATION:

All questions pertaining to the meaning or applicability of this policy must be submitted in writing to the Office of the City Manager. The City Manager's Office will provide written interpretations to all departments, and these will serve as a supplement to this policy.

ATTACHMENT:

Purchasing and Fixed Asset Policies and Procedures Manual

Purchasing and Fixed Asset Policies and Procedures Manual

Adopted: September 30, 2005

Revised: April 12, 2017

Revised: January 10, 2018

Revised: February 4, 2020

Revised: **July 17, 2023**

INTRODUCTION

The purpose of this document is to provide comprehensive purchasing and fixed asset policies and procedures as guidance to the City of Highland Park's operating departments in procuring goods and services, as well as tracking fixed assets. This manual is intended for use by City personnel as a general reference and will be revised for departmental distribution as policies and procedures require revisions or clarification.

PURCHASING FUNCTION AND RESPONSIBILITIES

Purchasing Laws and Regulations

The Illinois Municipal Code, 65 ILCS 5/1-1-1 *et seq.*, establishes the dollar value for requiring sealed bids for public works contracts and municipal supplies. The City Council may by a 2/3 majority vote waive bids and negotiate purchases. Corporation Counsel has advised that as a home-rule unit of government, the City has the authority to set its own dollar limits. The City currently uses the State threshold for sealed bids. Effective August 25, 2017, Public Act 100-0338 increased the municipal bid threshold from \$20,000 to \$25,000.

Section 31.025 of the Highland Park Code of 1968, as amended, establishes the City Manager or his/her designee as the general purchasing agent of the City. In this role, the purchasing agent is responsible for all purchases of supplies, material and equipment as authorized by the Council, in the manner prescribed by, and subject to the limitations imposed by law. The Deputy Finance Director has been designated as the person primarily responsible for ensuring that the City's purchasing policies and procedures are followed.

Payments by the City for goods and services are subject to the Local Government Prompt Payment Act (50 ILCS 505/1 *et seq.*).

Organizational Responsibilities

The City's purchasing function and fixed asset tracking procedures are de-centralized. Each department is given responsibility to procure its own goods and services and to track assets with values of greater than \$5,000. Within each operating department, personnel have been designated by Department Directors to act as "purchasing agents" for the City. While each department is allowed to specialize in its own procurement of goods and services for reasons of operating efficiency, each must strictly adhere to internal controls as provided in this manual.

The Finance Department has specific oversight responsibility for the purchasing function and tracking of fixed assets as carried out by individual departments.

Responsibilities of Department Purchasing Agents

Employees in operating departments who have been assigned purchasing duties have the following responsibilities:

Code of Conduct

- A. Promoting an understanding of sound purchasing policies and procedures throughout the department
- B. Providing aid and assistance to all areas within their department in purchasing matters
- C. Working with other departments and vendors to promote good will and a spirit of cooperation
- D. Cooperating with all departments in providing budget preparation assistance and furnishing requested information
- E. Complying with and enforcing the procedures delineated in this manual

Procurement

- A. Determining the most efficient and economical means of securing goods and services without sacrificing necessary control and good purchasing practice
- B. Verifying that vendor invoices reflect the City's sales tax exemption (a copy of the City's Tax Exemption letter from the Illinois Department of Revenue is in the Forms section of the Appendix)
- C. Where applicable, purchasing recycled materials and products
- D. Assisting in developing of standardized specifications for commodities and services for use within their departments, where practical
- E. Consolidating like or common items to obtain maximum savings
- F. Soliciting and evaluating bids
- G. Adhering to authorization procedures outlined in this manual
- H. Preparing and processing purchase requisitions and related documents
- I. Establishing and maintaining current bidder lists

Receiving

- A. Accepting, or causing to be accepted, all deliveries of goods or services
- B. Assuring that all goods or services, which require testing or technical approval, receive such testing or approval
- C. Verifying that deliveries match orders.

