

ORDINANCE NO. 2018-06-01

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF QUINLAN, TEXAS, ADOPTING A FINANCIAL MANAGEMENT POLICIES AND PROCEDURES MANUAL; PROVIDING FOR REPEAL OF ARTICLE 1.07 FINANCES, DIVISION 1, DIVISION 2, AND ANY ORDINANCES IN CONFLICT HEREWITH; PROVIDING A SAVINGS CLAUSE; AND PROVIDING FOR EFFECTIVE DATE.

WHEREAS, the City of Quinlan has a responsibility to ensure it handles public funds appropriately; and

WHEREAS, written, adopted financial policies and internal controls have many benefits in assisting Council with the financial management of the City; and

WHEREAS, the auditing firm for the City has recommended that Council adopt financial and internal control policies that promote sound financial management practices designed to meet Council's goals and objectives; and

WHEREAS, staff has prepared a City of Quinlan Financial Policies and Procedures Manual; that outlines procedures, safeguards, and internal controls for public fund management; and

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF QUINLAN, TEXAS:

SECTION 1: That, Article 1.07 Finances, Division 1 and 2 of the City of Quinlan Code of Ordinances, is hereby repealed.

SECTION 2: That, a paragraph be inserted under Article 1.07 Finances to read as follows:
"The City of Quinlan Financial Management Policies and Procedures Manual, adopted by Ordinance No. 2018-06-01, is maintained on file in the City Secretaries office and can be found online at www.cityofquinlan.net"

SECTION 3: That, the City of Quinlan Financial Management Policies and Procedures Manual, attached hereto as Attachment A, is hereby adopted.

SECTION 4: If any section, article, paragraph, sentence, clause, phrase or word in this ordinance, or application thereto any persons or circumstances is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this ordinance; and the City Council hereby declares it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

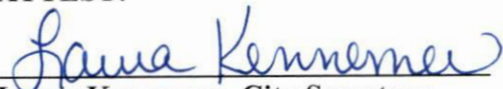
SECTION 5. That all provisions of the Ordinances of the City of Quinlan, Texas, in conflict with the provisions of this ordinance be, and the same are hereby amended, repealed, and all other provisions of the Ordinances of the City not in conflict with the provisions of this ordinance shall remain in full force and effect.

SECTION 6. This Ordinance shall become effective from and after its date of passage, and in accordance with law.

PASSED AND APPROVED in a meeting of the City Council of the City of Quinlan, Texas, held on the 11th day of June, 2018.


Jacky Goleman, Mayor

ATTEST:


Laura Kennemer, City Secretary



City Council Agenda Item Report

Items IX – F

Meeting Date June 11, 2018

Item Contact Laura Kennemer, City Secretary
lkennemer@cityofquinlan.net, (903) 356-3306

Subject: Ordinance 2018-06-01, adopting a Financial Management Policies and Procedures Manual for the City of Quinlan.

1. Background/History

Many of the City's financial policies have not been formally adopted, particularly related to purchasing policies and ethics policies. This manual has been under development for some time. Due to grant requirements that the City certify that we've adopted internal ethics and compliance policies related to financial management and purchasing, the completion of this manual was accelerated in order to meet the grant deadlines.

2. Current Findings

This manual includes a number of policies related to ethics, fraud and compliance. In addition, it formalizes a variety of financial management policies related to budgets, investments, and detailed policies regarding purchasing.

3. Budget Impact

These items do not have a direct budget impact on these projects.

4. Recommendations

Staff recommends that City Council approve this ordinance.



City of Quinlan, Texas

Financial Management

Policies and Procedures Manual

City of Quinlan, Texas
Financial Management Policies and Procedures Manual

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INTRODUCTION

This manual has been prepared to document the internal financial policies and procedures for the City of Quinlan, Texas (City). Its purpose is to ensure that assets are safeguarded, that financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship.

All personnel with a role in the management of the City's fiscal operations are expected to uphold the procedures in this manual. It is the intention of the City that this financial management policies and procedures manual serves as our commitment to proper, accurate financial management and reporting.

Employees and other city officials will be provided with periodic training. This Manual will be reviewed on an annual basis by staff and city council.

INTERNAL CONTROL CONCEPTS

Purpose

Internal controls consist of all the measures taken by the City of Quinlan for the purpose of:

- 1) Protecting resources against waste, misappropriation and inefficient application;
- 2) Ensuring accuracy, timeliness, and reliability in accounting and operating data;
- 3) Maintaining compliance with applicable laws and regulations;
- 4) Evaluating the level of performance of departments and personnel.

The City's assets and resources have been entrusted to us, the City of Quinlan's employees, elected and appointed officials. Faithful stewardship over the same is everyone's responsibility.

Objective

The objective of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. This concept, called "reasonable assurance," recognizes that the cost of controls should not exceed the benefits likely to be derived; and that estimates and judgments are required to be made by management in evaluating costs and benefits.

