

# Memo

Date: September 30, 2013  
To: Department Directors  
From: Michael Dane, Assistant City Manager/CFO  
Tina Bunnell, Finance Director  
Subject: Contracts and Purchase Orders

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The City Manager recently made the following public commitment regarding processes for Purchase Orders and Contracts:

“Moving forward, I will require the following:

- First, all Council-approved contracts will be reviewed by and will include the signature of one of our City attorneys.
- Second, our Purchasing Division will continue to ensure that all purchase orders reflect the contract upon which they are based.
- Third, separate expenditure accounts will be established for special projects to ensure that spending does not exceed the authorized expense.
- Lastly, failure by any employee to adhere to these procedures will result in disciplinary action.”

To communicate his intent, attached are some of our purchasing and contract procedures which should aid in the proper handling of POs and contracts.

The PO establishes the legal authority to make a purchase and must be obtained before an invoice from a vendor is issued or created and before any order is placed. The City additionally requires a PO for expenditures stemming from a contractual agreement. The only exceptions are p-card transactions.

All contracts must contain the Council's intent, be reviewed by the City Attorney, and be signed by the appropriate officials. It is the responsibility of the Department Director and the City Attorney to review a contract to ensure that the will of the City Council is contained within the contract. It is the responsibility of Department Directors to ensure that the contract goes to the City Attorney for review. It is the responsibility of the City Clerk's Office to ensure that all required signatures are obtained. It is the Department Director's responsibility to coordinate with Purchasing for the creation of a PO.

If you have a question or concern that is not addressed by these guidelines, you are encouraged to contact Purchasing or the Finance Director. You can also access the City's Purchasing Procedure Manual and Purchasing Basics document on the City's intranet under the Purchasing Department.

**Summary Purchase Order Procedures and Policy Information:**

- City Ordinance (Section 1.704) and Purchasing Policies (Page 16, Section L) requires that all expenditures must have a PO prior to any purchase. The only exception is for small purchases that allow the utilization of p-cards. The purpose of this requirement is to ensure that funds are available and to ensure that the City Council approved funds or budgeted funds are not exceeded.
- All contract POs must be set up immediately following Council approval and prior to receiving the first invoice or payment application.
- All contract POs should be set up in the amount of the annual contract cost.

Types of POs/Payment Requests	Usage
Blanket POs	Use for small routine purchases under \$500 for products, (general/office supplies), unscheduled maintenance (plumbing, electrical repairs, HVAC), utilities, postage/shipping, multi-vendor contracts (parts for inventory, etc). It is the Director's/Manager's responsibility to ensure the amount for multi-vendor award contracts does not exceed the annual amount approved by the City Council.
Regular POs	Use for all product/services purchases over with a <u>one-time payment</u> .
Inverted POs	<u>Used for partial payments/monthly contracts</u> , i.e., construction projects, copier leases, janitorial services, pest control, uniform leasing, rent, reimbursements to outside organizations, consultant fees, etc. <b>NOTE:</b> For any contract for which Council has approved a "not to exceed" amount, a PO should be established in the amount of the annual contract.
Payment Requests	Use for conference registration, professional dues and subscriptions if a p-card is not accepted.

- The Purchasing Division will continue to ensure that all purchase orders reflect the contract upon which they are based.
- Separate expenditure accounts will be established for special projects to ensure that spending does not exceed the authorized expense.
- Compliance will be monitored and failure to adhere to these procedures will result in disciplinary action.

**Contract Review and Signatures:**

- All contracts, no matter the size or type, must be reviewed by the City Attorney's Office.
- Directors and the City Attorney's Office are responsible for ensuring that the Council's will is stated in the contract.
- Directors and Staff are not authorized to sign contracts. All contracts requiring the City Manager's or Mayor signature must be presented to the City Clerk to obtain all signatures.
- All applicable signatures must be obtained prior to submitting a request for the City Manger's signature to the City Clerk, (i.e., Vendor, City Attorney, Director, Risk, etc.)

- A minimum of two originals of all contracts must be submitted for approval. One original will be retained in the City Clerk's office and the second will be routed to the vendor. Departments should keep a third signed copy of the contract reflecting all signatures.
- The City Clerk will be responsible for ensuring all signatures are included on all contracts.

For more information on Purchasing Policies and Procedures, see the following:

<http://intranet.sanangelotexas.us/FormsFolder/Purchasing/Purchasing%20Documents/Purchasing%20Basics%20011513.pdf>

<http://intranet.sanangelotexas.us/FormsFolder/Purchasing/Purchasing%20Documents/Purchasing%20Procedure%20Manual.pdf>