



# The Park Board of Trustees of the City of Galveston Purchasing Policies, Procedures, and Controls Manual

Approved by: \_\_\_\_\_  
Kelly de Schaun, Chief Executive Officer

Effective Date: \_\_\_\_\_  
Board Approval Date: \_\_\_\_\_



## **Section 1. Introduction to The Park Board of the City of Galveston Purchasing Policies, Procedures, and Controls Manual**

Introduction	1.1
Bylaws	1.2
General Purchasing Code of Ethics	1.3
Nepotism	1.4
Gratuities	1.4
Kickbacks	1.4
Sequential Purchasing	1.4
Structured Purchasing	1.4
Purchase Order After the Fact	1.4
Component Purchasing	1.4
Sequential Purchase Orders	1.4
Contemporaneous Employment	1.5
Conflicts of Interest	1.5
Penalties for Failing to File a Conflict of Interest	1.6
General Policy Statements	1.7

## **Section 2. Procedures for State Laws Governing Purchases**

General Purchasing Policy	2.1
Criminal Penalties for Separate, Sequential, or Component Purchases	2.1
General Exemptions to Local Government Code 252	2.2–2.3
General Exemptions to the Park Board Purchasing Policy	2.3 – 2.4
Professional Services	2.4
Types of Purchases	2.5
Sole Source Purchase	2.5
Sole Source Purchases with Federal Dollars	2.5

Open Market Purchasing	2.5
Land Acquisitions	2.5
Personal and Professional Services	2.6
Cooperating Purchases	2.6
General Emergency Purchases	2.7
Requisition of Emergency Purchases	2.7 – 2.8
Use of Cash	2.8
Specifications	2.9
Specifications Definition	2.9
Specifications Purpose	2.9
Preparing Specifications	2.9
Purchasing for Construction Projects	2.9–2.10
Bidding Procedure	2.11–2.12
Bidding Process Flow Chart	2.13
Contracting Procedures	2.14

### **Section 3. Procedures for Purchasing by Federally Funded, Personal, Professional Services, or Third-Party Contracts**

Request for Proposal	3.1
Request for Qualification	3.1
Selection Committee	3.1
Fee Negotiation	3.1
Contract Performance and Evaluation After Award	3.2
Contracting and Delivery Procedures for Construction Projects	3.3

### **Section 4. State Law Purchasing Options**

General Requirements	4.1
Purchasing Authority	4.1
Obligation of Funds	4.1

Solicitation Guidelines	4.1-4.2
Sealed Competitive Bids/Proposals	4.2
Competitive Sealed Bid	4.2-4.3
Competitive Sealed Proposal	4.3-4.4

## **Section 5. General Accounting Purchasing Procedures**

Introduction	5.1
General Accounting Purchasing Procedures	5.2
9 Step Purchasing Procedures	5.2-5.3
Flowchart- Purchasing Process	5.4
Variations of Purchasing Procedure	5.5

## **Section 6. Detailed Procedures for Purchase Requisitions**

Electronic Requisition Process	6.1
E-Req Approval Guidelines	6.2
Flowchart E-Req Approval	6.3
Forms: Purchase Requisition Summary	6.4
Form: Purchase Requisition	6.5
4 Step Purchase Requisition Procedure	6.6
Flowchart Purchase Requisition Process Flow	6.7

## **Section 7. Purchase Orders**

Issuance of Purchase Orders	7.1
Purchase Order	7.2-7.3

## **Section 8. General Basic Purchasing Controls**

Invoice Processing	8.1
--------------------	-----



## **Section 9. Miscellaneous Procurement Matters**

Receipt of Goods	9.1
Right to Inspect Facility	9.1
Audits	9.1

## **Section 10. Purchasing Procedural Controls**

Purchasing Procedural Controls	10.1
--------------------------------	------

## **Section 11. General Computerized Purchasing Controls**

General Computerized Purchasing Controls	11.1
--	------

## **Section 12. General Accounting Purchasing Controls**

4 Steps of General Accounting Purchasing Controls	12.1
---	------

## **Section 13. In-Process Purchasing Controls**

4 Steps In-Process Purchasing Controls	13.1-13.2
--	-----------

## **Section 14. Controls for Credit Cards**

Credit Cards - Purpose	14.1
Credit Cards – Eligibility	14.1
Credit Cards – Limits	14.1
Credit Cards – Conditions of Use	14.1 – 14.2
Credit Cards – E-Reqs, Purchase Orders, and Expense Reports	14.2
Credit Cards – Cardholder Responsibility	14.2
Credit Cards – Records Management	14.3
Credit Cards – Audit	14.3
Credit Cards- Park Board Issued Credit Card Payment	14.3

  
**Section 15. Alternate Purchasing Control Systems**

Control System for Purchasing with Bids	15.1
Flowchart Control System for Purchasing with Bids	15.1

**Section 16. Fraud Related Purchasing Controls**

Fraud Related Purchasing Controls Checklist	16.1
---	------

**Section 17. Periodic Actions Purchasing Controls**

Periodic Actions Purchasing Controls Checklist	17.1
--	------

**Section 18. Stand - Alone Accounting Controls**

Stand – Alone Accounting Controls Checklist	18.1
---	------

**Section 19. Appendices**

Contract Process Checklist	19.1
Form CIS: Local Government Officer Conflicts Disclosure Statement	19.3
Galveston Park Board of Trustees – Sole Source Justification Form	19.5
Form 1295 – Certificate of Interested Parties	19.7



## **Section 1. Introduction to The Park Board of the City of Galveston Purchasing Policies, Procedures, and Controls Manual**

Introduction	1.1
Bylaws	1.2
General Purchasing Code of Ethics	1.3
Nepotism	1.4
Gratuities	1.4
Kickbacks	1.4
Sequential Purchasing	1.4
Structured Purchasing	1.4
Purchase Order After the Fact	1.4
Component Purchasing	1.4
Sequential Purchase Orders	1.4
Contemporaneous Employment	1.5
Conflicts of Interest	1.5
Penalties for Failing to Fire a Conflict of Interest	1.6
General Policy Statements	1.7

## **INTRODUCTION**

The Park Board of Trustees of the City of Galveston (herein referred to as Park Board or Board) has developed and published this Purchasing manual to operate efficiently and effectively. It recognizes and presents existing requirements from the State law and the Board policy established through Board approval that governs different types of major purchases. The remainder of the manual provides direct information and instructions by which the Chief Executive Officer (CEO) and/or the Chief Financial Officer (CFO) and their designees conduct their administrative authority in a cost-effective, legal fashion.

State law governs the significant parameters that control procurement by local governments in Texas. These requirements are found in Texas Local Government Code Chapters 252 and 271 and Texas Government Code Chapters 2254 and 2269. These laws control the formal bidding limits, define the basis for procuring different types of goods and services, and regulatory standards to ensure compliance with the competitive bidding laws. This includes Chapter 418 of the Texas Local Government Code that governs emergency management. Every purchase over **\$50,000** is governed almost totally by State law.

Federal law adds one requirement to State law where federally funded purchases are concerned. Competitive requests for proposals are required for personal or professional services procurements associated with federally funded construction projects. Federal law also requires that the Park Board Purchasing Policy be followed in situations where it is more restrictive than Federal law.

The CEO can authorize specific operations, including policy and procedure manuals, and approve purchases up to **\$9,999.99**. The Park Board has authority to authorize purchases at or above **\$10,000** and all items that are a solicitation (Bid, Request for Proposal, or Request for Qualification). Current standard operating procedures provide and apply standards for Board approved items over **\$10,000** and up to **\$49,999.99**.

Contracts are managed in the user department according to the manual, General Requirements Section, page 14. User departments are responsible for the daily management of contracts and renewals. The administration is responsible for the execution of contracts. Only the CEO or chair of the Park Board can sign contracts, thereby obligating the Park Board.

This manual contains the policies and procedures for purchasing-related activities. Its purpose is to provide guidance and instruction for all employees new to the purchasing process and a reference for staff and management.

The purchasing program's primary function is to provide cooperative assistance that is efficient and effective in obtaining the supplies and services needed. The program intends to buy these items at the lowest economical cost consistent with quality, time, and operational goals.

Legal and organizational changes and data processing improvements will bring about policy and procedural changes. Revisions will be issued that reflect these changes to keep this manual current.

**BYLAWS PERTAINING TO PURCHASING****Article III****OPERATIONS**

The Park Board may make such regulations, policies, and rules for the handling of its affairs as it may in its discretion deem advisable and shall operate and manage the system with the same freedom and in the same manner as are ordinarily enjoyed and followed by the board of trustees of a private corporation operating property of a similar nature, except that such management practices must conform to applicable law.

**Article XIV****PARK BOARD MANAGEMENT POLICIES**

Park Board management policies shall be the Park Board operations guidelines. They may be adopted from time to time by the Park Board and shall be reviewed as necessary.

**Article XVI****FISCAL YEAR**

The accounting period of the Park Board is the fiscal year beginning October 1 and ending September 30.

## **PURCHASING CODE OF ETHICS**

The Galveston Park Board is committed to the highest ethical standards. Therefore, it is a severe breach of the public trust to subvert the public purchasing process by directing purchases to certain favored vendors, structuring transactions to avoid procurement procedures or requirements, or tampering with the competitive bidding process. Misuse of the purchasing power of a local government carries criminal penalties. It can be caused by a lack of understanding or clear guidelines about what constitutes abuse of office. Therefore, the standards below must be strictly adhered to by all employees.

It is also essential for vendors doing business with the Park Board to observe the policy's ethical standards.

Employees are required to follow all applicable rules outlined in the State law and Park Board policy, as well as the ethical guidelines below. Any apparent breach of ethics will be referred to the CEO's office.

### **Ethics Statement**

Public employment is a public trust. All employees must discharge their duties impartially to assure fair, competitive access to governmental procurement by responsible contractors. They should conduct themselves in such a manner as to foster public confidence in the integrity of the Galveston Park Board.

### **General Ethical Standards**

It shall be a breach of ethics to realize personal gain through public employment with the Park Board by any conduct inconsistent with the proper discharge of the employee's duties.

No person or entity doing business with the Park Board shall influence any Park Board employee to violate the ethical conduct outlined in these procedures, State law, or Park Board policy.

It shall be a breach of ethics for any employee of the Park Board to participate directly or indirectly in a procurement when the employee knows the following:

1. The employee or any member of the employee's immediate family related by affinity or consanguinity within the first degree has a financial interest in the procurement.
2. A business or organization in which the employee or any member of the employee's immediate family related by affinity or consanguinity with the first degree has a financial interest of the procurement; or
3. Any other person, business, or organization with which the employee or any member of the employee's immediate family related by affinity or consanguinity in the first degree is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
4. Any other person, business, or organization with which the employee or any member of the employee's immediate family related by affinity or consanguinity in the first degree is negotiating or has an arrangement concerning prospective employment is involved in the procurement.

### **Nepotism**

It is unethical and a violation of Texas State Law and Purchasing Policies for any Park Board employee who knowingly initiates a procurement with a vendor business who is related by affinity or consanguinity with the first degree of the Park Board employee.

### **Gratuities**

No person or entity doing business with the Park Board, or any agent, employee, representative, or subcontractor of such person or entity shall offer any payment, gratuity, or inducement of any kind to any Park Board employee for any reason, including but not limited to any attempt to obtain a contract or other benefit from the Park Board for any person or entity.

### **Kickbacks**

It shall be a breach of ethics for any payment, gratuity, or employment offer to be made by or on behalf of a subcontractor under contract to the prime contractor or higher tier subcontractor for any contract for the Park Board or any person associated in addition to that, as an inducement for the award of a subcontractor or order.

### **Sequential Purchasing**

Purchasing the same items or type of items over a fiscal year may exceed the Board's or state's competitive procurement requirements. Although some sequential purchasing is intentional, it usually results from needs that could not be anticipated or a lack of centralization of the purchasing function.

### **Structured Purchasing**

Requesting a vendor to issue separate invoices for the same or types of items or services otherwise would be covered by a single invoice. This type of purchase is typically an attempt to circumvent the requirement to submit a requisition and receive a purchase order. In no circumstances is this acceptable.

### **Purchase Order After the Fact**

Submitting a requisition and receiving a purchase order after the goods or services have already been received or rendered. Requisitions must be submitted, and purchase orders issued before any purchases over **\$1,000** can be made. Operational needs or time sensitivity are **not** valid reasons to have a purchase order after the fact.

### **Component Purchasing**

This type of purchase is typically an attempt to circumvent bid or proposal laws or other requirements by buying an item through the issuance of multiple purchase orders for the component parts of the item versus issuing a single purchase order for the entire item. Repeated purchases of additional optional equipment or parts after the initial purchase may create the perception of component purchasing.