The Three Most Common Internal Controls

- 1) Documentation, publication and implementation of standard operating procedures;
- 2) Formalizing approval authorizations;
- 3) Separation of duties and tasks among employees.

Internal Controls Protect the Employee

The City of Quinlan reduces the employees risk through the establishment of internal controls that reduce the opportunity for employees to make unauthorized transactions.

See "Fraudulent or Unethical Behavior Policy" herein to learn about the processes for reporting suspected fraud, theft, abuse, waste or unethical behavior in our workplace.

FRAUDULENT OR UNETHICAL BEHAVIOR POLICY

Purpose

The City of Quinlan is committed to the highest standards of moral and ethical behavior by all its employees; elected and appointed officials, volunteers, vendors and contractors; so as to strengthen the public's trust in the integrity of our municipal government. This policy establishes responsibilities and procedures for reporting, investigating and resolving suspected acts of fraud, waste, abuse and ethical misconduct. It provides a structure that will encourage the reporting of any suspicions of violations of this Policy and will ensure that employees are able to discuss their concerns in a secure and confidential environment.

Scope

This Policy is applicable to all City of Quinlan employees, elected and appointed officials, and volunteers, as well as outside consultants, contractors and vendors who have a business relationship with the City.

Policy

It is the City of Quinlan's policy to fully investigate any suspected acts of fraud, theft, abuse, waste or unethical behavior in an impartial manner, regardless of the suspected wrongdoer's position, tenure in service or relationship to the City.

Any violation of this Policy that is detected or suspected by City of Quinlan employees, elected and appointed officials, volunteers; as well as outside consultants, contractors and vendors; who have a business relationship with the City; must be reported immediately to the City Administrator or the Anti-Fraud Committee as outlined in the Responsibilities and Procedures section of this policy. The Anti-Fraud Committee will determine who will investigate the suspected fraudulent activity in accordance with this Policy.

Any employee found to have violated this Policy will be subject to disciplinary action up to and including dismissal and/or prosecution by the appropriate authorities. Elected and appointed officials, contractors, vendors, volunteers and others having a business relationship with the City may be subject to sanctions or prosecution by the appropriate authorities.

The City intends to pursue every reasonable legal remedy when a violation has occurred and to obtain recovery of any losses from the offender, including when appropriate; notifications of bonding company, court ordered restitution or to other available remedies.

Definitions of Fraud

Fraud:

An intentional illegal use of City assets by any act including, but not limited to: theft, embezzlement or misrepresentation. Fraud is designed to obtain a benefit or advantage or cause some benefit that is due to be denied. Examples include, but are not limited to:

- 1) Forgery or alteration of a check, document, or account belonging to the City;
- 2) Misappropriation of city funds, securities, supplies or property;
- 3) Unauthorized personal use of city equipment and supplies;
- 4) Personal use of credit cards;
- 5) Profiteering as a result of insider knowledge;
- 6) Theft of cash, checks, property or credit cards;
- 7) Falsifying records such as timecards, expense reports or official documents;

- 8) Willful destruction of City property;
- 9) Employee with access to confidential information who sells this information for personal gain or discloses information to outside parties;
- 10) Accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to the City of Quinlan.

Waste:

The expenditure or allocation of resources significantly in excess of need. Examples include, but are not limited to:

- 1) Unauthorized use or misuse of city facilities, equipment or vehicles;
- 2) Falsifying time worked, leave taken or on a timesheet;
- 3) Unnecessary incurring of costs as a result of inefficient or negligent practices, systems or controls.

Abuse of Position:

- 1) Obtaining a benefit or service from the city which one does not qualify;
- 2) Providing a benefit or service to someone for which they do not qualify;
- 3) Unauthorized reductions in fees and fines;
- 4) Suspending or terminating enforcement action based on a personal relationship;
- 5) Bid-fixing.

Ethical Misconduct:

See the City's standard of Conduct and Code of Ethics for details. Individuals, who conduct their official duties in a manner which is not impartial, use their position for personal gain, or fail to properly disclose an actual or potential conflict of interest. Examples include, but are not limited to:

- 1) Authorize contracts in violation of municipal purchasing laws;
- 2) Failure to disclose an actual or potential conflict of interest;
- 3) Accepting gifts prohibited by ethics of interest.

Job Application Fraud:

Individuals, who knowingly provide false information on job applications.

Procedures

Each employee is required to report any suspected or detected violation of this Policy regarding fraud, theft, waste, abuse, or other unethical or dishonest conduct. An employee shall report immediately the suspicion and/or detection to their department manager, who in turn must immediately report the information to the City Administrator or the Anti-Fraud Committee. If the employee is not comfortable reporting directly to their department manager, the employee may immediately report their suspicion directly to the City Administrator, City Secretary, or Anti-Fraud Committee. Suspected fraudulent activity and/or violations of this Policy involving the City Administrator's Office must be reported to the Anti-Fraud Committee immediately.