Inventory Control

- A. Following inventory procedures and property control measures for all City property

- B. Maintaining required fixed asset records
- C. Disposing of surplus City property after obtaining necessary approvals

Records

- A. Generating and maintaining all files necessary to prove compliance with the City's purchasing requirements as delineated in this manual
- B. Ensuring that purchasing records are open and accessible to the public in accordance with the Freedom of Information Act.

Visits by Sales People and Vendor Representatives

- A. In order to maintain current knowledge of the marketplace, purchasing agents are encouraged to meet with sales representatives. Visits should be limited to normal business hours and be by appointment when possible.

PURCHASING POLICIES

All purchasing functions shall comply with good purchasing practices, applicable City ordinances, state and federal laws, and procedures as set forth in this manual.

Purchasing Policy:

- A. All requests for prices and/or services, and all purchases shall be made by the purchasing agent without regard to race, religion, color, national origin, ancestry, sex, age, disability and in accordance with this manual.
- B. No employees shall receive any benefit or profit from any contract or purchase made by the City.
- C. Acceptance of gifts at any time, other than minor advertising novelties and food, shall be prohibited. No City personnel shall be obligated to any vendor and must not conclude any City transaction from which they may personally benefit directly or indirectly.
- D. Purchasing agents shall maintain strong professional and cooperative relationships with vendors of proven ability and with those who have a desire to meet the needs of the City. To accomplish this, purchasing activities shall be conducted so that the vendors will value City business and be encouraged to make every effort to fulfill City requirements based on quality, service and price.
- E. The City shall buy only from vendors who have adequate financial strength, high ethical standards, and a record of adhering to specifications, maintaining shipping promises, and giving a full measure of service. New vendors will be given due consideration, as multiple sources of supply are necessary to insure the availability of goods and services.
- F. The City shall obtain disclosure from qualified bidders who are prior City employees by RFQ or RFP requirement as follows: all qualified bidders who employ a principal or other individual in a decision-making capacity, who was employed or contracted by the

City for the preceding 12-month period, are required to disclose the individual's name, title and dates of service with the City, along with a description of any work which the employee performed that is related to the subject matter of the solicitation for quotes/proposals while employed with the City such as development of the RFP or RFQ for the current purchase. Such disclosure shall be contained in the qualified bidder's quote or proposal, as appropriate, for all formal buying methods listed in section I below.

- G. All qualified bidders shall be afforded equal opportunities to quote and shall be compared on equal terms in accordance with established guidelines as outlined within RFP.
- H. Purchasing agents shall not knowingly initiate a purchase order when there is a conflict of interest. All known or suspected conflict of interest situations shall be referred to the City Manager's Office.
- I. Purchasing methods are categorized as informal and formal buying. Informal buying includes taking telephone bids, obtaining prices through catalogs, and receiving letter quotations. Formal buying includes the letting of sealed bids, requests for proposals, and requests for quotations. Purchases fall into three basic monetary categories and require the following as a minimum:

Amount	Purchasing Method	Authorization	Approval
Up to \$9,999	Obtain informal quotes	Department Purchasing Agent	Department Director or Designee *
\$10,000-24,999	Obtain written quotes	Department Director or Designee	City Manager or Designee *
Higher than \$25,000	Sealed bid or Council waiver	City Manager or Designee	City Council

* All contracts or agreements for the purchase of goods or services in any amount must be executed by the City Manager, unless the City Council expressly designates an alternate City employee to execute a particular contract or agreement on behalf of the City. See "Execution of Contracts" below.

The City Council has final approval of all expenditures first by approving the budget and then, through periodic warrant lists, approving bills and payroll. Purchases exceeding \$25,000 shall be approved via "Request for Council Action" prior to obligating City funds.

To enable the department to obtain the best available price, like goods and services shall be combined into a single purchase order whenever possible so that volume buying savings may be achieved. No purchase shall be divided to circumvent the purchasing method or approval requirements of this section.