### **Sequential Purchase Orders**

If items or services would be bought from the same provider in a single purchase under standard purchasing procedure, the purchases may not be made under separate purchase orders to avoid the need for council approval. For example, it is not consistent with the Board policy charter to issue a **\$50,000** purchase order to the ABC Consulting Company to perform a cost allocation study for Beach Patrol and a subsequent purchase order for an amount under **\$50,000** to the same company to do a cost allocation study for Tourism Development. Nor can a department issue a **\$50,000** purchase order to a software

1.5

vendor to buy Phase I of a document management system and a subsequent **\$50,000** purchase order to buy Phase II of the same system from the same vendor. In each of the examples, it would be necessary to go to the Board to approve the second purchase order. If there is any doubt about whether a purchase is considered sequential, contact Accounting or the CFO.

### **Contemporaneous Employment**

No employee of the Park board who is participating directly or indirectly in the procurement process can become or be, while employed by the Park Board, an employee of any person or business contracting with the Park Board.

### **Conflicts of Interest**

Local government officers must complete a Conflict of Interest Statement (CIS) if they become aware of a conflict within seven (7) days of discovery. The form is included in the policy in Appendix B, page \_\_\_.

Local government officers are agents of the local government entity who exercise discretion in the planning, recommending, selecting, or contracting a vendor, a member of the governing body, or an executive officer. Agents of the government entity include employees, consultants, and Trustees. The Trustees are also members of the governing body. Executive officers are the CEO and CFO.

A family member is anyone related to the local government officials within the first degree of affinity (marriage) or consanguinity (blood)


- Parent, biological or adopted child
- Spouse, step-children, parent- in -law, spouse of children

All of these apply to former marital relationships if there is a surviving child of the marriage.

A family relationship is a relationship between a vendor and local government officer or anyone within the third degree of consanguinity (blood) or second degree of affinity (marriage) of the local government officer or vendor.

### **Local Government Officers must fill out a form if:**

1. Local government officer exercises discretion in the planning, recommending, selecting, or contracting of a vendor, **AND**
2. Local government officer has a family relationship with the vendor, **OR**
3. Local government officer or family member works for a vendor who wants to do business with the Park Board:
4. Local government officer / family member has received more than **\$2,500** taxable income (other than investment income) from vendor in past twelve (12) months, **OR**

- 
5. Local government officer / family member received gifts totaling **\$100** or more from vendor in the twelve (12) months prior to becoming aware of the vendor's relationship with the Board

*Gifts include transportation, lodging, and entertainment as a guest*

*Gifts do not include food as a guest*

Local government officers commit a crime if they knowingly fail to file the CIS form by 5:00 PM on the seventh business day, on which they become aware of the facts that made it necessary to file a disclosure. Any failure to disclose a conflict of interest will be referred to the CEO and HR.

1.6

**Penalties for failing to file a Conflict of Interest Statement are as follows:** (per Texas Government Code Section 176.013 Enforcement)

- Contract less than **\$1M** = Class C Misdemeanor
- Contract **\$1M - \$5M** = Class B Misdemeanor
- Contract **\$5M or more** = Class A Misdemeanor
- The Park Board may terminate the contract

See Texas Government Code Chapter 176. Updated by the 84<sup>th</sup> Legislature House Bill 26, effective September 1, 2015.

## **POLICY STATEMENTS**

Purchasing is a function of all Departments. Department Directors and their designees are responsible for following the Purchase Policy and are encouraged to contact Accounting or the CFO if they have questions or concerns. Several established policies guide purchasing procedures. These policies are:

All purchasing shall be under the State of Texas laws, including Chapters 252 and 271 of the Texas Local Government Code and the Park Board policies about purchasing.

All purchasing shall adhere to sound purchasing policies to ensure that taxpayers receive the best value for Park Board purchases.

Purchasing activities will be managed with proper controls. All requisitions will be processed promptly to ensure efficient practices.

When required, or preferred, a competitive bidding process, in the form of a Bid, Request for Proposal, Request for Quote, or Request for Qualifications, will be utilized to obtain purchases at the lowest possible cost and provide for an open and fair process for all interested vendors.

Any agent of the Park Board that purchases on behalf of the Park Board must attend annual training on the Purchasing Policy, scheduled by the Accounting Division. The Park Board Purchasing Policy Will be available to agents acting on the Park Board's behalf and vendors contracted with the Park Board and the Park Board's website. The Park Board shall train employees on the policy to prevent future offenses and periodically assess criminal misconduct risks within the organization.

Apparent policy violations shall be reported to the CEO's office. Employees guilty of violations of this policy are subject to disciplinary action, up to and including termination from employment.



## **Section 2. Procedures for State Laws Governing Purchases**

General Purchasing Policy	2.1
Criminal Penalties for Separate, Sequential, or Component Purchases	2.1
General Exemptions to Local Government Code 252	2.2 – 2.3
General Exemptions to the Park Board Purchasing Policy	2.3 – 2.4
Professional Services	2.4
Types of Purchases	2.5
Sole Source Purchase	2.5
Sole Source Purchases with Federal Dollars	2.5
Open Market Purchasing	2.5
Land Acquisitions	2.5
Personal and Professional Services	2.6
Cooperating Purchases	2.6
General Emergency Purchases	2.7
Requisition of Emergency Purchases	2.7 – 2.8
Use of Cash	2.8
Specifications	2.9
Specifications Definition	2.9
Specifications Purpose	2.9
Preparing Specifications	2.9
Purchasing for Construction Projects	2.9 – 2.10
Bidding Procedure	2.11 – 2.12

Bidding Process Flow Chart	2.13
Contracting Procedures	2.14

## **PARK BOARD POLICY AND STATE LAWS GOVERNING PURCHASING**

### **General Information**

The Park Board operates as a local government. It must adhere to Texas State Law that governs procurement for local governments. The policies are based on Texas State Law. Any purchases involving federal or state funding shall be made per applicable federal or state procurement requirements.

All purchasing shall be under the State of Texas laws, including chapters 252, 271 of Texas Local Government Code and chapters 2254 and 2269 of the Texas Government Code and, and the Park Board policies and procedures pertaining to purchasing.

### **Park Board – Purchasing Policy**

#### **Section 2-117. Purchasing Policies and Procedures Manual**

All purchasing and bidding shall be done in accordance with applicable state and federal law and per policies and procedures outlined in the document entitled "The Park Board of Trustees of the City of Galveston Texas Purchasing Policies, Procedures, and Controls Manual," a true and correct copy to be kept on file by Board Administration.

### **State Laws**

#### **Historically Underutilized Business**

Texas Local Government Code Section 252.0215. COMPETITIVE BIDDING IN RELATION TO HISTORICALLY UNDERUTILIZED BUSINESS.

- In making an expenditure of more than **\$3,000** but less than **\$50,000**, a municipality shall contact at least two historically underutilized businesses on a rotating basis, based on information provided by the comptroller pursuant to Chapter 2161, Government Code.
- If the list fails to identify a historically underutilized business in the county where the municipality is situated, the municipality is exempt from this section.

#### **Separate, Sequential, or Component Purchases**

Texas Local Government Code Section 252.062. CRIMINAL PENALTIES.

- A.** A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential, or component purchases to avoid the competitive bidding requirements of Section 252.021. An offense under this subsection is a Class B misdemeanor.

- B. A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates Section 252.021, other than by conduct described by Subsection (a). An offense under this subsection is a Class B misdemeanor.
- C. A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates this chapter, other than by conduct described by Subsection (a) or (b). An offense under this subsection is a Class C misdemeanor. See Purchasing Code of Ethics section, page 13, for definitions and examples of separate, sequential, and component purchases.

**Note:** *The above section applies only to the competitive procurement requirement of Texas Local Government Code Chapter 252, with a contract value of \$50,000 or greater.*

2.2

### **General Exemptions to Local Government Code Chapter 252**

Texas Local Government Code Section 252.022 exempts certain items from competitive bidding.

1. A procurement made because of a public calamity requires the immediate appropriation of money to relieve the necessity of the municipality's residents or preserve the municipality's property.
2. A procurement necessary to preserve or protect the municipality's residents' public health or safety is a procurement necessary because of unforeseen damage to public machinery, equipment, or other property.
3. A procurement for personal, professional, or planning services.
4. A procurement for work that is performed and paid for the day as the work progresses.
5. Purchase of land or right-of-way.
6. Procurement of items that are available from only one source, including items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies; films, manuscripts, or books; gas, water, and other utility services; captive replacement parts or components for equipment; books, papers, and other library materials for a public library that are available on from the persons holding exclusive distribution rights to the materials; and management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facilities to which the organization has provided significant financial or other benefits.
7. Purchase of rare books, papers, and other library materials for a public library.
8. Paving drainage, street widening, and other public improvements, or related matters, if at least one-third of the cost is to be paid by or through special assessments levied on property that will benefit from the improvements.
9. A public improvement project, already in progress, authorized by the voters of the municipality, for which funds are deficient for completing the project in accordance with the plans and purposes authorized by the voters.
10. A payment under a contract by which a developer participates in constructing a public improvement as provided by Subchapter C, Chapter 212.
11. Personal property sold, either at an auction or by a state-licensed auctioneer. Property sold at a going out of business sale held in compliance with Subchapter F, Chapter 17, Business & Commerce Code. Property sold by a political subdivision of this state, a state agency of this


state, or an entity of the federal government or under an interlocal contract for cooperative purchasing administered by a regional planning commission established under Chapter 391.

12. Services performed by blind or severely disabled persons.
13. Goods purchased by a municipality for subsequent retail sale by the municipality.
14. Electricity or advertising, other than legal notices.
15. This chapter does not apply to bonds or warrants issued under Subchapter A, Chapter 571. that expenditure than the procedures described in this chapter and the municipality adopts and uses a method described in that chapter with respect to that expenditure.
16. This chapter does not apply to expenditures by a municipally-owned electric or gas utility or unbundled divisions of a municipally-owned electric or gas utility in connection with any purchases by the municipally owned utility or divisions of a municipally-owned utility made in accordance with procurement procedures adopted by a resolution of the body vested with authority for management and operation of the municipally owned utility or its divisions that set out the public purpose to be achieved by those procedures. This subsection may not be deemed to exempt a municipally-owned utility from any other applicable statute, charter provision or ordinance.
17. This chapter does not apply to an expenditure described by Section 252.021(a) if the governing body of a municipality determines that a method described by Chapter 2269, Government Code, provides a better value for the municipality with respect to that expenditure than the procedures described in this chapter and the municipality adopts and uses a method described in that chapter with respect to the expenditure.
18. Please note that the sole source procurement has been created because copyrights or "natural monopolies" have not been reviewed by the Texas courts or the Attorney General's office.

### **General Exemptions to the Park Board Purchasing Policy**

In addition to the items exempt from Texas Local Government Code 252, the following items are exempt from the Park Board Purchasing Policy's competitive bidding procedures. All other requirements in this policy, and by law, are still applicable.

1. Travel by Park Board employees, including meals and lodging. Park Board employees should still make efforts to find the best deal when traveling. Per diem rates are still applicable.
2. Training for Park Board employees.
3. Purchasing of surety bonds or investments subject to the Park Board's investment policy.
4. Purchases of publicly provided or publicly regulated gas, electricity, water, cable TV, internet service, telephone, cellular telephone, sewer, and refuse collection services.
5. Contracts with professional entertainers.
6. Legal services for advice, consultation, and representation of the Park Board.
7. Purchases consisting of magazine subscriptions, web-based or electronic subscriptions, conference registration fees, memberships, and other similar purchases where prepayments are required.
8. Sponsorship contracts allowing a person or entity to publicize participation in city events in exchange for donations of goods and services.
9. Purchase of parts and labor or maintenance agreements to repair equipment or machinery by a franchised dealer or by a factory authorized repair shop.

- 
10. Leases, exchanges, or purchases of real property, including closing costs.
  11. Postage or shipping services.
  12. Services provided solely by other government agencies or institutions of higher learning.
  13. Contracts for professional services relying on previous professional services rendered, when the vendor providing the previous professional services can provide the additional professional services in a manner clearly less expensive and expeditious in the opinion of the Chief Financial Officer.

2.4

14. Purchases of books, periodicals, films, music, training materials, and online information services.

**Note:** Items that are exempt from the requirement to get quotes, proposals, or bids may indeed be subject to the state competitive bidding laws if the **\$50,000** threshold is met. In those instances, state law prevails over this policy. Other requirements outlined in this policy like requisitions, purchase orders, approvals, Etc., are still applicable.

### **Professional Services**

Texas Government Code Title 10, Chapter 2254. Professional Services are accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising, or professional nursing. Or; provided in connection with the professional employment or the practice of a person licensed or registered as a certified public accountant, architect, landscape architect, land surveyor, a physician (including a surgeon), an optometrist, a professional engineer, state-certified or state-licensed real estate appraiser, or registered nurse.

## **TYPES OF PURCHASES**

### **Sole Source Purchase**

Departments shall make sole source purchases under applicable Park Board, State, and Federal regulations.

