



PROCUREMENT PROCEDURE

SUBJECT: Decentralized Purchase Orders

No. P-7

Effective: August 22, 2008

Revised: June 1, 2013

Approved: Constance P. Sanchez
Constance P. Sanchez
Director of Finance

Date: 6-18-2013

I PURPOSE:

The purpose of this procedure is to provide instruction and guidance in performing procurement duties at the department level.

II SCOPE :

This procedure applies to all department personnel responsible for purchasing supplies and/or services for their respective department. All purchases made under this procedure must comply with Procedure P-6 Procurement Methods and Procedure P-8, Purchase Order Authority.

III DEFINITIONS:

- A. Capital Equipment: Generally, an item that has a life expectancy of one (1) or more years and a purchase price of five thousand dollars (\$5,000) or more.
- B. Decentralized Purchase Orders: The authority to obligate City funds by verbally ordering goods or services and providing a purchase order number. Necessary paperwork, including Purchasing Division approval, Decentralized Purchase Order (DPO), and quotes are retained by the ordering department in the respective files. Files are required to be retained for five years from the time of completing the transaction. Electronic Purchase orders and receivers are entered into the Purchasing Module of the Enterprise Resource Planning System (ERPS) of the City, by the ordering department.

- C. Historically Underutilized Business: Those disadvantaged businesses residing in Nueces County, listed on the Texas Procurement and Support Services (TPASS) web page. The list is updated continuously by TPASS and is therefore, dynamic.

IV. GENERAL INFORMATION:

- A. When the criteria of this instruction are met, department staff may issue the decentralized purchase order, without further prior approval in amounts less than or equal to \$1,000. This is not a blanket authorization to process every purchase in this manner. Rather, sound judgment in each purchase is necessary and is the responsibility of the department head to ensure these small dollar purchase orders are not misused. It is the responsibility of each department head to issue purchase orders only for budgeted items, for which funds are available and for items that are necessary to conduct City business.

For amounts greater than \$1,000 but less than or equal to \$3,000, staff may issue the decentralized purchase order with Department Head or designee approval. Approval will be by means of the Department Head or designee signature or by electronic workflow approval process in the City's ERPS.

For amounts exceeding \$3,000, Purchasing Division approval must be obtained. Approval will be by means of electronic workflow approval process in the City's ERPS (Purchasing level approval). For purchases of fifty dollars (\$50) and less, departments are required to utilize the City's procurement card or petty cash. See policies P-9, Procurement Card Program, and F 4.0, Petty Cash Funds.

- B. Use of decentralized purchase orders is not permitted for the following:
 - 1 Items covered by Supply Agreements established by the Purchasing Division.
 - 2 Items classified as Capital Outlay.
 - 3 Technology equipment, under the responsibility of the Municipal

Information Systems (MIS) Department, such as desk top computers, laptops, cell phones, IP phones, servers, etc. Under the authority granted through Procedure P-12, High Technology Procurement, only MIS and Purchasing personnel may utilize decentralized purchase orders for technology equipment.

- C. All items purchased by decentralized purchase orders must be budget authorized.
- D. Competitive Quotes.
 - 1. Departments purchasing by decentralized purchase orders must attempt to secure at least three (3) written quotes on each purchase greater than \$2,000. Exceptions to these are as follows:
 - a. Professional services. See procedure P-11, Selection of Professional Services.
 - b. Only bids – when multiple bids are requested but only one response is received.
 - c. Emergency purchases. Emergency Purchases less than the threshold established by state law, currently \$50,000, must be approved by the Purchasing Division (see Procedure P-3). Emergency purchases greater than \$50,000 must be approved by the City Manager (See Charter, Article X, Section 2(a)).
 - d. Only one (1) source (sole source) available. Sole source purchase less than the threshold established by state law, currently \$50,000, must be approved by the Purchasing Division. Sole source items are generally items only available from a single manufacturer. Criteria to be designated as a sole source include items protected by patents, copyrights, secret processes, exclusive distributorships and or natural monopolies. Captive replacement parts or components for equipment also meet the requirements for sole source designation.
 - 2. Decentralized purchase orders greater than \$3,000 but less than or equal to \$50,000, must be accompanied by three written quotations and must receive approval from the Purchasing Division. The exceptions enumerated above in par. (a), (b), (c) and (d) apply to

these purchases as well.

A quotation by FAX or e-mail attachment is acceptable. To be a valid offer, a written open market quotation must contain the following items:

- a. The business name and address of the firm making the offer (business letterhead).
- b. The date of the offer.
- c. A complete description of the commodity or service offered.
- d. Price.
- e. F.O.B. point. The F.O.B. point determines the point at which title transfers from the seller to the buyer. FOB Destination, freight allowed, is the preferred designation on all purchases made by the City. This designation maintains ownership with the seller until the item is delivered to the City receiving dock (location). Freight charges are paid for by the seller.
- f. The delivery date (lead time).
- g. Signature of the person authorized to make the offer. For those quotes received electronically by fax or e-mail, a scanned signature is acceptable.
- h. Addressed to the City of Corpus Christi.

Alternatively, the City's fax Request for Quotation form may be used in lieu of receiving the written open market quotation on business letterhead.

3. In issuing a decentralized purchase order for an expenditure greater than \$3,000, at least two Historically Underutilized Businesses (HUB's) shall be contacted on a rotation basis, in accordance with Section 252.0215, Local Government Code. Department are authorized to search TPASS HUB list for HUB vendors located in Nueces County for the item(s) purchased but must receive approval from the Purchasing Division prior to ordering the item(s). Instructions on searching the TPASS website for Nueces County HUB vendors are available from any Purchasing Division Buyer.