All unbudgeted purchases should be approved by a department's Director or Deputy Director. (Refer to "Emergency Purchases" section)

Informal Buying

If a supplier is recommended who has not quoted the lowest price, the department shall document the reason for not choosing the supplier quoting the lowest price. If the purchase

is for a routine operating good or service, the price comparison needs to be performed once during the fiscal year.

Small-order purchases up to \$10,000 do not require formal bids; informal telephone, internet, or written price quotes are acceptable. Three price quotes should be obtained and included in the requisition.

Purchases over \$10,000 and less than \$25,000 do not require formal bids; however, in addition to complying with stipulations outlined above, Staff should attempt to obtain at least three price quotes. Copies of the written quotes should be maintained by the requesting department.

Exceptions to obtaining price quotes from more than one vendor may occur, in the event:

- A. There are a variety of numerous items in the order, e.g. office supplies;
- B. Specifications are detailed or based on a proprietary vendor;
- C. A governmental consortium or State of Illinois bid process is used;
- D. Item is highly unique and/or specialized;
- E. Other vendors are located outside the State of Illinois; and/or
- F. Product is only available through a sole authorized vendor.

Exceptions should be noted on the Quotation Form.

Formal Buying

In addition to complying with stipulations outlined above, the following procedures must be followed for procurement of goods or services greater than \$25,000, unless the City Council waives bids by a 2/3 majority vote in the manner provided by State law. The requesting department should consult with Corporation Counsel prior to placing a "Request for Council Action" for the waiver of bids on a City Council agenda. A notice to bidders, "Invitation for Bids", must be advertised locally or posted on City's website, in the "Bids & RFP Opportunities" page. Information contained in the advertisement shall include:

- A. A detailed description of the commodity or service desired. A general description may be included in the advertisement if a location for obtaining more detailed information is given.
- B. Notification that only sealed bids shall be evaluated
- C. Bonding and insurance (if labor is required) requirements, if any
- D. Time, date, and place of bid opening. The date of the bid opening shall not be less than ten working days after the advertising date. In the case of construction bids, the date of the bid opening shall be not less than five working days after the advertising date.

Copies of bid notices shall be mailed to vendors the week the notice is published by the department making the purchase. Contract documents are available to all interested bidders in the office of the person authorized to administer the bid. If copies of contract documents

are costly to reproduce, a non-refundable fee will be required of contractors. Contract documents may include:

- A. Invitation for Bids or Request for Proposal
- B. Instructions to Bidders
- C. Contractor's Proposal
- D. Performance Specifications
- E. Hold Harmless Agreement
- F. Performance and Payment Bond Agreement
- G. General Conditions
- H. Drawings
- I. Addenda (e.g. Insurance)

Electronic bid submission and opening is preferred. City uses QuestCDN for electronic bidding. Bids must be opened promptly at the time and on the date advertised in the notice to bidders.

Bids received after the time and date specified will be returned unopened. The applicable Department Director or designee is responsible for ensuring that the proper procedures are followed throughout the bid process. If vendor is declaring a sole source provider, such proof shall be submitted with bid proposal.

It is proper business procedure to notify all vendors who submitted either verbal or written bids that they were not the successful bidder. This is the responsibility of the requesting department.

It is City policy to use cooperative purchasing processes with other units of government whenever beneficial. In the event the City is able to independently obtain a separate, lower-priced quote for goods or services that is than the bid selected by the cooperative purchasing process, the separate quote shall be accepted, provided that all of the specifications of the bid have been met. Acceptance of such a separate quote does not require a formal waiver of the bidding requirements of this Purchasing Manual.

It is also City policy to accept bid security to ensure that the low bidder is earnest in his or her intent to enter into a contract with the City. If the low bidder chooses not to enter into a contract after being awarded the contract, the City has the right to retain the deposit.

The bid security is acceptable as either a Bid Bond or a "Certified" or "Cashier's" check. The check will be held at the applicable department in a secure location for safekeeping until the contracted work is completed.