Sole source purchase must include a letter from the manufacturer of the product that is (a) only available from the manufacturer because of a patent or a secret/proprietary process; (b) only available from a single distributor authorized by the manufacturer because of either of the above reasons. A Sole Source Justification Form, (see Appendices Section 19), and the manufacturer letter must be approved by Accounting Division. The Accounting Division must determine any other sole source purchase.

Prior to purchase, the user department must contact Accounting to determine the best method of purchasing or sourcing the product.

Examples of a sole source:

1. Equipment for which there is no comparable competitive product.
2. A component or replacement part for which there is no commercially available substitute and which can be obtained only from the manufacturer and/or a manufacturer's distributor.
3. An item where compatibility is the overriding consideration, such as computer operating software enhancements for an existing system.
4. Due to technically constraining factors associated with scientific research, a supply, equipment, part, service, or supplier is needed to ensure the underlying research's fairness and validity.
5. Repair/replacement parts for non-competitive equipment.
6. When work is so closely related to that of the uncompleted primary contract, continuing an existing contract would not be feasible to consider another potential contractor.

### **Sole Source Purchases with Federal Dollars**

Departments shall perform price/cost analysis on all federal funded sole source purchases prior to the purchase, pursuant to FTA Circular 4220.1F, Chapter VI, 3. i. Departments must justify sole source or single source designation to Purchasing and must obtain approval from Purchasing before a purchase order number is issued authorizing the purchase. Such items may be purchased from a sole/single source without competitive bidding only after the department head obtains written documentation of the sole/single source justification.



### **Open Market Purchasing**

Open market purchasing defined as buying goods without negotiating or signing contracts, usually in small quantities or an emergency. For example, a one-time purchase of materials, supplies, or services under one thousand dollars (\$1,000) for a particular purpose specific to the requesting departments' needs.

### **Land Acquisitions**

Any land or right of way is exempt from the bidding process by state law.

2.6

### **Personal and Professional Services**

Personal and Professional Services contracts are exempt from the competitive bidding requirements. However, departments must comply with specific Board procedures if federal funds are to be used for the purchase. These procedures are outlined in the Policy for Federally Funded Personal or Professional Services or Third-Party Contracts- see section 3 (See, also, Texas LGC 2254).

Professional services provided by or within the scope of services provided by the following are exempt: licensed physicians, optometrists, architects, certified public accountants, registered engineers, appraisers, surveyors, and tax appraisal engineers. (See, also, Texas LGC 2254)

The selection of providers will be based on the firm's competency and individuals working for the firm – not on competitive bidding. However, Request for Qualifications may be used to determine a selection of a Personal or Professional Service. Please contact the Accounting Department if an RFQ is necessary for the selection process.

### **Cooperative Purchases**

The Park Board belongs to several different Purchasing Cooperatives. These may be used to purchase goods and services for the Board. The Park Board can also choose to join another entity with an Interlocal agreement to purchase a commodity or service at a more advantageous price or with better contract terms. This method of purchasing goods and services can provide significant cost savings to the organization. If you would like to use a cooperative contract, please contact Accounting for a list of current programs available and how to purchase using this process.

## **EMERGENCY PURCHASES**

### **General**

Emergency purchases are needed to avoid interruption in Park Board services or protect public health and safety. Purchases made in emergencies are generally more costly than routine purchases. Therefore, they must be kept to a minimum. Poor planning, overlooked requirements, or negligence are not true “emergencies.”

They must meet one of the qualifications for exempt purchases in Section 252.022 of the Texas Local Government Code. The true emergency exemptions are listed below:

1. A purchase made because of a public calamity, and the prompt purchase of items is required to provide for the public’s needs or preserve the Park Boards property.
2. The item is necessary to preserve or protect the City’s public health or safety.
3. The item is made necessary by unforeseen damage to public machinery, equipment, or other property.

Some examples of Emergency Purchases are hurricane/weather disaster, water main breakage/flooding, collapsed roof. Do Not guess – contact Accounting for further clarification is needed on what constitutes an emergency purchase.


### **Requisition of Emergency Purchases**

When emergencies arise, and there are no applicable maintenance agreements or blanket P.O.'s in place, please follow the procedures set forth below.

### **Normal Working Hours**

All emergency purchases occurring during normal working hours are processed through the Purchasing Division as follows:

1. The using department will immediately notify Accounting by telephone with as much information as possible about the emergency purchase required to initiate the appropriate action. All reasonable efforts will be taken to ensure approval from Accounting is secured before completing a purchase.
2. Simultaneously, the using department will prepare a purchasing requisition and submit it through the normal process.

- 
3. The using department head contacts as many vendors as necessary to arrange the emergency purchase. If time permits, the purchase order is completed according to the procedure. If time does not permit, the using department head may proceed with the purchase. The purchase order is completed after the fact and delivered to the vendor.
  4. The buyer requests expedited delivery. The person making the requisition may be required to pick-up the emergency purchase from the vendor if expedited delivery is not available. Contact Beach Cleaning if assistance is needed with delivery or pick-up.

2.8

### **Evening, Weekends, and Holidays**

For other than normal working hours, when purchasing support is unavailable, process emergency purchases as follows:

1. The responsible official of the using department takes whatever steps to procure needed supplies, services, or equipment to relieve the emergency.
2. If possible, only those goods or services needed during the evening, weekend, or holiday are procured by the using department.
3. On the first working day following the emergency purchase, the responsible official prepares a purchasing requisition and personally attaches any invoices, packing slips, receipts, or other justifying documentation to the requisition for processing.

The department head of the using department must certify, in writing, the next business day, or as soon thereafter as possible, that the purchase involved was necessary because of one of the three reasons listed as an emergency exemption in the Texas Local Government Code. The communication will be addressed to the CEO and CFO.

### **Use of Cash**

In some instances, the use of cash may be necessary to complete a purchase. All cash purchases must be coordinated with the Accounting Department.

## **SPECIFICATIONS**

When making purchases, it is essential to remember that the lowest price isn't always the best. It is incumbent on the using department head and/or designee to ensure the Park Board receives the best product at the best price. To help achieve this, departments should know what they need before engaging with any vendors.

### **Definition**

A specification is a concise description of a good or service the Park Board seeks to buy, and the requirements the vendor must meet to be considered for the award. A specification may include requirements for testing, inspection, preparing an item for delivery, or preparing and/or installing it for use. The specification is the full description of the purchase.


### **Purpose**

The purpose of any specification is to provide personnel with clear guides to purchasing and provide vendors with firm criteria of minimum product or service acceptability. A good specification has four characteristics:

1. It sets the minimum acceptability of the good or service. The term "minimum acceptability" is key since the vendor must know the minimum standard to determine what to provide.
2. A standard too high means tax dollars will be wasted. A standard too low means the goods or services will not meet the expectations of the user.
3. It should promote competitive bidding. The maximum number of responsible vendors should be able to bid on the specification. Restrictive specifications decrease competition.
4. It should contain provisions for reasonable tests and inspections for acceptability of the good or service. The methods and timing of testing and inspection must be indicated in the specification. Tests should refer to nationally recognized practices and standards whenever possible.
5. It should provide for an equitable award to the lowest responsible bidder. The buyer obtains goods or services that will perform to expectations, and the vendor can provide the goods or services at an agreeable price.

### **Preparing Specifications**

The specifications may be prepared by the Purchasing Division, the using division, or by a professional consultant hired by the Park Board. The ultimate responsibility for accurate and comprehensive



specifications rests with the requesting department. Contact Purchasing for additional information and instructions on how to write an accurate specification or scope of work.

**Purchasing for Construction Projects**

The steps for a construction project will differ depending on the size and scope of the project. All construction projects require design or engineering. This must be done through a licensed architect or engineer. The City of Galveston has a list of prequalified professional firms on file with the Engineering Department. Architectural and Engineering services are considered professional services and must be chosen based on the most qualified firm, or individual, at a reasonable price. If you need assistance selecting this type of service, please contact the Project Manager or Accounting. The user department must ensure that funds have been budgeted for the project, regardless of the size.

2.10

A bid/proposal checklist must be provided to Accounting prior to the advertisement of any formal solicitation. All of the form's signatures must be obtained before the checklist and solicitation are submitted to Accounting.

### **The Bidding Procedure**

If the purchase is for a costly item, it may be prudent to obtain bids from multiple suppliers. If so, the department making the purchase typically compiles a Request for Proposals (RFP) or Request for Quotes (RFQ) document and issues it to an approved list of suppliers. It then holds a bidder conference to clarify any uncertainties in the RFP and then evaluates supplier bids to determine which vendor is offering the best mix of price, product, delivery. The bidding procedure is outlined below:

1. **Prepare Bidding Documents:** Staff prepares a request for proposals document, which contains the required specifications for the item(s) to be purchased.

***Responsible Party:*** Department Staff

**Tip:** Use a template to construct bidding documents, thereby improving the efficiency of the process.

2. **Issue Bidding Documents:** Determine the appropriate list of recipients, and issue the bidding packet to them.

***Responsible Party:*** Department Staff

***Control Issues:*** It may be useful to have a list of approved suppliers with whom the company does business; this is useful for eliminating from consideration any suppliers with whom the company has had problems in the past. At a minimum, there should be a list of banned suppliers not to receive bidding documents.

3. **Host a Bidder Conference (original):** If a prospective purchase involves a substantial expenditure, it may be necessary to host a bidder conference so bidders can obtain clarification of such issues as the company's expectations, timeline, and budget.

***Responsible Party:*** Department staff

***Control Issues:*** Someone should take notes at the bidder conference and distribute the results to all bidders, including those who could not attend the conference. Doing so ensures that everyone bids based on the same information.

4. **Evaluate Bids:** All bids received shall be evaluated based on the following criteria (samples are shown; actual criteria may vary):
  - Total cost to acquire (including price, freight, site preparation, setup, and training)
  - Ongoing maintenance and warranty fees

- Disposal costs
- Prior history with supplier

**Responsible Party:** Department Staff and others as assigned

**Control Issues:** It is helpful to develop the evaluation criteria before the proposal's requests have been issued, making it more difficult for someone to derive their criteria later to use as the basis for selecting a favorite supplier. It may also be helpful to document the reasons why the winning bid was selected in case questions are raised at a later date.

**Tip:** For larger purchases, it may make sense to form a bid evaluation committee, including members from all impacted departments. They may have a better idea of which bid will best meet the Park Board's needs.

2.12

5. **Issue Purchase Order:** The step is detailed in the preceding procedure. Note that purchases sufficiently large enough to require a bidding process will probably also involve unique terms and conditions, which will require a review by legal counsel.
6. **Monitor Supplier Performance (optional):** Department Staff monitors deliveries under the purchase order, including delivery and quality performance, and corresponds with the supplier regarding any issues encountered.

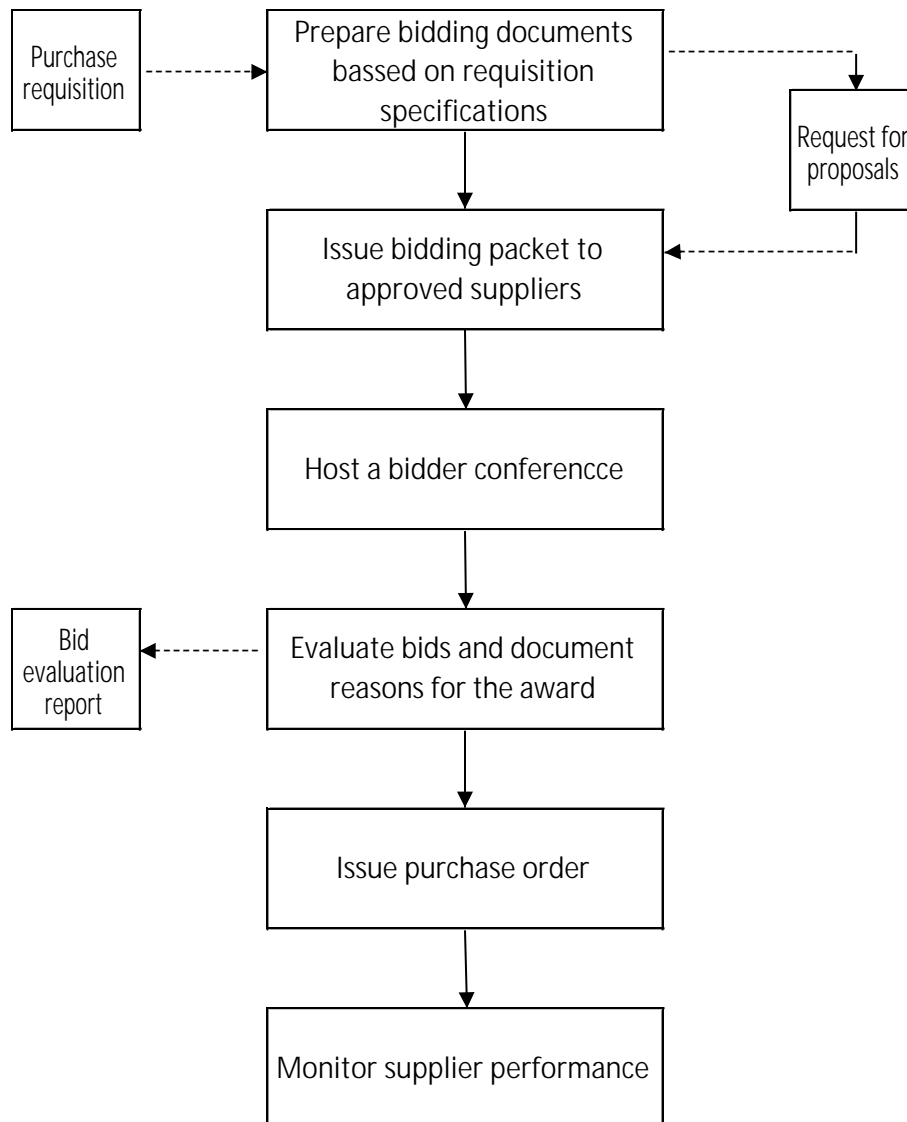
**Responsible Party:** Department Staff

**Control Issues:** There should be an ongoing system in place for tracking supplier performance, which the purchasing staff uses to determine which suppliers it will do business with in the future. Results should also be distributed to the suppliers, who can use the information to improve their performance.