The employee reporting suspected violations of this Policy and/or fraudulent activity may choose to identify themselves or to remain anonymous. The identity of an employee or complainant who reports suspected fraudulent activity will be protected to the fullest extent possible; but the City cannot guarantee confidentiality. It is the City's intent to protect an employee who discloses information of suspected fraudulent activity from retaliatory actions by other individuals. Retaliation against an employee or other person who reports a detected or suspected violation of this Policy is strictly prohibited. Any employee who retaliates against a person for reporting a detected or suspected

violation of this Policy will be subject to discipline up to and including termination of employment.

In all cases, the reporting employee must provide enough detail about the activity to aid in the investigation. All employees, including management employees, will cooperate with the Anti-Fraud Committee and investigators and will not, by any means, personally investigate the suspected fraud, or contact the suspected individual in an effort to determine facts or demand restitution.

Anti-Fraud Committee/Human Resources

The City's Anti-Fraud Committee will be comprised of the City Administrator, City Secretary and the Mayor. The Committee will appoint the investigator and oversee and coordinate all actions taken during the course of the investigation. The investigator will have unlimited and unattended access to all relevant City files at all times in order to facilitate investigative work as permitted by City policy and state and federal law.

Great care must be taken in the investigation of suspected fraudulent activity to avoid mistaken accusations, alerting suspected individuals that an investigation is under way, or making any statement which could provide a basis for a suit for false accusation or other offenses.

The Committee will evaluate the extent of any potential criminal activity and including consulting the City Attorney if needed. If any potential prosecutable criminal activity exists, the Police Department or other appropriate law enforcement agency will be notified and will conduct their investigation. The Committee will assist with the investigation if law enforcement requests such assistance. In every case, the City will cooperate fully with the investigating and prosecuting authorities. If no potentially prosecutable criminal activity exists, the City Administrator will conduct the investigation with the assistance of other appropriate City officials.

If fraudulent activity is detected or reasonably suspected, the City Administrator or Mayor will apprise the City Council of the investigation and update them on progress as it is deemed appropriate.

In cases where the suspected fraudulent activity involves the offices of the City Administrator or City Attorney, the Committee will determine the investigation process and assign an investigator. The City Administrator or City Attorney will be apprised of the investigation and updated on progress as is deemed appropriate by the investigator.

The City Administrator or Mayor may notify the City Council of a reported allegation of fraudulent activity upon the start of the investigation to the extent practical. The City Council will be apprised of the progress of the investigation as deemed appropriate by the City Administrator or Mayor. At the conclusion of the investigation, a confidential report will be issued and distributed to the Committee and the City Council. After their review, a copy of the report will be provided to the appropriate department head and the City Secretary for placement in employees file.

Disciplinary Action

If a suspected or detected violation of this Policy is substantiated by an investigation, the City will take the appropriate action in conformance with City personnel policies and procedures.

Violations of the City's Fraud Policy will result in disciplinary actions up to and including immediate dismissal. Examples of violations of this Policy which can lead to disciplinary action up to and including dismissal include but are not limited to an employee who:

- 1) Commits an act of fraud, theft, abuse, waste or other unethical behavior as defined by this policy;
- 2) Suspects, discovers or has knowledge of fraudulent activity that violates or potentially violates this Policy and fails to report the information as required by this Policy; or
- 3) Retaliates against or penalizes any individual for reporting, or cooperating in the investigation, or prosecution of fraudulent activity.

Distribution

All City employees, volunteers and elected and appointed officials will be given a copy of this Policy. All newly hired employees and appointed volunteers will be provided a copy as part of orientation; and required to provide a written acknowledgement upon receipt of the Policy that will be retained by the City Secretary.

BUDGET AND FISCAL POLICIES

Fiscal Year

The fiscal year of the city is hereby designated as beginning with the first day of October of each year and ending the last day of September next ensuing thereafter.

Budget Purpose and Organization

Balanced Budget: The City will maintain a balanced budget. This means that:

- 1) Operating revenues should, to the extent possible, cover operating expenditures, including debt service.
- 2) Ending fund balance must meet minimum policy levels or other target levels established by the Council for the fiscal year.

See **Fund Balance** and **Reserves** policies that follow for description of other circumstances appropriate to the use of beginning fund balance.

Council Goal-Setting, Transparency and Meaningful Community Engagement in the Budget Process:

The Council will set goals for the coming year, early in the budget process that provides transparent and clear policy direction in linking goals with resources. The community will be provided with meaningful opportunities to be engaged in the goal-setting and budget process.

Budget Objectives:

Through its Budget, the City will link resources with goals and results by:

- 1) Identifying community needs for essential services;
- 2) Organizing the programs required to provide these essential services;
- 3) Establishing program policies and goals, which define the nature and level of program services required;
- 4) Proposing objectives for improving the delivery of program services;
- 5) Identifying and appropriating the resources required to perform program activities and accomplish program objectives.

Measurable Objectives:

The Budget will establish measurable program objectives and allow reasonable time to accomplish those objectives.

Goal Status Reports:

The status of major program objectives will be formally reported to the Council on an ongoing and periodic basis.