The department making the purchase prepares a "Request for Council Action" listing all bidders for Council approval of the final bid. A copy of the contract documents must be kept on file at the department and should be maintained for City and public review. When possible, the City's standard short form contract (boilerplate provided by Corporation Counsel) should be used.

Once the Council approves the award of a contract, the Mayor or City Manager signs the contract documents. Copies are forwarded to the contractor, applicable department staff, and the City Clerk.

Professional Services

Professional services (i.e. engineering services) are generally contracted through a Request for Proposals (RFP). The RFP process generally follows the formal buying procedures outlined above, except that the City is not required to award the contract to the lowest responsible bidder, but may consider quality and other performance factors in making a contract award. A Request for Qualifications (RFQ) or similar service such as Request for Inquiries (RFI) may be conducted as an alternative and/or complementary step to the RFP process. For State or Federal funded grant projects, where applicable, the RFQ and/or RFP process shall adhere to IDOT's Bureau of Local Roads and Streets Manual or equivalent

Professional service retainer contracts may be awarded via the RFP process for a specified time period. As stated in the Request for Council Action prepared by the department and approved by the City Council, higher dollar thresholds may apply to these contracts.

Execution of Contracts

Other than the City Manager, no City employee may enter into a written contract or agreement on behalf of the City for any purchase of goods or services, except upon express authorization by the City Council. Pursuant to Section 30.070 of the City Code, only the City Manager may execute contracts and agreements for the purchase of goods or services, in an amount not to exceed \$25,000, without City Council approval.

Emergency Purchases

Emergency purchases shall be authorized only by the City Manager's Office based on his/her decision that the delay incurred by following the requirements of the City's purchasing policies would be detrimental to the City. The requesting department shall, in writing, certify the vendor's name and approve the vendor request for payment, noting such as an emergency purchase.

City Credit Cards

City credit cards are issued to certain City employees to be used for official city business (i.e. travel, internet purchases, etc.) only. Each card has a limit (\$1,000/\$5,000) which is paid in full by the City each month. An increase in this limit must be approved in writing by the City Manager's Office. Receipts for all charges must be submitted to Accounts Payable. Upon receipt of the monthly statement, each operating department is responsible for entering a purchase requisition for all charges in order to initiate payment. Upon issuance of a purchase order, a copy of the billing statement and all receipts shall be submitted to Accounts Payable. It is imperative that receipts be sent in a timely manner to avoid finance charges. If a finance charge is incurred, it will be charged to the department responsible for the delay.

Under no circumstances may City credit cards be used for personal purchases or cash advances. Charges must also be in compliance with the City's Travel Policy. If it is determined that a card has been used inappropriately, the card will be immediately cancelled and full reimbursement for these charges will be made to the City. If a card is lost or stolen, or a cardholder is no longer employed by the City, the Finance Department should be notified immediately so that the card can be cancelled. Employees may not allow other individuals

to use their credit card unless prior authorization is obtained from their Department Director or the Finance Director.

Cardholders must ensure the physical security of City credit cards and must protect the account number and other City credit and billing information.

The City of Highland Park is tax-exempt. Whenever possible, the employee should make their credit card purchases with a vendor whom the City has an account to avoid having sales tax charged. If the City does not have an account with the vendor, the employee should provide the vendor with a completed tax-exemption form obtainable from the Finance Department prior to the purchase.

Store Accounts

The Finance Department must approve all store accounts and will maintain a list of store accounts that have been established. When an item or service is purchased on account, the employee making the purchase must show the vendor a City Identification Card. The receipt for this purchase, with the purchaser's name and the system generated purchase order number printed legibly on it, must be attached to the invoice which is sent to Finance for payment. If the purchasing department does not receive the invoice, the receipt, with the purchaser's name printed legibly on it, must be sent to Finance once the purchase requisition has been entered into the computer system and a purchase order has been issued.

Internet Purchases

Purchasing via the Internet is encouraged if the final price (including shipping) provides a cost savings to the City. These purchases shall be paid for with the applicable Department Director's City credit card.