2.13

**BIDDING PROCESS FLOW CHART**




**Summary**

This chapter has addressed the most formal approach to purchasing, which is documenting a purchase request, converting it into a bid, and using a bidding process for the more expensive purchases. While this is the classic approach to purchasing, it is so paper-intensive that it is not used for the large number of less-expensive and recurring purchases that a company engages in every day. For these other types of purchases, we use checks, procurement cards, expense reports, and petty cash. The following three chapters deal with the procedures for these three other purchasing methods.

**Contracting Procedures**

1. After the need to enter a contract for goods and or services has been identified, the using department will proceed with soliciting quotes, bids, and draft contracts.

- 
2. All contracts will comply with Park Board policy, City Ordinance, and applicable State and Federal laws.
    - A. If a contract is determined to have a value less than **\$10,000**, the using department may proceed with selecting an appropriate vendor.
    - B. If a contract has a value of **\$10,000** or more, the using department will prepare the contract for Trustee Approval.
  3. All contracts, regardless of value, will be reviewed and approved by Park Board legal counsel and by the CFO prior to submittal to the Trustees for approval or the CEO for signature. This is to ensure compliance with Park Board Policy, City Ordinance and applicable State and Federal Laws.
  4. All contracts are to be sent to the Administrative Services Manager (ASM) for processing and execution by the CEO. Digital Contracts are to be emailed to: [pbadmin@galvestonparkboard.org](mailto:pbadmin@galvestonparkboard.org) . Contracts **ARE NOT** to be given to the CEO directly for signature.
  5. A summary of the following information must be included with the contract (or sent prior to the digital contract being received):
    - A. Brief description what the contract/agreement is for
    - B. Financial obligation(s)
    - C. Length of the contract
  6. Contracts will be assigned a number (determined by type), logged by the ASM and given to the CEO for their signature.
  7. Once the contract has been signed by the CEO, the ASM will scan and email to the staff contact for distribution and file in the Master Files. If additional signatures are needed to fully execute, the ASM will request fully executed copy and file in Master Files once received.

#### **For Contracts requiring the Form 1295 as defined by Texas Government Code**

1. A copy of the contract requiring the Form 1295 is to be sent to the Administrative Services Manager (ASM) for the assignment of a contract number to be given to the business entity.
2. The business entity is to go to the Texas Ethics Commission website to register and complete the Form 1295 – Certificate of Interested Parties Electronic Filing Application. This must be done Electronically: <https://www.ethics.state.tx.us/filinginfo/1295/>.
3. The business entity must print a copy of the completed form, which will include a Certification of Filing and Unique Filing Number. This form must be signed by an authorized agent of the business and sent to [pbadmin@galvestonparkboard.org](mailto:pbadmin@galvestonparkboard.org) along with the signed contract for execution by the Park Board Executive Director/CEO.
4. Once received, the ASM will log on to the Texas Ethics Commission website and acknowledge the form.

### **Section 3. Procedures for Purchasing by Federally Funded, Personal, Professional Services, or Third-Party Contracts**




Request for Qualification	3.1
Selection Committee	3.1
Fee Negotiation	3.1
Contract Performance and Evaluation After Award	3.2
Contracting and Delivery Procedures for Construction Projects	3.3

3.1

**POLICY AND PROCEDURES FOR FEDERALLY FUNDED PERSONAL, PROFESSIONAL SERVICES OR  
THIRD-PARTY CONTRACTS**

(See also Texas LGC 2254)



In procuring personal, professional services, or third-party contracts all departments shall comply with all applicable Park Board, City, State, and Federal regulations. It is the responsibility of the Chief Executive Officer to ensure compliance with promulgated regulations.

**Federal Regulations require:**

The Park Board will use two ways to select Personal or Professional Service.

**Request for Proposal (RFP)**

- It shall be publicized.
- RFP's shall identify all evaluation factors along with their relative importance.
- Proposals will be solicited from an adequate number of qualified sources. The award will be made only to responsible contractors that can perform successfully under the terms and conditions of the proposed agreement. Consideration shall be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- Awards will be made to the responsible firm whose proposal is most advantageous to the Park Board's (grantee's) program with price and other factors considered.

**Request for Qualifications (RFQ)**

- In architectural and engineering services procurements, the Park Board (grantee) shall use an RFQ, based on the Brooks Act, which requires selection based on qualifications, excludes price as an evaluation factor, and provided the fair price and reasonable.

**Selection Committee**

The CEO will appoint a selection committee. All contracts for professional services **\$10,000** or more must be presented to the Trustees for approval.


**The selection committee will use the following criteria in its deliberations:**

- The demonstration of competence and qualifications.
- The firm's experience in performing similar assignments for others and the overall reputation of the firm.
- Ability to assemble a qualified staff to head the project team.
- The firm has demonstrated innovative concepts.


**Fee Negotiation**

After the selection committee makes its selection, it shall negotiate a contract at a fair and reasonable price. On all federally funded projects, the selection committee will negotiate lump sum contracts with the personal or professional service firm or individual selected

**Contract Performance and Evaluation after Award**



The department issuing the RFP or RFQ for personal or professional services shall ensure that the entity awarded the RFP or RFQ performs all contract provisions in a satisfactory and timely manner and conforms to all applicable rules and regulations outlined in the contract.



Texas Government Code Title 10, Chapter 2269. This chapter applies to governmental entities engaged in public works and contracts made by those entities, including municipalities. This chapter describes the methods for competitive bidding and requests for proposals for contracts for facilities, including the construction, alteration, rehabilitation, or repair of a facility. Please see the exemptions under this chapter.

#### **Section 4. State Law Purchasing Options**

General Requirements

4.1



Purchasing Authority	4.1	
Obligation of Funds	4.1	
Solicitation Guidelines	4.1	-
4.2		
Sealed Competitive Bids/Proposals	4.2	
Competitive Sealed Bid	4.3	
Competitive Sealed Proposal	4.3	-
4.4		

## PURCHASING

### General Requirements

A staff member authorized to make purchases on behalf of the Park Board shall determine the most appropriate and effective purchasing services or commodities for the Park Board. The staff will have various options to select from when making a purchase; these options include state contracts, purchasing cooperatives, inter-local agreements, and City of Galveston contracts. If the above options are not available, the Accounting Department will assist the department or staff member with other options and/or methods. Factors in determining how to acquire commodities or services are:

- A. Meeting department's needs while ensuring that the method selected achieves best value,
- B. Conforming to standards of ethical conduct, and
- C. Complying with all applicable laws, rules, and regulations.

### Purchasing Authority

Authority to obligate Park Board funds for the purchase of supplies, materials, equipment, and services (including repairs and maintenance agreements) has been granted to the CEO and Park Board Chair. The primary purchasing document used by the Park Board to secure supplies and/or equipment is the Purchase Order (PO).

### Obligation of Funds

The purchase order represents a binding written agreement between the Park Board and a seller. It obligates the Park Board to pay for specific goods or services when delivered in accordance with the purchase order terms and conditions. The Accounting Department issues all purchase orders.

**Any other commitments, written or verbal, are considered unauthorized purchases, and the individual making the commitment might incur a personal obligation to the vendor. The only exception is valid Credit Card Purchases.**

### Purchasing

The Park Board of Trustees follows the State of Texas bid solicitation guidelines:

#### Purchases \$1,000 or less

- The individual buyer/department/department representative may exercise discretionary purchasing and acquisition of these purchases.
- Credit card purchases are allowed for this amount.
- Quotes are recommended but not required for this threshold.
- E-Requisitions and Purchase Orders are not required for these purchases
  - However, when submitting an invoice for payment or when submitting a credit card receipt, department staff **MUST** indicate what fund, department, and account code to use.
- Structured Purchasing will not be allowed at this or any other level.

#### Purchases \$1,001 to \$1,999

- The individual buyer/department/department representative may exercise discretionary purchasing and acquisition of these purchases.
- Credit card purchases are allowed for this amount.
- Quotes are recommended but not required for this threshold.

### **Purchases \$2,000 to \$9,999**

- Requires three (3) quotes obtained by user department via email, telephone (call must be documented with vendor name, phone number, the person spoke with, and the amount quoted), or written.
- The Bid Quotes Report will be completed for each purchase, including sole source. The report will also be signed by the manager of the fund being charged. All written quotes will be attached to the Bid Quotes Report. The completed Bid Quotes Report will be forwarded to the Accounting Division.
- Written documentation provided to the Accounting Department prior to requisition.
- Credit card purchases are allowed only with written approval from the CFO and within limits placed on the credit card being used.

### **Purchases \$10,000 to \$49,999 (Board approved)**

- Requires three written bids and Park Board approval.
- The Bid Quotes Report will be completed for each purchase, including sole source. The report will also be signed by the manager of the fund being charged. All written quotes will be attached to the Bid Quotes Report. The completed Bid Quotes Report will be forwarded to the Accounting Division.
- Written documentation provided to the Accounting Department prior to requisition.
- Credit card purchases are not allowed at this level.

### **Purchases \$50,000 or more – State law level**

- Purchases at State Law level and greater require sealed bids or proposals unless they are exempt by Texas LGC 252.022.
- The Park Board must approve all purchases **\$10,000** and over, even if the purchase is exempt from sealed bids/proposals.
- The Bid Quotes Report will be completed for each purchase, including sole source. The report will also be signed by the manager of the fund being charged. All written quotes will be attached to the Bid Quotes Report. The completed Bid Quotes Report will be forwarded to the Accounting Division.
- Department Head or department designee shall ensure that funds are available in the department's budget before requisitions are issued and before purchases are made for the department.
- Separate, Sequential, and Component Purchases are not permitted at this level. "Component Purchases" means purchases of the component parts of an item that would be purchased in one purchase in standard purchasing practices. "Separate Purchases" means purchases, made separately, of items that would be purchased in one purchase in standard purchasing practices. "Sequential purchases" means purchases made over a period of items that would be purchased in one purchase in standard purchasing practices.

Employees shall not make any purchases without a purchase order number; the only exceptions are purchases **\$1,000** or less and Emergency Purchases as defined in the section below and outlined in Texas LGC 252.022.

### **Sealed Competitive Bids/Proposals**


These procurements are defined as purchasing materials or services at or greater than the state law level of **\$50,000**. The Park Board may use either Competitive Sealed Bidding or Competitive Sealed Proposals for expenditures or procurements at state law level or greater. However, before the competitive process begins, the CEO or designee must determine which method provides the board's best value. (See Texas LGC 252 & 271)

### **Competitive Sealed Bid – (Formal Bid)**

- Notice to bidders must be publicly advertised in the newspaper for two (2) consecutive weeks, with the first date of publication being at least fourteen (14) days prior to the opening of the bid.
- A public bid opening will be conducted at the Park Board Plaza building.
- Bids are presented by the user department, with a staff report, to the Board. The Board has the right to reject all offers or award any or all offers.
- The Board will use the best value method to award contracts under the competitive sealed bid method.
- The Board will indicate in the bid specifications that the contract may be awarded either to the lowest responsible bidder or to the bidder who provides goods and services as the best value to the Park Board.