4. Acceptance of other than low bid must be justified, coordinated with, and approved by, the Purchasing Division.
- E. Departments shall avoid retail prices when possible. Ask for discounts applicable to City purchases. The City is not liable for state and local retail sales tax. Tax exemption certificates can be provided by the Purchasing Division, when necessary.
- F. City departments shall maintain their decentralized purchase order files at their respective offices. This file shall be subject to audit for compliance with this procedure.
- G. The quantities indicated on the decentralized purchase order should be only those the supplier has made available and delivered. Supplier invoices cannot be processed without release of the decentralized purchase order receiver in the City's ERPS.

V. INSTRUCTIONS:

- A. Departments needing to purchase by decentralized purchase order shall proceed as follows:
 1. No quotes are required for purchases of \$1,000 or less. Pending available funds, the using departments may obtain supplies and services from the vendor that has the item available for immediate shipment, without having to obtain pricing from another vendor. However, departments are instructed to be price cognizant of the item they are purchasing to insure the City is obtaining **the best value** for the purchase. Additionally, departments should be utilizing a rotational system that will allow all vendors the opportunities to supply the City's needs for these incidental purchases. Vendors are encouraged to contact the using departments to be placed on the rotation list for the items they would like to supply the City. An "Incidental Purchasing Contact List" is provided by the Purchasing Division to prospective vendors for reference. This is a list of department personnel that issue purchase orders for the department or are involved in the procurement process of the department.
 2. For purchases greater than \$1000 but less than or equal to \$2,000, two verbal quotes are required. Although no written quotes are required, **departments are required to** document by note to the

file the vendors contacted and to **obtain a written offer from the selected vendor to insure all terms and conditions of the sale are documented.**

3. For purchases greater than \$2000 but less than or equal to \$3000, three written quotes are required. The information required on a valid open market quote include: the quote must be addressed to the City, the quote must be on the vendor's letterhead, the quote must have a date, the quote must have lead time (the amount of time to deliver the goods), the quote must have FOB (ownership of merchandise in transit and freight terms), the quote must have a description of the product, the quote must have a price, the quote must have a signature.
4. For purchases greater than \$3000 but less than or equal to \$50,000, three written quotes are required and a Purchasing Division Buyer must approve the purchase. State law requires the City to notify Nueces County HUB vendors for purchases greater than \$3,000. Department are authorized to search TPASS HUB list for HUB vendors located in Nueces County for the item(s) purchased but must receive approval from the Purchasing Division prior to ordering the item(s). Instructions on searching the TPASS website for Nueces County HUB vendors are available from any Purchasing Division Buyer. Alternatively, a Purchasing Division Buyer will check the HUB list for any HUB vendors who sell the product the department needs. The list of HUB vendors selling that product is given to the department for inclusion on the bidders list. After initial notification, no further special consideration is given to the HUB vendor. Their offer is evaluated on the same basis as all other offers.
5. When placing the order, the department must give the decentralized purchase order number to the vendor with instructions to include the number on all correspondence, packing slips, and invoices. (NOTE: All vendors must be notified that they are not authorized to deliver any material, goods or services to the City without a purchase order number. The City will not be liable for such purchases and payments may be delayed or denied).
6. Prepare the decentralized purchase order at the time of the order. Enter all necessary information required into the ERPS
 - a. Vendor - Enter complete name and address of vendor

(supplier).

- b. Enter complete ordering department name and receiving address.
- c. Payment terms - Indicate any cash discounts for early payment.
- d. F.O.B. - If seller owns material until received by the City, terms are FOB Destination. If City assumes ownership when seller conveys material to common carrier, terms are FOB Shipping Point.
- e. Body
 - Item No. - A numerical sequence of items purchased.
 - Quantity - Enter exact quantity received of the unit indicated under unit column.
 - Unit - Enter unit of measure; e.g. each, dozen, gallon, pound, month, etc.
 - Unit price - Request seller to provide best net price, F.O.B. destination, on each item. Unit price for each item offered shall include all discounts offered and applicable freight charges. The City is not liable for state and local retail sales tax and certain use taxes. Contact the Purchasing Division for additional information if necessary.
- f. Total - the system will multiply quantity by unit price and extend amount for each item.
- g. Description - Enter complete description of material, supplies or services received. Seller catalog numbers shall be used with the description when applicable; numbers alone will not be sufficient.
- h. Comments - For purchases totaling more than, \$2,000 enter the names of bidders, the unit prices received, and the delivery dates quoted.

i. Accounting distribution - Enter complete funding information. The format provides for multiple accounts if necessary. If the complete order is to be charged only to one charge code, a single entry is required.

7. Departments will print copies of their decentralized purchase orders, route for signature authority within their department and obtain a written signature. All documents related to the purchase including written quotes and Purchasing Division approval (if required) will be maintained by the department and staff will file complete package of transaction in a safe and orderly condition. Departments are responsible for adhering to the City's record retention procedure in regards to purchasing transactions, normally 5 years.

B. Accounts Payable

Receives invoices, checks for purchase order and receiver in the ERPS and processes for payment.

C. Purchasing Division

The Purchasing Division reviews system files for compliance to procedures as required. The Purchasing Division staff will perform field site audits of department files on a routine and random basis.

VI CONSEQUENCES FOR VIOLATION OF THIS PROCEDURE

Failure to comply with this procedure will result in revocation of purchasing privileges and/or disciplinary action as the circumstances may dictate.

VII QUESTIONS REGARDING THIS PROCEDURE

Questions regarding this procedure shall be directed to the Assistant Director of Financial Services, or his designee at 826-3160.