No City credit card or billing information may be used for Internet purchasing, unless the purchasing web site is sufficiently secure and properly encrypted to protect this information.

City-Wide Suppliers

The Finance Department will periodically send out bid invitations to suppliers of commonly used supplies and will inform other departments which vendor will offer the City the best overall price on these products. Departments are encouraged, but not required, to use these vendors for their purchases.

Local Vendors

When all other terms and conditions are equal, preference will be given to vendors whose businesses are located in Highland Park. However, this preference will not adversely affect quality, service, or price consideration.

Cooperative Purchasing

The City engages in cooperative purchasing arrangements to seek lower prices through combined specifications and larger volume. In addition, cooperative purchasing may reduce duplication of effort and administrative costs.

Certain agencies, such as the Northwest Municipal Conference (NWMC) and the State of Illinois, initiate their own cooperative purchasing programs. NWMC offers a list of

commodities and vendors who offer discounts to NWMC members that otherwise would not be available. The State offers joint purchasing opportunities from vendors that are awarded contracts through its Central Management Services (CMS) procurement division. Commodities, such as salt, and equipment (e.g. duplicating machines, squad cars) may be procured at a significant discount.

Another example of cooperative purchasing is an arrangement between the City and another governmental entity to purchase goods jointly to obtain a volume discount. One party purchases the goods via contract with the vendor, while the other party reimburses a pro rata dollar share of the total purchase. While cooperative purchasing can be advantageous, price comparisons should be obtained. In some instances, a formal intergovernmental agreement prepared by Corporation Counsel may be necessary. Departments are encouraged to seek out cooperative purchasing arrangements with other Highland Park governmental agencies and other municipalities.

Other

All rebates, refunds, allowances, and gratuitous commodities shall become the property of the City.

Rental and lease-purchase contracts for personal property may be issued when financial considerations or time usage dictate that this arrangement, as opposed to outright purchase, is more advantageous to the City. Any such contract which exceeds purchasing limits must be approved by the City Council, with the exception of short-term daily rental of equipment.

The Finance Director shall approve any rental or lease-purchase contract that exceeds \$5,000.

It should be noted that the City maintains various ongoing relationships with certain vendors year after year. Departments are responsible for conducting periodic reviews to ensure that the City's pricing remains competitive.

PURCHASING PROCEDURES

Purchase Requisitions

Purchase requisitions originate in the department making the purchase.

A. Authorization

The purpose of a purchase requisition (PR) is to formally request purchase of a service, commodity, or capital good by an operating Department. Authorization by appropriate designated personnel is a requirement for processing a PR (refer to Purchasing Policy, paragraph H).

B. Information

The following information appears in a purchase requisition (PR):

1. Requisition Number
2. Date

3. Fiscal Year
4. Description
5. Requestor
6. Approval Queue
7. Purchase Order Type
8. Item Type
9. Quantity, Unit of Measure, Extension
10. Item Description
11. Fixed Asset Indicator
12. Account Number and Project Accounting Identifier
13. Supplier Information

C. Support for a PR – kept at the requesting department

Quotation Form, when applicable (refer to Informal Buying section)

Items listed under Formal Buying, in addition to:

- Material Purchase Control Document
- Waivers of Lien
- Change Orders

D. Finance Department Review

The Deputy Finance Director reviews all Department purchase requisitions greater than \$2,500 for the following:

- Account number charged
- Proper department approvals
- Dollar amount for cash management purposes

Once the Deputy Finance Director approves the purchase requisition it is forwarded to the purchasing clerk, who generates the purchase order.

If a requisition is disapproved, the person initiating the requisition is to be notified as soon as possible with the reasons for disapproval. Some common reasons for disapproval may include:

1. Purchase request from an unauthorized source
2. Purchase in excess of ordinance amount
3. Unbudgeted purchase with no authorization
4. No funds available
5. State Purchasing available
6. Item already in stock/supply

Purchase Orders

The issuance of a purchase order (PO) legally authorizes the supplier to provide the goods or services requested by the Department. The purchase order is the primary document that initiates one or more of the following:

- Vendor order and delivery of goods or services
- Processing for payment of vendor invoice
- Encumbrance of an appropriated account

A. Authorization

Purchase orders are created by the Finance purchasing clerk, who will notify departments that their requisition has been assigned a purchase order number. Depending on vendor requirements, a hard copy of the purchase order may be sent to the vendor.