Fund Balance and Reserves

General Fund Minimum Fund Balance:

The City will strive to maintain a minimum unassigned fund balance of at least 50% of operating expenditures in the General Fund. This represents 6 months of cash flow and is based on the GFOA's draft methodology for setting reserve levels in adequately providing for:

- 1) Economic uncertainties, local disasters and other financial hardships; or downturns in the local or national economy;
- 2) Contingencies for unseen operating or capital needs;
- 3) Unfunded liabilities such as self-insurance, pensions and retiree health obligations;

- 4) Institutional changes, such as State budget takeaways and unfunded mandates;
- 5) Cash flow requirements.

Should the City's General Fund reserves fall below this target, the City will strive to restore reserves to this level within five years. As revenues versus expenditures improve, the City will allocate about half to reserve restoration; with the balance available to fund outstanding liabilities, asset replacements, service levels restoration, new operating programs; or capital improvement projects.

Circumstances where taking reserves below Policy levels would include responding to the risks that reserves are intended to mitigate; such as:

- 1) One time uses in meeting cash flow needs; closing a projected short-term revenue and/or expenditure gap; responding to unexpected expenditure requirements or revenue shortfalls; and making investments in human resources, technology, liability reductions, economic development and revenue base improvements, productivity improvements and other strategies that will strengthen City revenues or reduce future costs;
- 2) Where a forecast shows an ongoing structural gap, in providing a strategic bridge to the future.

Facilities, Equipment, Fleet and Infrastructure Replacement:

The City will establish Replacement Funds and strive to set annually aside funds to provide for the timely replacement of long-lived capital assets such as facilities, equipment, vehicles and infrastructure. The annual contribution to this fund will generally be based on the annual use allowance or depreciation; which is determined based on the estimated life of the asset vehicle or equipment and its original purchase cost. Sales of surplus equipment as well as any related damage and insurance recoveries will be credited to this fund.

Future Capital Project Fund Balance Assignments:

The Council may assign specific fund balance levels for future development of capital projects that it has determined to be in the best long-term interests of the City.

Other Commitments and Assignments:

In addition to the assignments noted above, fund balance levels will be sufficient to meet funding requirements for projects approved in prior years which are carried forward into the new year; debt service reserve requirements, commitments for encumbrances; and other reserves, commitments or assignments required by contractual obligations; state law or generally accepted accounting principles.

Financial Reporting and Budget Administration:

Annual Reporting:

The City will prepare annual financial statements as follows:

- 1) The City will contract for an annual audit by a qualified independent certified public accountant. The City will strive for an unqualified auditors' opinion;
- 2) The City will use generally accepted accounting principles in preparing its annual financial statements;
- 3) The City will issue audited financial statements within 180 days after year-end.

Interim Reporting:

The City will prepare and issue timely interim reports on the City's fiscal status to the Council and staff. This includes monthly reports to department heads.

Budget Administration:

The Council may amend the budget at any time after its adoption by majority vote of the Council members. The City Administrator has the authority to make administrative adjustments to the budget line items within departments, as long as those changes will not have a significant policy impact, nor affect budgeted year-end fund balances.

Contracting for Services**General Policy Guidelines:**

- 1) Contracting with the private sector for the delivery of services provides the City with a significant opportunity for cost containment and productivity enhancements. As such, the City is committed to using private sector resources in delivering municipal services as a key element in its continuing efforts to provide cost-effective programs;
- 2) Private sector contracting approaches under this policy include construction projects, professional services, outside employment agencies and ongoing operating and maintenance services;
- 3) In evaluating the costs of private sector contracts compared with in-house performance of the service, indirect, direct, and contract administration costs of the City will be identified and considered;
- 4) Whenever private sector providers are available and can meet established service levels, they will be seriously considered as viable service delivery alternatives using the evaluation criteria outlined below;
- 5) For programs and activities currently provided by City employees, conversions to contract services will generally be made through attrition, reassignment or absorption by the contractor.

Evaluation Criteria:

Within the general policy guidelines stated above, the cost-effectiveness of contract services in meeting established service levels will be determined on a case-by-case basis using the following criteria:

- 1) Is a sufficient private sector market available to competitively deliver this service and assure a reasonable range of alternative service providers;
- 2) Can the contract be effectively and efficiently administered;
- 3) What are the consequences if the contractor fails to perform, and can the contract reasonably be written to compensate the City for any such damages;
- 4) Can a private sector contractor better respond to expansions, contractions or special requirements of the service;
- 5) Can the work scope be sufficiently defined to ensure that competing proposals can be fairly and fully evaluated; as well as the contractor's performance after bid award;
- 6) Does the use of contract services provide us with an opportunity to redefine service levels;
- 7) Will the contract limit our ability to deliver emergency or other high priority services;
- 8) Overall, can the City successfully delegate the performance of the service but still retain accountability and responsibility for its delivery?

PAYROLL PROCESSING POLICY

Purpose

The purpose of this Policy is to create clear guidelines for the processing of payroll, thus ensuring that City of Quinlan employees are paid correctly and timely.