### **Competitive Sealed Proposal – (Formal Proposal)**

- Notice to proposers must be publicly advertised in the newspaper for two (2) consecutive weeks, with the first date of publication being at least fourteen (14) days prior to the opening of the proposal.
- A public proposal opening will be conducted at the Park Board Plaza building; price information is only read aloud if it is a construction, public work project, as defined in Texas Government Code Chapter 2269.
- Proposals are presented by the Department, with a Staff Report, to the Board.
- The Board has the right to reject all offers or award any or all offers.
- A proposal offers the Board the ability to negotiate with a selected vendor prior to awarding a contract.
- Evaluation of Proposals can include the following criteria:
  - Purchase Price
  - Reputation and financial responsibility of the proposer and the proposer's good and services
  - Quality of the proposer's goods or services
  - Extent to which the goods or services meet the Park Board's needs
  - Proposer's past relationship with the Park Board
  - Impact on the ability of the municipality to comply with laws and rules relating to contracting with historically underutilized businesses, nonprofit organizations employing persons with disabilities
  - Total long-term cost to the Park Board to acquire the proposer's goods or services
  - Any relevant criteria specifically listed in the request for bids or proposals



Any incomplete bid or proposal submitted by an offeror will be marked as non-responsive.

No bid or proposal will be considered if it is submitted after the deadline.

User departments should plan ahead when a contract for services, commodities, or construction need to be executed for the Park Board. If you have items that are procured annually, check your contract dates for expiration. Contact Accounting a minimum of four (4) months prior to the expiration of a contract to avoid a lapse in contracting for services or commodities. Purchases must have budgeted funds.

**Note:** In rare instances, it may be difficult to obtain three (3) quotes, bids, or proposals. In those instances, department staff must make a reasonable effort to secure three (3) quotes, bids, or proposals and document their efforts and the reason why three (3) quotes, bids, or proposals were not obtained.

Buy boards such as HGAC-Buy can be used in lieu of the bidding process. All contracts available to participating members have been awarded by virtue of a public competitive procurement process compliant with statutes of the state of Texas. It is recommended that a cost comparison be performed to take advantage of receiving the lowest price available.

The Park Board of Trustees is a tax-exempt organization. Vendors should be made aware of this status. A State of Texas tax-exempt form should be completed and submitted to the vendor.

**All contracts MUST be reviewed and approved by the CFO and legal counsel BEFORE being submitted to the CEO or Park Board Chair. Contracts can only be signed and executed by the CEO or Park Board Chair. There is NO exception to this rule.**



## **Section 5. General Accounting Purchasing Procedures**

Introduction	5.1
General Accounting Purchasing Procedures	5.2
9 Step Purchasing Procedures 5.3	5.2 -
Flowchart- Purchasing Process	5.4
Variations of Purchasing Procedure	5.5

## **INTRODUCTION**

Purchasing is a critical area to have well-defined set of procedures, given the large amount of cash outflows associated with it. Sections 5,6,7,8, covers a classic approach to purchasing, which involves the use of purchase requisitions, purchase orders, and (sometimes) a bidding process. Because of these tasks' labor-intensive nature, a large part of the purchasing activities has shifted to the use of procurement cards.

## **The Purchasing Procedure**

The classic approach to ordered goods and services is the purchase order. It is a formal approach to buying that involves the issuance of a legal document, the purchase order, to a supplier. The purchase order identifies the items being ordered and conditions under which a company is willing to make a purchase. Though the issuance of purchase orders is usually well-controlled, it also requires a considerable amount of time to complete. For this reason, it is generally restricted to more expensive purchases. The purchasing procedure is outlined below:

1. **Obtain Pricing** When the purchasing staff is ready to prepare a requisition, they need to ascertain pricing.  
*Responsible Party:* Department Staff  
*Control Issues:* It is very time-consuming to obtain multiple prices for the items listed on every purchase requisition. The purchasing manager should set rules for allowing purchases from a small number of designated suppliers, with multiple bids only needed for larger purchases.
2. **Obtain Additional Documentation (optional)** If the item requested exceeds the company's capitalization limit, send the purchase requisition back to the requesting person with a request to complete a capital request form (see the Fixed Asset Procedures chapter for more information).  
*Responsible Party:* Department staff  
*Control Issues:* This step essentially terminates the purchasing process, so there is no need to retain a copy of the purchase requisition.
3. **Prepare Electronic Requisition** See section 6.  
*Responsible Party:* Department Staff
4. **Prepare Purchase Order** Complete a purchase order based on the information in the purchase requisition or bid results. Send the original to the supplier.  
*Responsible Party:* Purchasing staff
5. **Obtain Legal Review (optional)** If the purchase order contains terms and conditions that are not the standard ones normally used in purchase orders, route the document to the legal staff for review.  
*Responsible party:* Department Staff and General Counsel
6. **Monitor Change Orders (optional)**. If change orders are issued, track of the resulting change in the cumulative total authorized to be spent. If the cumulative total exceeds the original authorization level noted in the authorization table, obtain the higher authorization level noted in the authorization table, obtain the higher authorization level needed for the new expenditure level.  
*Responsible Party:* Purchasing staff
7. **Monitor Subsequent Activity** Following the due date of the purchase order, remove verify the related goods we received. If not, contact the supplier to determine the status of the order. If complete, indicate that when submitting the invoice(s) for payment.  
*Responsible Party:* Department Staff

**Control Issues:** For more important items, the department staff might consider contacting suppliers *in advance of* the due date to ensure that items were shipped on time.

5.3

**Tip:** If the department staff finds that small residual balances were not fulfilled on a purchase order, and the department no longer requires the residual amount, issue a notification to the vendor and accounting department that the order for the remaining amount has been cancelled. Then work with accounting staff to liquidate the remaining balance on the purchase order.

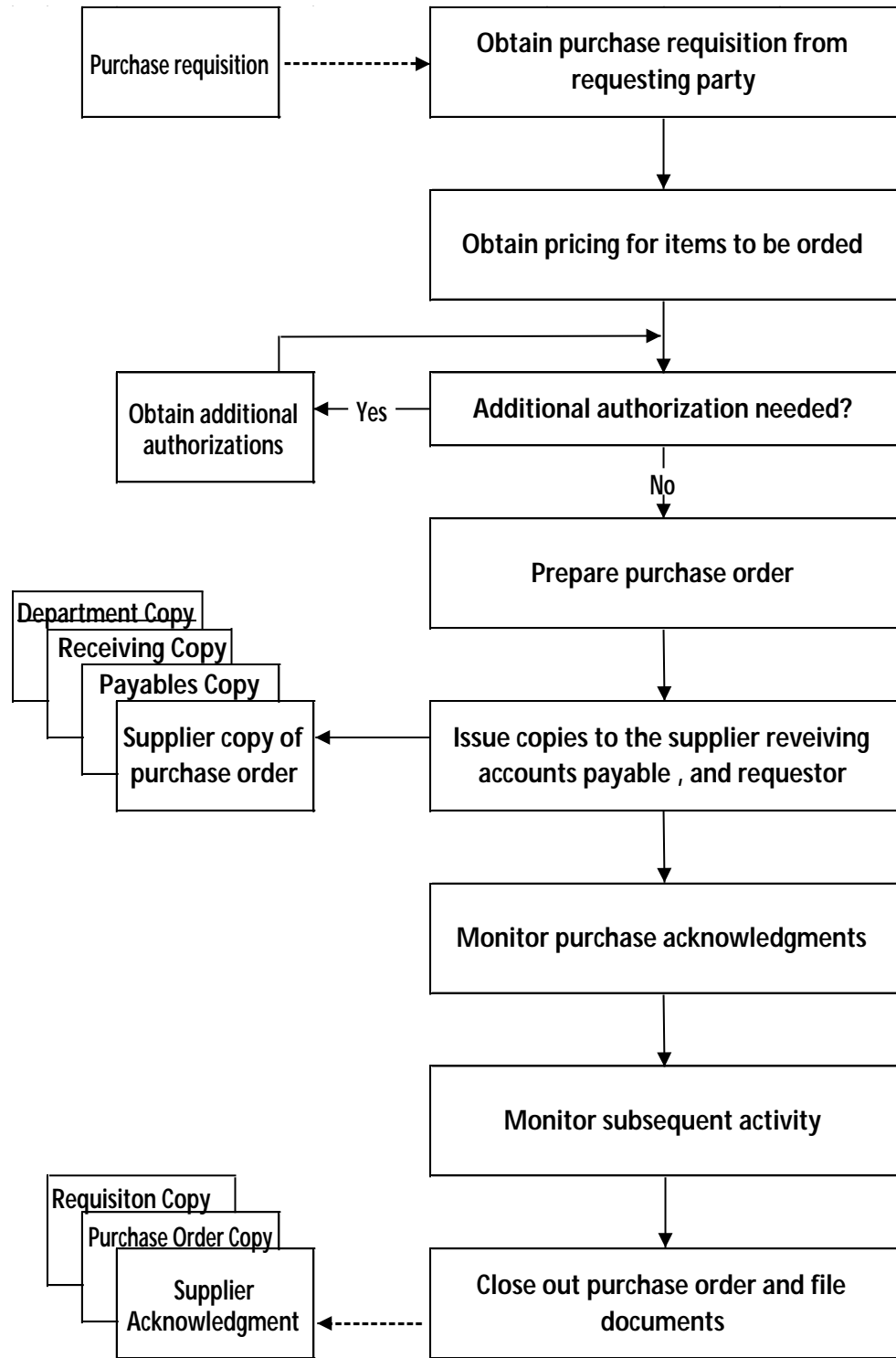
- 8. File documents.** When all activity associated with a purchase order is complete, file the purchasing documents by supplier name for the current year. This will include the purchase order and purchase requisition, and may also include the purchase requisition, and may also include a cancellation notice that terminates any residual unfulfilled balances on a purchase order, as well as any purchase order acknowledgments received from suppliers.

**Responsible Party:** Purchasing staff


The following exhibit shows a streamlined view of the purchasing procedure, not including the optional steps to obtain additional documentation, conduct a legal review or monitor change orders. It also does not include the bidding process, which is addressed in Section 8.



**PURCHASING PROCESS FLOWCHART**



Variations on the Purchasing Procedure



A more advanced purchasing department is likely to use blanket purchase orders. A single funding commitment is issued to cover recurring purchases for an extended period of time, such as a year. Doing so eliminates the work that would otherwise be required to issue a series of purchase orders for incremental purchases. When blanket purchase orders are used and an invoice is submitted for payment, department staff will also submit a document that references the governing blanket purchase order and the details of what is being ordered.

## **Section 6. Detailed Procedures for Purchase Requisitions**



E-Req Approval Guidelines	6.2
Flowchart E-Req Approval	6.3
Forms: Purchase Requisition Summary	6.4
Form: Purchase Requisition	6.5
4 Step Purchase Requisition Procedure	6.6
Flowchart Purchase Requisition Process Flow	6.7
Budget Availability	6.8



### **Electronic Requisition Process**

An electronic requisition (E-Req) must be completed for each anticipated purchase of **\$1,000** or more. Purchases of **\$1,000** or less do not require an E-Req to be completed or a Purchase Order to be issued. All pertinent information is completed on the electronic requisition template. It is the department making the purchase's responsibility to complete the E-Req to validate the vendor and the vendor's address. If the purchase is being made with a vendor not listed on the pull-down menu, the employee will be responsible for requesting a W-9 from the vendor and forwarding it to the Senior Accountant for input into the system. The vendor must be active in the system before the system can generate an E-Req.

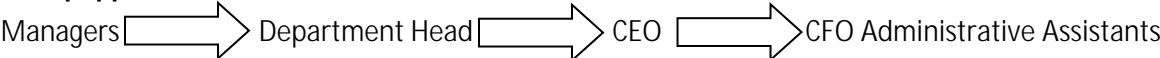
To assure that purchase orders are processed timely, supporting documents and board approval (if applicable) required for any E-Req must be provided to the Accounting Department upon or before entering an E-Req.

**E-Req Approval Guidelines**



Park Superintendent/ Project Manager/ Beach Cleaning Manager can approve E-Reqs up to **\$1,000**. Department heads have the authority to approve E-Reqs up to **\$7,500**. The Chief Executive Officer must approve all E-Reqs over **\$7,499**.



**E-Req Approval**



### **Forms: Purchase Requisition**

All departments use the purchase requisition to request the acquisition of goods and services. The form is designed to give accounting staff precise information about what is being ordered, including the suggested supplier and the price offered by that supplier. It also indicates which fund, department, and account the expense will be allocated to. This prevents accounting staff from guessing where each purchase should be charged. The form contains a budget check function that allows users to check the budget availability before submitting a requisition – just click the  icon. There is a notes section that can be used to provide pertinent information to approvers and accounting staff. Finally, you can attach documents to the e-req by clicking the  icon and follow the onscreen prompts.

Another variation on the requisition form is to require the requesting person to supply bidder information for at least three bidders. This information is usually contained within a series of blocks near the top or bottom of the form and reduces the purchasing staff's workload when the bidding is required. However, this format assumes that all of the items listed on the requisition can be obtained from three bidders, which may not be the case. Also, the party is not necessarily the most knowledgeable for selecting prospective bidders.