B. The following information appears on a purchase order:

1. Date
2. Operating Department Requesting Purchase or Payment
3. Purchase Order Number
4. Supplier's Name, Address, and Vendor Number
5. Destination
6. Quantity of Goods
7. Description of Goods:
 - a. Model or catalog number
 - b. Weight and/or measurements
 - c. Color, if required
 - d. Brand
 - e. Description of item
8. Account Number and Project Accounting Identifier
9. Unit Price
10. Total Price
11. Discount, if applicable
12. Freight charges

Assignment of purchase order numbers and vendor numbers is controlled by the Finance Department, and occurs sequentially by the automated purchasing system.

C. Receiving Procedures, Invoices and Progress Billings

When placing an order, the purchasing department should give the applicable department's address as the delivery location. The vendor sends an invoice to the receiving department. The department must verify receipt of the good or acceptance of the services provided. Invoices and progress billings for work not yet completed

are reviewed by the foreman, supervisor, or project manager and by executive and senior management of the department. The purchase order number is then written at the top of the invoice along with the word "partial" if the invoice is not for the whole purchase order amount or "final" if there were numerous invoices for the order and there is not expected to be additional invoices. This invoice is then sent to the accounts payable clerk in the Finance Department. As a control measure, the purchasing and accounts payable clerks will not process an invoice for payment when the following is received by the department in place of an invoice:

1. Repair or service order form
2. Statement of account
3. Second notice of invoice
4. Photo or fax copy of an invoice

D. Discounts

1. Cash discounts are allowable deductions from a purchase price only when payment is received by the vendor within a designated period (i.e. 2% discount if payable in 10 days). When cash discounts are available, departments process the invoice immediately upon receipt by forwarding it to Accounts Payable. Accounts Payable issues checks on a priority basis for those invoices offering cash discounts, and mails payment to vendors within the designated discount period.
2. Quantity discounts or competitive discounts are deductions from an established price (refer to Pricing) and not contingent upon prompt payment of vendor's invoice. Such discounts can range from 5% to 45% depending upon the vendor's willingness to obtain the City's business. All departments should inquire if discounts are available and include such information, when applicable, on the Quotations Form.

All departments should take advantage of cash discounts and coordinate with Accounts Payable to process invoices within the permissible discount periods.

3. Government discounts are frequently available. All departments should routinely inquire about special government pricing.

E. Freight

All Departments are required to establish freight terms when placing an order with a vendor, and to avoid freight charges whenever possible. Terms for freight delivery are usually "free on board" (F.O.B.) at a specific location (e.g. vendor's plant) and should be shown clearly on the purchase order. F.O.B. point is the point at which title of ownership for goods transfers to the purchaser, and responsibility for freight charges, insurance and applicable taxes is established.

If goods are shipped F.O.B. from a vendor facility, the vendor's obligation has been met once they have shipped the goods as ordered within the agreed upon time. The vendor has no obligation for the goods once they are placed with the carrier.

The common carrier's obligation is to deliver the goods to the City (purchaser) undamaged and without unreasonable delay in shipment.

Typical freight terms are as follows:

1. Prepaid - Ownership remains with the vendor until goods are delivered to the destination and the vendor prepays freight charges
2. Freight Allowed - Ownership of goods transfers as soon as goods are taken by common carrier; seller, however, agrees to reimburse the buyer for freight charges
3. Delivered - Ownership does not transfer until buyer receives goods; seller pays freight charges
4. F.O.B. Shipping Point, Freight Prepaid - same as Freight Allowed, except seller agrees to prepay freight charges
5. F.O.B. Shipping Point - Ownership of goods transfers to buyer when common carrier takes goods; freight charges paid by purchaser

Discount and freight terms must be stated explicitly on the purchase requisition and purchase order. Freight charges are often not known at the time an order is placed, but is included later in the vendor invoice. Accounts payable adds freight charges as a change to the original purchase order during the payment process.