Policy

It is the City of Quinlan's Policy to make accurate and timely payments to employees for time worked. Toward this end; All City employees, regardless of hire date, salary or wage status, or pay frequency; shall participate in the City's direct deposit system for payroll disbursement. Direct deposit benefits both the employee and the City.

Benefits to the employee include:

- 1) No lost or stolen checks;
- 2) No unclaimed or un-cashed checks;
- 3) Elimination of long payroll and banking lines and wasted time cashing checks;
- 4) Assurance that payments will be automatically deposited while on vacation, sick leave or out of office for any reason.

Benefits to the City include:

- 1) Elimination of forged, stolen or lost checks;
- 2) Reduced operating costs;
- 3) Improved productivity;
- 4) Enhanced cash management.

Procedures

- 1) Completed Bi-Weekly Time Sheets must be delivered to the City Secretary on Wednesday (of the pay week) before 12:00 p.m.;
- 2) A completed employee Bi-Weekly Time Sheet consists of documented time worked and not worked (vacation, sick leave, etc.) for the pay period, the signature of employee; and the signature of the supervisor/department head. In addition, for any and all over-time or compensatory time to be paid or banked; the Time Sheet must be accompanied by an approved Over Time/Compensatory Time off sheet signed by your supervisor or department head;
- 3) Time should be accounted for on a daily basis and completed in ink. Correction fluid (whiteout, etc.) should never be used in preparing timesheets. If an error needs to be corrected, a line should be drawn through the item and the corrected information recorded; and initialed by the person who made the correction;
- 4) Employee payroll changes (step increase, change of address, change in deductions or marital status, etc.) must be received in the Human Resources office one week before the pay period is processed;
- 5) Payroll shall distribute check stubs on Friday morning of a payday.

DIVISION OF DUTIES

The following is a list of personnel who have responsibilities within the accounting department:

City Administrator:

- 1) Compiles the estimates of revenues and expenditures for the budget;
- 2) Prepares at the end of each fiscal year a complete financial statement and report;
- 3) Supervises and assumes responsibility for the collection of all taxes, special assessments, license fees; and other revenues of the City or for whose collection the City is responsible;
- 4) Supervises all invested funds of the City government;
- 5) Supervises the development and management of the annual operating budget;
- 6) Authorizes all ACH transactions, wire transfers for debt service and other transactions.

City Secretary:

- 1) Supervises and assumes responsibility for the disbursement of all monies, and assures that expenditures do not exceed appropriations;
- 2) Assists the City Administrator to develop the annual budget;
- 3) Assists the City Administrator with the City's investment function. Prepares and assists with the presentation reports, work papers, or schedules related to the investment of funds for the City;
- 4) Responsible for monitoring unspent balances in the City's Interest and Sinking Fund;
- 5) Imports and exports all files for the bank positive pay, processes required ACH transactions, and initiates wire for debt service and other transactions;
- 6) Prepares the monthly financial report;
- 7) Randomly reviews journal entries during the year;
- 8) Reviews all bank reconciliations;
- 9) Reviews daily bank deposits;
- 10) Manages the assets accounts;
- 11) Entry of all adjusting journal entries and year-end closing entries;
- 12) Prepares Form 1099 at year end for accounts payable vendors;
- 13) Responsible for bi-weekly payroll processing;
- 14) Reviews payroll changes for bi-weekly City payroll;
- 15) Prepares bi-weekly, quarterly, and annual payroll related reports;
- 16) Maintains the City's credit card(s);
- 17) Reviews bankruptcy notices to determine if they are related to City accounts;
- 18) All other duties assigned by the Mayor/Council/City Administrator.

Accounts Payable Clerk:

- 1) Entry of all accounts payable transactions.
- 2) Reviews invoices, expenditure form, and purchase orders before processing in accounts payable.
- 3) Prepares their daily deposit.
- 4) Responsible for processing of returned checks and follow-up with District Attorney's office.

Utility Clerk:

- 1) Prepares their daily deposit.
- 2) Responsible for processing of returned checks.

All Department Directors:

- 1) Develops first draft of department budgets and works with the City Administrator to finalize.
- 2) Accountability to approve departmental budgets in purchasing decisions and in preparing expense request with the proper account code.
- 3) Will review and approve biweekly time sheets to assure accuracy, completeness and protect the City against fraudulent claims of hours worked.
- 4) Will submit appropriate form to Human Resources related to pay/position changes, certification pay, and other matters affecting employee pay and benefits.

ACCOUNTS PAYABLE PAYMENT PROCESSING POLICY

Purpose

The purpose of this Policy is to create clear guidelines for the processing of vendor payments.

Policy

It is the City of Quinlan's Policy to make accurate and prompt vendor payments. This includes all payments on purchase orders, expenditure request, travel expense request, and refunds or reimbursements. It is necessary for the City to maintain a satisfactory credit standing with vendors and prompt payment ensures this.