# PURCHASE REQUISITION FORM

The screenshot shows a web-based form titled "PURCHASE REQUISITION FORM". At the top left, there are icons for file operations (copy, paste, print, save) and a paperclip icon. Below the icons are three tabs: "Requisition Information", "Item Detail", and "Notes". The "Requisition Information" tab is active. The form contains the following fields and options:


- Requisition Number:** A dropdown menu with the value "029247".
- Status:** An empty text input field.
- Title:** An empty text input field.
- Requested By:** A text input field containing "Bfrazier".
- Requested For:** A dropdown menu.
- Vendor ID:** A dropdown menu with a magnifying glass icon to its right.
- Shipping Method:** A dropdown menu.
- Address Codes:** A section containing:
  - Shipping Address:** A dropdown menu with "<Main>" selected. To its right is a text area containing "601 Tremont Street", "P. O. Box 1080", and "Galveston, TX 77553".
  - Billing Address:** A dropdown menu.
- Date Options:** A section containing:
  - Date Required By:** A date picker showing "11/11".
  - Date Approval Needed By:** A date picker showing "11/11".
- Checkboxes:** Two checkboxes at the bottom: "Do Not Allow Changes to this Requisition" and "Urgent".

## The Purchase Requisition Procedure

There should be a formal process for ordering materials and services. Otherwise, there is no control over the amounts spent, and the accounting department will be buried with purchase requests. To mitigate these issues, departments are required to fill out purchase requisitions. A purchase requisition form details precisely what someone wants to buy, shows the accounting staff where the indicated items be bought, and requires at least one approval. Thus, it can be a helpful tool for organizing the accounting department's flow of purchasing requests. The procedure for processing purchase requisitions is outlined below:

1. **Complete Requisition Form.** Obtain a two-part purchase requisition form and fill in the following information:
  - Item or Service to obtain
  - Required Delivery date
  - Shipping address
  - Account Number to be charged
  - Recommended supplier and supplier part number

***Responsible Party:*** Any employee responsible for preparing E-Reqs

2. **Check Budget Availability.** Click the  icon and check the budget availability. If the available budget is a negative amount, department staff MUST indicate in the notes section the account the funds will be transferred from to cover the shortage and enter the budget transfer request in the appropriate budget project worksheet located in Microsoft Teams, or receive approval from the CFO to exceed the line-item budget.

3. **Obtain Approval.** See section 6.2

***Responsible party:*** Person completing the requisition.

4. **Forward to Purchasing.** The requesting person should retain one copy of the requisition and forward the other copy to the purchasing department.

***Responsible Party:*** Person completing the requisition.

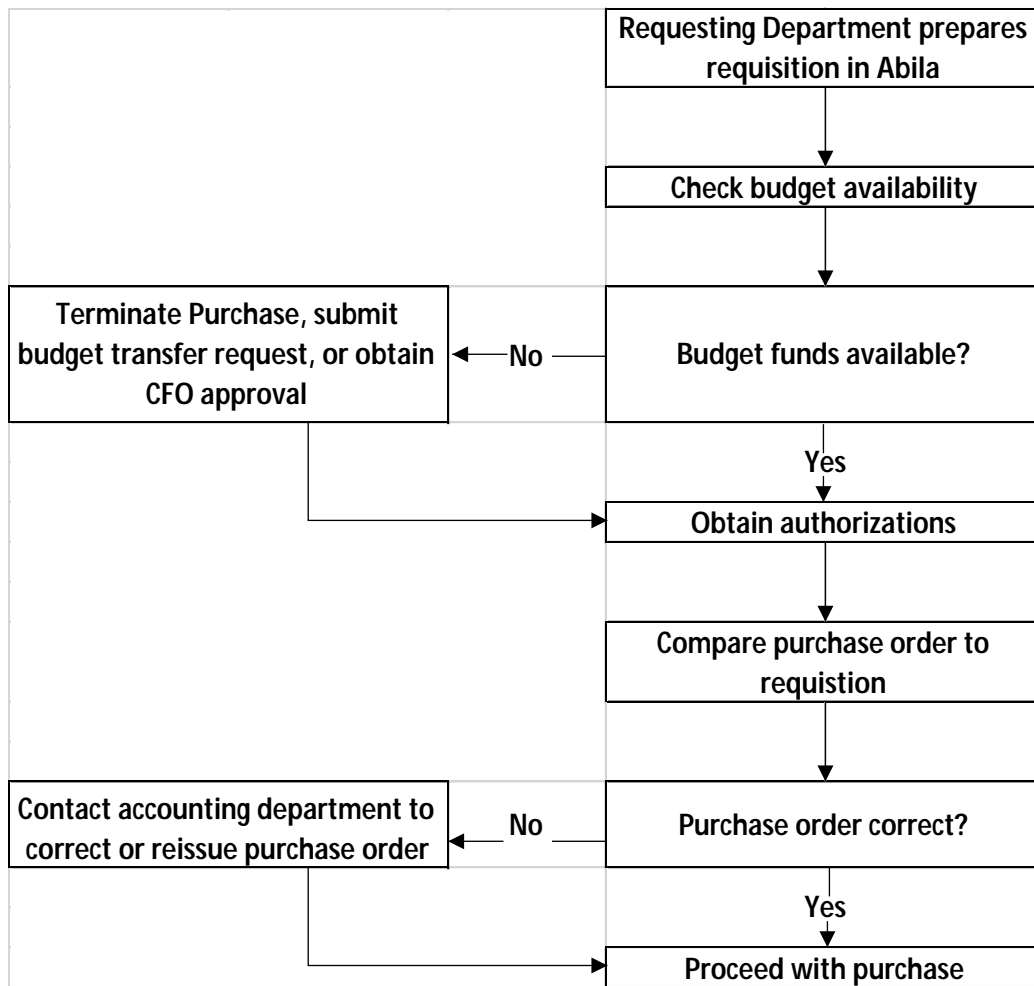
***Control Issues:*** The purchasing department could send an acknowledging e-mail back to the requester, stating that they have received the requisition. However, given extra control is rarely used.

5. **Match to Purchase Order (optional).** After accounting issues a purchase order created from the requisition, compare it to the requisition to ensure that the correct items have been ordered and correct fund, department, and account information has been entered on the purchase order. If the purchase order does not match the requisition, contact the accounting staff to have the purchase order revised or replaced.

***Responsible Party:*** Person completing the requisition.

**Tip:** This is a step that is easily overlooked but can cause problems if it is skipped. A simple cross check can save time and effort needed to correct errors later

### PURCHASE REQUISITION PROCESS FLOW



**Budget Availability**

It is the department making the purchase's responsibility to create the E-Req to make sure there are available funds in the budgeted account to cover the purchase. If there are non-sufficient funds to cover the purchase, a notation will be made in the notes section of the electronic requisition screen, requesting and authorizing the Accounting Department to transfer funds from another budget account line item to cover the purchase. The transfer from and the transfer to account numbers and the transfer's dollar amount will be notated. The electronic requisition system has the capability for the originator to view the amount of budget remaining in each line item being used. If applicable, quote or bid supporting documentation will be attached to the e-req in Abila or forwarded to the Accounting Department prior to issuing the Purchase order. Insufficient budget authority and failure to provide budget transfer data may delay approval of the E-Req or result in the E-Req being rejected. Failure to provide quote or bidding documentation may delay approval of the E-Req or result in the E-Req being rejected.

**Note:** The following list of general ledger accounts is strictly used by accounting; they cannot be used to cover line shortages: account series 5000 to 5080, insurance, audit, utilities, telephone, contract services, alarm, and inter-fund transfers.



**Section 7.** Purchase Orders

Issuance of Purchase Orders 7.1

Purchase Order 7.2 -  
7.3

**Issuance of Purchase Orders:**

Once the CFO has approved an E-Req, a purchase order will be issued. The E-Req department should attach supporting documentation to the E-Req in Abila or submit it to the accounting department prior to an E-Req being issued. Supporting documentation includes bid requests/quotes/board minutes and approvals/etc. (if applicable).

In emergencies, purchase order numbers will be issued prior to the approval of an E-Req. All emergency purchase orders will be subject to the CFO or Controller's approval. When an emergency purchase order number is issued, an electronic requisition must be completed as soon as possible.

If an emergency purchase order number is received prior to making your purchase from a local vendor, i.e., Office Depot, Home Depot, Wal-Mart, etc., all loose receipts should be scanned and affixed to a copy of the corresponding E-Req. The number of the emergency purchase order should be written on the E-Req and each receipt prior to submitting it to accounts payable via Docs Vault. This prevents loose receipts from getting misplaced or permanently lost.

Purchase order overages occur from time to time; however, internal controls are in place to monitor and regulate these infractions. As a general rule:

- A.** overages occurring **up to 25%** of the original purchase order amount not to exceed **\$200** require the department manager to attach a signed memo or handwrite a memo on the invoice to justify the overage.
- B.** if your purchase runs **more than \$200** of the approved purchase order amount, you must coordinate with the Finance Department to modify your original purchase order before making the purchase or receiving the service and/or prior to submitting the invoice to accounts payable for payment. You will be required to email the staff accountant with a cc to the controller and the corresponding department head, informing them of the cost increase and an explanation for adjusting the originally approved purchase order amount.

If a purchase order needs to be revised or liquidated, enter the request into the appropriate budget projection worksheet in Microsoft Teams

If a PO was not processed prior to making a purchase over **\$1,000**, clearly indicate the budget line item(s) to charge on the invoice and attach an email explanation as to why an E-Req was not properly processed.

### **Forms: Purchase Order**

The purchase order is the primary document used by the using department to order goods and services. A sample purchase order, in both the accounting system and as printed, is shown below. It should specify a considerable amount of information to avoid confusion with the supplier.

Purchase order from in Abila:

PO Information | Item Detail | Coding

Number Type: Purchase Order

Number: 54674 Date: 6/26/2020 Status: Closed

Description: FLEET MAINTENANCE

Vendor ID: ALVIN Vendor Name: ALVIN EQUIPMENT COMPANY

Create Encumbrance  Skip Receiving

Address Codes

Shipping Address: SHIPPING 601 Tremont Street  
P. O. Box 1080  
Galveston, TX 77553

Billing Address: BILLING 601 Tremont Street  
P. O. Box 1080  
Galveston, TX 77553

Attention: Buyer:

FOB: Shipping Method:

Comments:

**PURCHASE ORDER FORM****Purchase Order**

6/26/2020

54674

Attention:

**Vendor Address:**  
ALVIN EQUIPMENT COMPANY  
PO BOX 1907  
ALVIN, TX 77512

**Billing Address:** 601 Tremont Street  
P. O. Box 1080  
Galveston, TX 77553

**Shipping Address:** 601 Tremont Street  
P. O. Box 1080  
Galveston, TX 77553

**Shipping Method:**  
FOB:

Description	GL Code	Distrib... Code	Quantity	Unit Price	Total	Requisition Number
comp. pipe, D	5242	BC70	2.00	\$62.35	\$124.70	027853
o-ring 037-B3	5242	BC70	5.00	\$1.95	\$9.75	027853
o-ring 037-A12	5242	BC70	2.00	\$1.86	\$3.72	027853
bolt	5242	BC70	10.00	\$1.02	\$10.20	027853
freight	5242	BC70	1.00	\$25.00	\$25.00	027853

Purchase Order Total:

\$173.37

Vendor ID ALVIN  
Vendor Name ALVIN EQUIPMENT COMPANY

6/26/2020

54674

Item Description	GL Code	Distrib... Code	Quantity	Unit Price	Total	Requisition Number
comp. pipe, D	5242	BC70	2.00	\$62.35	\$124.70	027853
o-ring 037-B3	5242	BC70	5.00	\$1.95	\$9.75	027853
o-ring 037-A12	5242	BC70	2.00	\$1.86	\$3.72	027853
bolt	5242	BC70	10.00	\$1.02	\$10.20	027853
freight	5242	BC70	1.00	\$25.00	\$25.00	027853

Purchase Order Total:

\$173.37



**Section 8. General Basic Purchasing Controls**

Invoice Processing

8.1

**Invoice Processing:**

Invoices received directly by the Accounting Department via US mail will be date-stamped and placed in the appropriate department's mailbox or email inbox for verification and authorization to pay. Invoices and statements received via email will be forwarded directly to the appropriate department for electronic processing.

To further facilitate the payment process efficiently, filling out a standard check request form will no longer be required on single-item invoice payment requests or employee phone reimbursements. These payment requests must include the department head or designee's authorization to pay, clearly noted on the vendor's invoice or telephone statement, along with a copy of the corresponding PO.

Please highlight the invoice number, invoice date, and amount to be paid when submitting invoices for vendors. Request for employee cell phone reimbursements should include the individual's name, phone number, corresponding date of service, and the amount of reimbursement not to exceed **\$75** per month or **\$900** annually. Request for cell phone reimbursement must be submitted no later than fifteen (15) days after receiving the prior month's statement. Non-compliance may result in forfeiture of reimbursement. All payment requests should be submitted via Docs Vault. In some instances, it may be necessary to submit hard copy payment requests – please coordinate with the Accounting Division.