F. Change Orders

A change in price or terms to the original purchase order, greater than 10%, should be processed through the purchasing clerk in the Finance Department. The authorized approving agent in the purchasing Department must notify the Finance Department to place a change order providing the original PO number. If a change order causes the total order to exceed Council's previously authorized amount, City Council approval is necessary for the change order. Change orders are limited to one (1) per purchase order and no more than 20% of the original amount. Should additional change orders or a change order exceeding 20% of the original amount be needed, a new purchase requisition must be entered.

G. Blanket Purchase Orders

A blanket purchase order is a standing order established at the beginning of the fiscal year, or at the start of a new repetitive purchase, for the full year's appropriated dollar amount. It states the terms and conditions applicable for all purchases made during the year. Price information may be stated for a shorter, specified period of time, and a change order may occur as prices change. The blanket purchase order may or may not be backed up by a contract. Because the same purchase order number is used for each order placed during the year, there is less paperwork for the Departments. The requesting Department monitors blanket purchase orders for price changes and dollar limits and initiates a change order when necessary.

Blanket purchase orders are especially useful when the order is for items whose terms and conditions, including price, have been established for the fiscal year, e.g. insurance contracts, or when items purchased are routine, small, high-volume transactions (e.g. snow removal, copy paper, uniforms).

H. Maintenance Contracts

Maintenance contracts are routinely processed and administered through departments responsible for the acquisition and maintenance of items necessitating such contracts. Most maintenance contracts include renewal options that will be processed through City Council if the aggregate annual value exceeds \$25,000.

Smaller maintenance contracts are incorporated into the applicable department budget and managed as all other expenditures.

FIXED ASSET PROCEDURES

Acquisition and Depreciation

The tracking of fixed assets requires coordination between the using or owning departments and the Finance Department. Maintaining records of assets and obtaining their recovery values are the responsibility of the respective departments. At the time of acquiring fixed assets with a value of \$5,000 or more, the purchasing department marks the good as a fixed asset when entering the purchase requisition by designating the account number to be charged as one in the 7000 object series. The Finance Department updates the fixed asset depreciation annually at the end of the fiscal year.

Property control measures shall include an appraisal of all real and tangible assets over the amount of \$5,000 assigned to each Department. This appraisal shall be updated every five years. All property transfers of assets with a value of \$5,000 or greater between departments shall be recorded with the Finance Department via an Asset Disposal Requisition. Departments are responsible for updating their inventories of fixed assets at least once each fiscal year by completing a physical inventory.

For purposes of reporting infrastructure fixed assets in the City's financial statements, a threshold of \$50,000 shall be used for recording and depreciating such assets.

Disposal

It is to the City's benefit to dispose of unused or obsolete property to avoid pilferage and to retain storage capacity.

A. Asset Categories

Excess or surplus items are still useful, but no longer needed by the Department. Obsolete property is no longer useful due to technological obsolescence, wear and tear, or damage. All assets no longer needed or useful must be identified by authorized individuals in each department. Those assets generally fall in the following categories:

1. Heavy Equipment, Trucks, Vehicles
2. General Fixed Assets: office equipment, furniture, file cabinets, benches, chairs, shelves, other stationary equipment
3. Materials: fuels, waste oils, fluids, tires, pipe sections/fittings, scrap metals, telephone equipment, paper, tools
4. Computer Equipment
5. Infrastructure: streets, sidewalks, bridges, water and sewer systems

B. Asset Disposal Requisition Form

Once Departments have identified excess or obsolete assets, it is the duty of those Departments to notify the Finance Department by submitting a completed Asset Disposal Requisition form. Details should include:

1. Description of Item(s)
2. Fixed asset number
3. Serial number or Control number
4. Quantity
5. Original Purchase Date
6. Original Purchase Price
7. Original Estimated Life
8. Estimated Recovery Value
9. Method of Disposition

Items whose aggregate recovery value is under \$5,000 may be listed in the aggregate as a group. Estimated historical information for the group of items is sufficient. Items whose values are \$5,000 or greater must be listed individually. It is the department's responsibility to obtain reasonable, reliable estimated information if exact historical information is unavailable.