Procedures

- 1) Departments should notify all vendors to mail original invoices to the attention of Accounts Payable.
- 2) Accounts Payable will distribute original invoices to departments for processing;
- 3) A processed payment includes two elements: (1) completed expenditure request form; (2) original invoice;
- 4) Unprocessed payments will be returned to requesting department for correction;
- 5) Inquiries from vendors regarding the status of unpaid invoices are generally handled by Accounts Payable personnel. If, however, invoices have been sent directly to the department by the vendor, or have not been returned to Accounts Payable with the necessary processing information the originating department will be expected to respond to inquiries from the vendor;
- 6) Payment requests must be received by Accounts Payable on Monday before 12:00 p.m. in order to be paid out by Friday;
- 7) Occasionally checks will be lost, stolen or incorrect; and this will require a stop payment and reissuance of the check. The City Secretary or their designee is responsible to process the stop payment. Accounts Payable will re-issue a replacement check after the service bank has confirmed the stop payment request;
- 8) All checks shall be mailed to vendors by Accounts Payable unless otherwise authorized by the City Secretary.

CHECK SIGNING AND WIRE AND INTRA-BANK TRANSFER AUTHORITY POLICY

Purpose

The purpose of this Policy is to establish strict internal controls over the disbursement process.

Policy

It is the City of Quinlan's policy to require signatures for all checks, wire transfers and intra-bank transfers. Stamp or facsimile signatures are not authorized.

Procedures

- 1) The positions of Mayor, Mayor Pro Tem, City Administrator and City Secretary, their successors and interim appointments, are designated signers;
- 2) All checks, wire transfers, and intra-bank transfers require two signatures from authorized signers. At least one signature shall be from either the Mayor, Mayor Pro Tem, or City Administrator;
- 3) Any check exceeding \$10,000 shall require one of the two signature from either the Mayor or Mayor Pro Tem.

CASH REGISTER AND CASHIERING POLICY

Opening Activity and Cash Drawer Set-up

Ideally, each cash handler/cashier should have their own cash drawer that they are responsible for. When setting up the cash drawer each day, the following procedures should be followed:

- 1) Arrange your coin and currency in a consistent manner. The cash drawer is divided into separate compartments for different coin, currency denominations, checks, and other items. When possible, you should set-up your cash drawer with the smaller denominations closer to where you position "yourself, and larger denominations farther away. This set-up will help prevent the accidental distribution of incorrect denominations;
- 2) Each cash drawer has a designated "opening" bank amount of \$250.00. You should count and verify that the actual amount in the cash drawer at the beginning of the day agrees to this amount;
- 3) Lock all cash and coins in the safe when not in use;
- 4) NEVER leave your cash drawer unattended unless it is secured;
- 5) Never let anyone touch your cash drawer, except under your direct supervision.

Losses, Shortages, and Overages

There is a clear difference between a "loss" and a "shortage". The difference lies in the ability of the cash handler to obtain physical custody of the money and how it is safeguarded. A Shortage is an unintentional collection error, such as giving incorrect change or not collecting the correct amount. An Overage occurs when you have collected too much money and cannot immediately return the excess to a specific customer. A loss occurs when the cash handler has obtained physical custody of money and then due to reasons like negligence; an act of God or an unlawful action, cannot deposit the funds into the City Treasury. "Negligence" includes such actions as leaving City money unattended and not properly safeguarding that money from loss. Report all losses to your supervisor immediately.

Balancing Your Cash Drawer

At the end of the day, the cash handler needs to account for any loss, shortage, or overage in their cash drawer. This process is known as "balancing" your cash drawer. This balancing process involves:

- 1) Adding the currency, coin, and checks for a total dollar amount on-hand and then subtracting out the beginning balance;
- 2) Determining the dollar amount that has been collected per the daily deposit report;
- 3) Comparing these two amounts. They should be the same.

Locating Cash Differences

Every reasonable attempt should be made to locate cash differences. If you have a cash shortage or overage, always follow these steps:

- 1) Recount all coin and currency to agree with your initial count;
- 2) Make sure you have deducted the proper amount as your beginning cash bank;
- 3) Recheck the amounts per the reports. Do the amounts for cash, checks, money orders and credit card transactions per the reports agree to your actual count;
- 4) If the difference cannot be found take all information to the City Secretary for further investigation.

Below is a list of possible reasons for out of balance situations:

- 1) Writing illegibly;
- 2) Taking currency out of strap without breaking the strap and not fully emptying coin wrappers when opening them;
- 3) Clipping and wrapping cash incorrectly;

- 4) Not clearing adding machine before using it;
- 5) Transposing numbers (is the difference divisible by 9?);
- 6) Mixing transactions between multiple drawers;
- 7) Sacrificing accuracy for speed;
- 8) Not putting money away immediately after completing a transaction;
- 9) Not locking cash drawer when leaving workstation;
- 10) Forgetting to pay out cash;
- 11) Not completely finishing a transaction before starting the next;
- 12) Adding up cash/checks in your head instead of using an adding machine;
- 13) Being distracted during a transaction.