When a department manager's designated user uses a signature stamp, authorizations will only be allowed for purchases and/or services approved by the Purchase Order. The manager's designated stamp user must date and initial next to the stamped manager's name, or it will be returned as incomplete. Emergency PO numbers on a newly initiated electronic requisition (E-Req) will not qualify for signature stamp approval for payment requests in any circumstance. The department head may delegate invoice approval to management staff. However, it is ultimately the responsibility of the using department head to ensure vendor invoices are true and correct, and ready to be paid. The department manager will assume full responsibility for all approvals using a signature stamp or designee.



**Section 9. Miscellaneous Procurement Matters**

Receipt of Goods	9.1
Right to Inspect Facility	9.1
Audits	9.1

## **MISCELLANEOUS PROCUREMENT MATTERS**

### **Receipt of Goods**

- The using department is responsible for inspecting and accepting or rejecting deliveries.
- The using department shall determine whether the quantity and quality of the goods meet the specifications of the purchase order or contract.
- If goods are unacceptable, the using department shall immediately notify the Accounting Department.
- The user department shall notify the vendor of rejection and shall demand the vendor to promptly make satisfactory replacement or supplementary delivery.
- In the event the vendor fails to cure the nonconforming delivery, the Park Board has no obligation to pay for the nonconforming goods.
- If delivery is acceptable, the using department shall notify the Accounting Department.

### **Right to Inspect the Facility**

A contract or solicitation may include a provision allowing the Park Board, at reasonable times, to inspect the facility or place of business of a contractor or any subcontractor, which is related to the performance of any contract awarded or to be awarded.

### **Audits**

- The Park Board may, at reasonable times and places, audit the books and records of any person, organization, or business who has submitted cost or pricing data to the extent that such books or records relate to the cost or pricing data.
- Persons supplying cost or pricing data must maintain books and records that relate to such data for three years from the date of final payment under the contract, unless a shorter period is authorized in writing by the CFO.
- The provisions in subsections above this section relate to an audit of the books and records of any contractor or subcontractor under a negotiated contract or subcontract, other than a firm, fixed price contract.



**Section 10. Purchasing Procedural Controls**

Purchasing Procedural Controls

10.1

**Purchasing Procedural Controls**

1. A purchase order must be issued for all requisitions exceeding \$1,000. This control ensures that all requisitions are first reviewed for correct pricing, sourcing, quality, and payment terms prior to ordering.
2. Employees authorized to create a record in the vendor master file (Abila/DocsVault) shall be barred from approving payments to suppliers. This control reduces the risk that an individual will create a fake supplier and then approve payments to it.
3. Password access shall be required to make changes to the vendor master file. This control reduces the risk that fraudulent or incorrect payments will be made.
4. The vendor master file shall be purged of duplicate and noncurrent supplier records at least once a year. This control reduces the risk of having multiple supplier accounts.
5. Access to the purchase order system shall be restricted to approved users. This control reduces the risk that purchase orders will be improperly issued.
6. Requisition responsibility shall be assigned to one person for specific areas. This control reduces the risk of duplicate requisitioning by different employees.
7. The purchasing and receiving functions shall be segregated. This control keeps employees from initiating orders and removing the received items from the premises.
8. The Park Board does not consider verbal purchase authorizations to be a purchasing commitment. This control provides a deterrent to the issuance of verbal purchase orders by employees.
9. Minimum order shall be used when cost-effective. This control enforces the smallest possible minimum order quantities, so there is less inventory on hand.



**Section 11. General Computerized Purchasing Controls**


General Computerized Purchasing Controls

11.1

**Computerized Purchasing Controls:**

Using a computer system to process purchases allows for several controls that take advantage of the computer's automation characteristics, including running reports for control reviews, securing file access, and tracking changes to records. These controls are as follows:

1. **Segregate Vendor Master File Duties.** The person responsible for updating the vendor master file will not be allowed to approve payments to suppliers.
2. **Restrict Access to Vendor Master File.** The computer system will allow access to the vendor master file only if a correct user identification and password are provided.
3. **Restrict Access to the Purchasing System.** The computer system will allow access to the purchasing system only if a correct user identification and password are provided.
4. **Compare Ordered to Received Quantities.** As necessary, a using department employee will match the purchasing, receiving, and payables databases to determine if any suppliers are shipping lower quantities than ordered and then billing the Park Board for the total amount ordered. The using department employee will bring these issues to the CFO's attention, who will take appropriate action.
5. **Review Old Open Purchase Orders.** The senior accountant will periodically run a report listing all open purchase orders, sorted by purchase order date, and determine if the open items shown in older purchase orders are still needed. The senior account will work with department staff to make this determination. If a purchase order is not needed, the senior accountant, with approval from the controller or CFO, will cancel the purchase orders.
6. **Eliminate Duplicate Suppliers.** The accounts payable clerk will periodically review the vendor master file for duplicate supplier records and purge excess records.
7. **Audit Acquisitions Made Within Authorized Purchase Levels.** *The CFO will* run a report listing multiple small payments to suppliers within a short time period to see if the payments are related to a single acquisition and determine if a circumvention of purchasing authorization rules causes this payment pattern.
8. **Track Short-Term Price Changes by Suppliers.** A Park Board employee will compare a history of price changes by the supplier to market rates for the commodities being purchased to determine if there is evidence of excessive pricing.

  
**Section 12. General Accounting Purchasing Controls**

4 Steps of General Accounting Purchasing Controls

12.1

## **GENERAL ACCOUNTING PURCHASING PROCESS FLOW CONTROLS**

### **Introduction:**

Purchasing involves channeling requisitions from everywhere in the Park Board to the accounting department, which uses various spend management methods to place orders with suppliers. In this section is the description of the control systems used to monitor purchases. We will first address the four main tasks involved in purchasing, then describe process-specific controls, and then show the control systems most likely to be needed for the following situations:

1. Purchasing with bids.
  2. Purchasing without bids.
  3. Purchasing with a computerized system.
1. **Purchasing Process Overview:** Purchasing involves primary activities, each of which may require controls, depending on the circumstances. The activities are:
    1. Purchase requisition.
    2. Bidding.
    3. Order derivation.
    4. Order monitoring.

A narrative description of these four activities follows:

2. **Purchase Requisition:** The purchasing process begins with department staff filling out a requisition form, in which they state what they want to buy. The requisition is sent to the accounting department within the accounting system (Abila).
3. **Bidding:** If a requisition is for a large enough amount of money, the department staff goes out for a bid to obtain the best deal. If a company engages in bidding, there will likely be a bidding packet assembled that documents who was contracted, the resulting bids, and why the winner was selected.
4. **Order Derivation:** Once a supplier has been selected, the Park Board accounting staff creates a multi-part purchase order that authorizes a purchase. One copy goes to the supplier, one is retained in the accounting department and matched to the original requisition form, and other copies go to the receiving department. The receiving department needs to refer to the purchase order when the goods arrive, and the accounting department uses it for three-way matching. If an order is too small to warrant the use of a purchase order, department staff may instead use a credit card. Doing so avoids a considerable amount of paperwork.
5. **Order Monitoring:** Accounting and department staff monitors open purchase orders to ensure that suppliers complete them by the required due date and then close out any residual balances on orders that have been mostly filled.

  
**Section 13. In-Process Purchasing Controls**

4 Steps In-Process Purchasing Controls

13.1 - 13.2

## **IN- PROCESS PURCHASING CONTROLS**

In this section, we cover the controls that can be imposed on the core purchasing processes.

1. **Purchase Requisition:** There needs to be a properly organized system for bringing purchasing requests to the accounting department. This system's core is purchase requisition, which is itself control over the accuracy of information provided and the authorization to purchase something. The controls related to purchasing requisitions are:
  - ***Require Purchase Requisition for Purchases of \$1,000 or More.*** One of the more significant problems in the purchasing area is being inundated with purchasing requests from everyone at the Park Board who wants to buy something. Not only is this disorganized, but it also introduces a control problem where anyone can order anything. The Park Board requires all departments to fill out an E-Req form that identifies exactly what a department wants to buy (with complete specifications and the account to be charged).
  - ***Use Prenumbered Purchase Requisitions.*** E-Reqs are numbered within Abila.
  - ***Verify Against Budget.*** Department staff should go a step further and compare the purchase request to the remaining funding available in the budget. This takes extra time; however, for the Park Board, it is an essential control.
  
2. **Bidding:** If the size of a purchase mandates that competitive bidding be used, there must be controls over the process to ensure that it is completed fairly. Also, these larger purchases may involve supplier contracts, which require a review to ensure that the contract terms are reasonable. The controls are:
  - ***Create a Bidding Data Trail.*** There should be evidence that the department staff engaged in bidding, thereby providing a barrier to suppliers giving possible kickbacks to Park Board staff in exchange for their orders. This data trail should include a list of who was contacted, copies of their bids, and why a purchase order was awarded to the winner.
  - ***Note –*** A bidding data trail control is only effective when Park board managers know it will be performed.
  - ***Require Legal Review of Contracts.*** If the Park Board is to engage in a contract with a supplier, general counsel MUST review it to see any shortcomings or risks to which the Park Board may be subjected.
  
3. **Order Derivation:** The purchase order itself is the best control point in the purchasing process since it documents exactly what is being purchased and the terms under which the Park Board agrees to purchase. It is also used in the receiving and accounting for additional controls. The controls related to the derivation of purchase orders are:
  - ***Generate purchase order.*** The accounting department issues a purchase order for every purchase made above a certain minimum dollar amount. This control may prevent some fraudulent expenditures from ever occurring.
  - ***Match purchase order to purchase requisition.*** The purchase order should match the item requested on the E-Req form.
  - ***Obtain department manager approval.*** If a purchase is for an expensive item, it may help involve the department manager by requiring his or her authorization. This step will help the



control environment if the intent is to go back to the person requesting the item to make them accountable for the purchase.

13.2

4. **Order Monitoring:** An unfilled purchase order represents a future liability of the Park Board and so should be monitored closely. The following controls are used to ensure that this monitoring is conducted:

- **Retain a Purchase Order Copy.** The Park Board should retain copies of its purchase orders in a database. This is useful for monitoring open purchase orders and tracking down orders that suppliers may have lost.
- **Review Open Purchase Orders.** A major control is to monitor the status of open purchase orders tightly. This involves matching purchase orders against receiving reports to ascertain which orders are overdue and follow them. Though this is not control over money (as is the case with most accounting controls), it controls operations since materials can come up missing.
- **Close Residual Purchase Orders.** The department managers should periodically review the open purchase orders list to see if any have been primarily filled, with just a few residual units not shipped. Depending on the circumstances, it may make sense to close these purchase orders, thereby reducing the number of open items to monitor.

  
**Section 14. Controls for Credit Cards**

Credit Cards- Purpose	14.1
Credit Cards- Eligibility	14.1
Credit Cards- Limits	14.1
Credit Cards- Conditions of Use	14.1 - 14.2
Credit Cards- E-Reqs, Purchase Orders, and Expense Reports	14.2
Credit Cards- Cardholder Responsibility	14.2
Credit Cards- Records Management	14.3
Credit Cards- Audit	14.3
Credit Cards- Park Board Issued Credit Card Payment	14.3

## **CREDIT CARDS**

### **Purpose:**

These controls apply to all Park Board of Trustees employees who are assigned a Park Board issued credit card. Conditions set out in these controls, and the relevant cardholder's responsibility statements issued by the bank govern the use of any Park Board-issued credit card. Cardholders and their supervisors are responsible for ensuring they adhere to these controls, thereby minimizing the risk that park board credit cards are not used for inappropriate, fraudulent, or corrupt purposes. Cardholders and their supervisors should contact the CFO for further information on their role in relation to fraud and corruption prevention.

### **Eligibility:**

1. The CFO and Controller shall monitor the issuance, accounting, monitoring, retrieval, and general oversight of compliance with this Park Board Issued Credit Card Policy.
2. Park Board issued credit cards may only be issued to the following Park Board employees: CEO, CFO, Chief Operations Officer (COO), Controller, Chief of Beach Patrol, Chief Tourism Officer (CTO), Director of Marketing, Special Events Manager, Public Relations Manager, and the CVB sales staff. Any other staff requesting a Park Board credit card's issuance will submit the request in writing to the CFO. The request will contain the following:
  - Business reason/justification for the issuance
  - Approval of the employee's supervisor
  - Approval of the CEO
3. The CFO retains the right to approve or disapprove the issuance of a Park Board credit card to a Park Board employee. The CFO's decision will be final, even if CEO approval has been obtained.