C. Authorization

The Asset Disposal Requisition form must be signed by the Department Director or designee from the using or owning department and forwarded to the Deputy Finance Director. A Request for Council Action and Ordinance is required to obtain Council approval of the disposition.

D. Method of Disposition

1. Recycling

The using or owning department should first consider, as in the case of furniture and office equipment, if items can be reconditioned for use within the department or elsewhere in the City. For recycled items, a Disposal form is not necessary since the asset remains useful under City ownership. However, the item must be transferred to the new department in the Fixed Asset System. The disposing Department must notify the Finance Department of the asset transfer via the Asset Disposal Requisition form.

2. Trade-In

Trading in the old asset as part of the purchase of its replacement is an expedient method of disposition. If the department decides to utilize a "trade in", the Invitation for Bid on the replacement item should include bid prices with and without trade-in. A Disposal form is required for each item.

3. Sale

- a. Trucks, Vehicles, Heavy Equipment, Computer Equipment, Materials

The State of Illinois, Northwest Municipal Conference, Lake County, and certain local municipalities periodically hold public auctions, which are publicly advertised and competitively bid. Information on items for sale include condition, mileage, known defects, and expected recovery values. Identifying and preparing disposable equipment and vehicles are handled by the Public Works Equipment division at least twice a year. Computer equipment may be sold to another governmental agency or through an established secondary market for used computer equipment.

Surplus or excess materials may be sold to another governmental agency or in the commercial market. Competitive pricing must be solicited from dealers and documented on the Disposal form. In such instances, the buyer/dealer shall issue a credit memo if practical. If not, the buyer/dealer shall issue a check payable to the City of Highland Park. Any such check shall be forwarded directly to the attention of the Finance Director. In no instance shall cash be accepted in exchange for scrap material.

b. General Fixed Assets

For those surplus or obsolete items which cannot be recycled or competitively sold, participation in periodic public sales, such as the Northwest Municipal Conference auction, is encouraged to dispose of those assets. A Request for Council Action declaring these assets as surplus should be prepared by the disposing department for Council approval.

c. Conditions of Sale

The City should clearly state in writing that it takes no responsibility and makes no guarantees on items sold. Known defects must be listed as part of general sales information to buyers. It is the buyer's responsibility to remove the asset from the auction location within a stipulated time. Sale of assets exceeding \$5,000 requires a Bill of Sale and a Hold Harmless Agreement.

d. Proceeds of Sale

A check payable to the City of Highland Park is the only acceptable form of payment. No cash will be accepted. The check should be forwarded to the Finance Department with all necessary documents. The proceeds will be credited to the "Sale of Assets" revenue account in the fund which the Department's assets reside.

e. Sale to City Employee

It is sound policy to prohibit the direct sale of surplus assets to any employee except at public auctions.

4. For assets that are not recyclable or saleable, arrangements should be made to donate them to an organization(s), dispose of them through recycling events, or have item picked up by the trash collector. A Request for Council Action declaring these assets as surplus should be prepared by the disposing department for City Council approval prior to disposal, in accordance with procedures previously outlined in this manual.

Purchasing and Fixed Asset Policies and Procedures Manual

APPENDIX

FORMS

These forms are located on the pages following this page:

Appendix 01 Form - IDOR Tax Exemption Certificate

Appendix 02 Form - Quotations

Appendix 03 Form - Signature Authorization

Appendix 04 Form - Asset Disposal Requisition