Payments Received by Direct Deposit

The City Secretary or their designee will enter daily direct deposit from property tax, franchise, refunds, etc. into the cash receipting module in the financial accounting software program.

INVESTMENT POLICY

POLICY

It is the Policy of the City of Quinlan, Texas ("City") that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment; available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to City funds. The City's investment portfolio shall be designed and managed in a manner designed to maximize this revenue source; to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- 1) Safety and preservation of principal;
- 2) Maintenance of sufficient liquidity to meet operating needs;
- 3) Public trust from prudent investment activities;
- 4) Optimization of interest earnings on the portfolio

References in this Policy to "City" shall include the City of Quinlan, Texas.

PURPOSE

The purpose of this Investment Policy is to comply with all applicable state statutes, City ordinances, resolutions and policies and Chapter 2256 of the Government Code ("Public Funds Investment Act"), which require the City to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City's funds.

SCOPE

This Investment Policy shall govern the investment of all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR) and include:

- 1) General Fund;
- 2) Utility Revenue Funds;
- 3) Dedicated Funds;
- 4) Debt Service Funds, including reserves and sinking funds; to the extent not required by law or existing contract to be kept segregated and managed separately;
- 5) Any new fund created by the City, unless specifically exempted from this Policy by the City Council (Council) or by law.

The City may consolidate cash balances from various funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this Policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs.

INVESTMENT OBJECTIVES

The City shall manage and invest its cash with four primary objectives, listed in order of priority: **safety, liquidity, public trust, and yield; expressed as optimization of interest earnings**. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The City shall maintain a Comprehensive Cash Management Program, which includes: collection of account receivables, vendor payments in accordance with invoice terms; and prudent investment of available cash. Cash Management is defined as the process of managing monies in order to insure maximum cash availability and maximum earnings on short-term investment of idle cash.

Safety [PFIA 2256.005(b)(2)]

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- 1) Credit Risk - The City will minimize credit risk; the risk of loss due to the failure of the issuer or backer of the investment, by:
 - A. Limiting investments to the safest types of investments;
 - B. Pre-qualifying the financial institutions and broker/dealers with which the City will do business;
 - C. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.
- 2) Interest Rate Risk - the City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
 - A. Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity;
 - B. Investing operating funds primarily in certificates of deposit, shorter- term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds;
 - C. Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Liquidity [PFIA 2256.005(b)(2)]

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in shares of money market mutual funds or local government investment pools that offer same-day liquidity. In addition; a portion of the portfolio may consist of securities with active secondary or resale markets.

Public Trust

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

Yield (Optimization of Interest Earnings) [PFL4 2256. 005(b)(3)]

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

RESPONSIBILITY AND CONTROL

Delegation of Authority [PFIA 2256.005(f)]

In accordance with City ordinances, resolutions and policies and the Public Funds Investment Act; the City Council designates the City Administrator, or his designated representative as the City's Investment Officers. An Investment Officer is authorized to execute investment transactions on behalf of the City. No person may engage in an investment transaction or the management of City funds except as provided under the terms of this Investment Policy as approved by the City Council. The investment authority granted to the investing officer is effective until rescinded by the Council.

Quality and Capability of Investment Management [PFIA 2256.005(b)(3)]

The City shall provide periodic training in investments for the designated investment officer through courses and seminars offered by professional organizations, associations; and other independent sources in order to insure the quality and capability of investment management in compliance with the Public Funds Investment Act.

Training Requirement (PFIA 2256.008)

In accordance with City ordinances, resolutions and policies and the Public Funds Investment Act; the designated Investment Officers and Financial Officer shall abide by TX Local Government Code Ch. 2256 Public Funds Investment as set forth by the state.

Internal Controls (Best Practice)

The City Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The Internal Control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the City Administrator shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The Internal Controls shall address the following points:

- 1) Control of collusion;
- 2) Separation of transactions authority from accounting and record keeping;
- 3) Custodial safekeeping;
- 4) Avoidance of physical delivery securities;
- 5) Clear delegation of authority to subordinate staff members;
- 6) Written confirmation for telephone (voice) transactions for investments and wire transfers;
- 7) Development of a wire transfer agreement with the depository bank or third party custodian.

Prudence (PFIA 2256.006)

The standard of prudence to be applied by the Investment Officer shall be the "Prudent Person Rule." This rule states that "Investments shall be made with judgment and care, under circumstances then prevailing; which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation; but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Investment official acting in accordance with the Investment Policy and exercising due diligence shall be relieved of personal responsibilities for an individual security's credit risk or market price change;

provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility; rather than consideration as to the prudence of a single investment and whether the investment decision was consistent with the City's Investment Policy.

Indemnification (Best Practice)

The Investment Officer, acting in accordance with written procedures and exercising due diligence; shall not be held personally responsible for a specific investment's credit risk or market price changes; provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest [PFIA 2256.005(i)] and

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the Investment Program, or that would impair their ability to make impartial decisions. Employees and Investment Officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

An Investment Officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Council and the City Council.