### **Limits:**

1. Each card will be limited to a maximum set by the Controller, who will determine the limit based on need and budget.
2. The CFO will inspect all credit card purchases are for business purposes only. Credit cards may only be used to purchase tangible goods, registrations, memberships, subscriptions, business-related meals, approved travel expenses, and repairs to Park Board-owned vehicles and equipment.
  - Use of the credit card for any other purpose is prohibited unless approved by the CFO before the purchase is made.

### **Conditions of Use:**

1. The CFO will oversee that Park Board issued credit cards are not used to:
  - Obtain cash advances.
  - For expenses other than those incurred by the assigned employee named on the card.
  - For personal expenditures.
  - For contract payments or services not included in the "Limits" section above.


2. The Park Board issued credit card is to be used only for official Park Board business, not personal expenditures. Charging personal transactions to the business credit card is not acceptable under any circumstance. Cardholder transactions will be scrutinized to ensure compliance with this policy by the CFO.
3. Violations of the policy could result in the card's cancellation and withdrawal of the Park Board-issued Credit Card privileges. Violations may also result in disciplinary action against the employee concerned. In all cases of misuse, the Park Board reserves the right to recover any monies from the cardholder, including withholding the amount owed to the Park Board from the employee's compensation. Cardholders will be required to sign a declaration authorizing the Park Board to recover, from their salary, any amount incorrectly claimed.
4. Cardholders may not use their Park Board-issued credit card to obtain cash advances from banks, building societies, credit unions, or automatic teller machines. This prohibition similarly extends to cash equivalents such as bank checks, traveler's checks, and electronic cash transfers.

**E-Req's, Purchase Orders, and Expense Reports Controls:**

1. Procurement policies in effect by the Park Board are to be followed for all Park Board issued credit card purchases. Prior to making any purchase, an E-Req is to be submitted for approval. No purchase is to be made until an approved purchase order is issued, unless the purchase is for **\$1,000** or less.
2. Expense reports are to be completed within 10 days of the purchase or the completion of travel. A reconciliation of the expense report to the credit card statement will be performed by both the card holder and the accounts payable clerk.
3. All receipts supporting purchases and travel are to be attached to the expense report. Receipts must be original receipts. The Park card statement expenditure entries will not be used to justify expenditures.
4. All expense reports, statement reconciliations, and original receipts will be forwarded to the Accounts Payable Clerk.
5. Any violations may result in the expense being disallowed, and the employee to whom the credit card is issued will be required to reimburse the Park Board in an amount equal to the disallowed expense.

**Cardholder Responsibilities:**

1. Cardholders must retain transactional evidence to support all charges. An acceptable receipt for reimbursements of claimable business expenses on the credit card is an original receipt. Any additional documents (order slips, photos, travel itinerary, registrations, etc.) that justify the purchase should also be retained.
2. Credit card purchases without receipts are ultimately the responsibility of the employee who has been issued the card being used. A failure to provide receipts or other credible documents may result in the expense being disallowed and the employee to whom the credit card is issued will be required to reimburse the Park Board in an amount equal to the disallowed expense.

- 
3. Reimbursement for return of goods and/or services must be credited directly to the card account. The cardholder should receive no cash.
  4. Lost or stolen Park Board-issued credit cards must be reported and cancelled immediately. Accounts payable must be notified within 2 business days of this activity.

14.3

**Records Management:**

1. All documentation associated with a Park Board-issued credit card payment will be maintained within the Accounting Department.
2. Original receipts for all credit card transactions will be retained in the Accounting Department. Receipts will be attached to the corresponding expense report.
3. Cardholders should keep copies of receipts and statements for audit purposes or for future questions that may arise.

**Audit:**

1. Audits of cardholder purchases will be performed by the accounting clerk. In addition, external auditors will review credit card transactions.

**Park Board Issued Credit Card Payment:**

1. To avoid paying interest and penalty, accounts payable will issue payments before the billing cycle's due date. To help facilitate this, cardholders must promptly submit all expense reports, original receipts, and other supporting documentation.

  
**Section 15. Alternate Purchasing Control Systems**

Control System for Purchasing with Bids	15.1
Flowchart Control System for Purchasing with Bids	15.2

## **CONTROLS FOR PURCHASING WITH BIDS**

In this section, we assemble a checklist and flowchart of the controls that involve bidding.

### **Checklist - Control System for Purchasing with Bids:**

This checklist addresses the controls for a purchasing system where the Park Board staff obtains bids for more expensive items. The first control is to require an E-Req since it provides sufficient documentation to prevent purchasing errors and should show the manager's approval whose department will be charged for the items being acquired. This can be done after obtaining quotes, bids or proposals.

Second, if a proposed expenditure exceeds a specific size limit, the Park Board must engage in a bidding process. Since it is relatively easy to shortcut this process, the key control is to require documentation of a bidding data trail that encompasses a listing of who was contacted, copies of their bids, and documentation of the eventual award's reason. This information is aggregated into a bidding package, which may be reviewed and approved by the CFO.

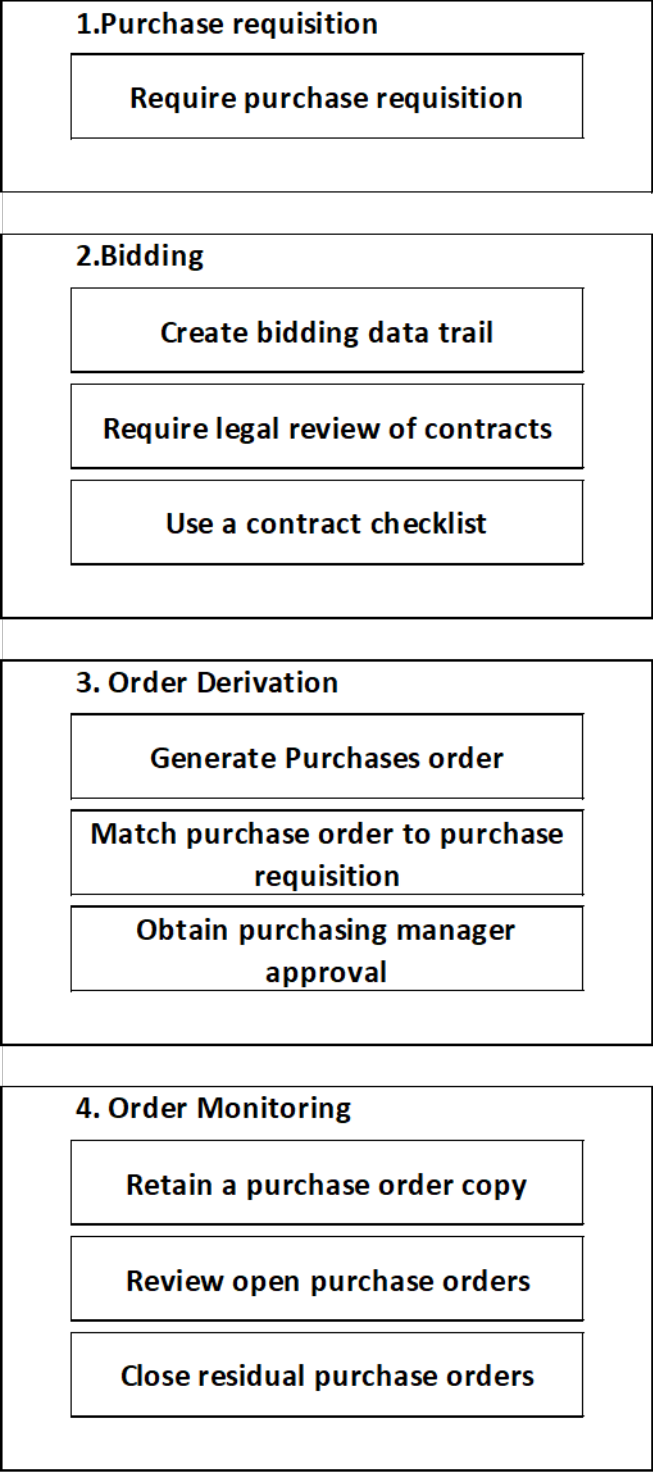
Third, bidding situations may involve customized contracts, in which case there may be a need for a legal review that includes a contract checklist of key clauses that must be included.

Fourth, the most essential control in the entire purchasing process is the purchase order since it is a legal authorization for a supplier to issue goods or services to the Park Board. Once created, the accounting department should verify it against the original purchase requisition. Fifth, if a purchase order is for a sufficiently large amount, it will be necessary to ensure all proper approvals are obtained.

Sixth, after purchase orders have been issued, the department manager should retain a copy to follow up with suppliers and eventually close its records of any outstanding purchase orders for which there may still be some residual balances.


**Flowchart - Control System of Purchasing with Bids**

**Note:** bidding can be performed before preparing a requisition



**Section 16. Fraud Related Purchasing Controls**





There is always a reasonable chance that fraud could occur in the purchasing area since it involves creating a document that is legal authorization to buy from a supplier. If someone can access the Park Board's purchase orders, they could order goods for which the Park Board would be liable to pay suppliers. Accordingly, consider implementing the following controls to prevent or at least detect fraud:


1. **Prenumber Purchase Orders.** The Park Board prepares purchase orders and uses them as primary authorization to pay suppliers; thus, the purchase order document becomes quite valuable. Someone could fraudulently use a purchase order to order goods for themselves. To avoid this issue, purchase order creation will be limited to certain accounting staff.
2. **Password-Protect the Vendor Master File.** A supplier could offer a kickback to a Park Board employee for altering the terms of payment listed in the vendor master file, or a Park Board employee could create a fake supplier and use it to pay himself. These problems can be mitigated by using passwords to restrict access to the vendor master file.
3. **Review Expense Trends.** There may be an unusual blip in an expense line item in a particular month that was not caught by any in-process controls. Once investigated, the system can be modified to catch similar offending transactions in the future.



### **PERIODIC ACTIONS PURCHASING CONTROLS**

The following controls help ensure that purchase orders are used when mandated, created correctly and that the records supporting the purchasing system are properly maintained. They are not necessarily part of a specific process; instead, the accounting department schedules them as separate tasks. These controls are:

1. **Reject Deliveries Without a Purchase Order**. In every organization, there exists someone who places orders without going through the purchasing procedures. A possible control over this behavior is to require the receiving department to reject all deliveries made for which there is no authorizing purchase order.
2. **Consolidate the Vendor Master File**. It is entirely likely that multiple vendor files will be opened for a single supplier. This makes it difficult to assemble consolidated information for a single supplier, needed for spend management analysis. Consequently, the accounting department should engage in periodic examinations of the vendor master file to see if any records can be consolidated.
3. **Designate Suppliers as Inactive**. If a supplier has not been used for some time or has been decertified, the accounting department should set its status to inactive in the vendor master file. By doing so, managers will be much less likely to contact the supplier for bids or place orders with it. This is a significant control if the Park Board wishes to do its business with fewer suppliers to achieve volume discounts and stop doing business with peripheral suppliers.



**Section 18. Stand-Alone Accounting Controls**


Stand-Alone Accounting Controls Checklist

18.1

**Stand Alone Controls**

There are several stand-alone controls in association with specific controls. These controls are:

1. **Department Staff Shall be Independent of Payables and Receiving Staff.** This control is needed to prevent collusion in the creation and payment of fraudulent supplier invoices.
2. **Professional Services Shall be Bid Every Five (5) to Ten (10) Years.** This control is designed to review competitive pricing for all types of professional services. Otherwise, relationships tend to continue for years, with pricing not being considered.

  
**Section 19. Appendices**

Contract Process Checklist	19.1
Form CIS: Local Government Officer Conflicts Disclosure Statement	19.3
Galveston Park Board of Trustees – Sole Source Justification Form	19.5
Form 1295 – Certificate of Interested Parties	19.7



## Contract Process Checklist

Date: \_\_\_/\_\_\_/\_\_\_\_\_

Vendor Name: \_\_\_\_\_

Purpose/Type of Contract: \_\_\_\_\_

Contract Funding Account: \_\_\_\_\_

(Please follow the steps on this checklist and submit this along with all other required documentation for execution)

### Department Responsibilities

Contracts with a value of \$10,000 or more OR will be using contingency funding:

- Park Board of Trustees Approval (attach approval).
- Request Contract Number from Administrative Services Manager.  
Contract number: \_\_\_\_\_
- Form 1295 completed (attach Form 1295).

Contracts with an aggregate value of \$50,000 or more:

- Sole Source – justification form submitted and approved by CFO
- Contract competitively bid
  - Specifications developed and legal ad placed
  - Responses received, evaluated/scored, and vendor selected

All Contracts regardless of value

- Chief Financial Officer Review and Approval (attach approval)
- Legal Counsel Approval (attach approval)
- Submit agreement and all required documents to Administrative Services Manager for review and Chief Executive Officer signature.



**Administrative Services Manager Responsibilities (continued Contract Process Checklist)**

- Obtain required approval signature.
- Scan and Master File all documentation.
- Distribute copy of signed contract to initiating department.