SUITABLE AND AUTHORIZED INVESTMENTS

Portfolio Management

The City currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- 1) An investment with declining credit may be liquidated early to minimize loss of principal;
- 2) Cash flow needs of the City require that the investment be liquidated.

Investments [PFIA 2256.005(b)(4)(A)]

City funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act). Investment of City funds in any instrument or security not authorized for investment under the Act is prohibited. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

1) Authorized

- A. Obligations of the United States of America, its agencies and instrumentalities;
- B. Certificates of Deposit issued by a bank organized under Texas law, the laws of another state, or federal law; that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law; the laws of another state, or federal law, that has

its main office or a branch office in Texas, and that is guaranteed, or insured by the Federal Deposit Insurance, or its successor, or secured by obligations in a manner and amount provided by law for deposits of the City;

- C. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities. These shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City, or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer; as defined by the Federal Reserve, or a financial institution doing business in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 100 percent at the time funds are disbursed. (Sweep Accounts and/or Bond Proceeds)
- D. Money Market Mutual funds that are:
 - 1. Registered and regulated by the Securities and Exchange Council;
 - 2. Have a dollar weighted average stated maturity of 90 days or less;
 - 3. Rated AAA by at least one nationally recognized rating service;
 - 4. Seek to maintain a net asset value of \$1.00 per share.
- E. Local government investment pools, which:
 - 1. Meet the requirements of Chapter 2256.016 of the Public Funds Investment Act;
 - 2. Are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service;
 - 3. Seek to maintain a \$1.00 net asset value;
 - 4. Are authorized by resolution or ordinance by the Council.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. (PFLA 2256.021)

2) Not Authorized [PFL4 2256.009(b)(1-4)]

Investments including interest-only or principal-only strips of obligations with underlying mortgage-backed security collateral, collateralized mortgage obligations with an inverse floating interest rate, or a maturity date of over 10 years are strictly prohibited.

INVESTMENT PARAMETERS

Maximum Maturities [PFL4 2256.005(b)(4)(B)]

The longer the maturity of investments, the greater their price volatility. Therefore, it is the City's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

The City attempts to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than two (2) years from the date of purchase; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days except in the case of a flexible repurchase agreement for bond proceeds. The maximum maturity for such an investment shall be determined in accordance with project cash flow projections and the requirements of the governing bond ordinance.

The composite portfolio will have a weighted average maturity of 365 days or less. This dollar-weighted average maturity will be calculated using the stated final maturity dates of each security. [PFLA 2256.005(b)(4)(C)]

Diversification [PFLA 2256.005(b)(3)]

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- 1) Limiting investments to avoid over concentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law);
- 2) Limiting investment in investments that have higher credit risks (example: commercial paper);
- 3) Investing in investments with varying maturities;
- 4) Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the City's total portfolio:

A. U.S. Treasury Securities	75%
B. Agencies and Instrumentalities	50%
C. Certificates of Deposit	100%
D. Repurchase Agreements*	25%
E. Money Market Mutual Funds	50%
F. Authorized Pools	100%

*Excluding flexible repurchase agreements for bond proceeds investments

SELECTION OF BANKS AND DEALERS

Depository

At least every four years a Depository shall be selected through the City's banking services procurement process; which shall include a formal request for proposal (RFP). The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

- 1) The ability to qualify as a depository for public funds in accordance with state law;
- 2) The ability to provide requested information or financial statements for the periods specified;
- 3) The ability to meet all requirements in the banking RFP;
- 4) Complete response to all required items on the bid form;
- 5) Lowest net banking service cost, consistent with the ability to provide an appropriate level of service;
- 6) The ability to provide on-line banking services;
- 7) The credit worthiness and financial stability of the bank.

Authorized Brokers/Dealers (PFLA 2256.025)

The City shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions authorized to engage in securities transactions with the City (Note: a designated investment committee may adopt and annually review the list of qualified broker/dealers). Those firms that request to become qualified bidders for securities transactions will be required to provide a completed broker/dealer questionnaire that provides information regarding creditworthiness, experience and reputation. A certification stating the firm has received, read and understood the City's investment policy and agree to comply with the policy. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Council Rule 15C3-1 (Uniform Net Capital Rule), and qualified

depositories. All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools; must sign a certification acknowledging that the organization has received and reviewed the City's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the City's policy. [PFIA 2256.005(k-l)]

Competitive Bids (Best Practice)

It is the policy of the City to require competitive bidding for all individual security purchases and sales except for:

- 1) Transactions with money market mutual funds and local government investment pools and
- 2) Treasury and agency securities purchased at issue through an approved broker/dealer or financial institution. The City Administrator shall develop and maintain procedures for ensuring a competition in the investment of the City's funds.

Delivery vs. Payment [PFIA 2256.005(b)(4)(E)]

Securities shall be purchased using the delivery vs. payment method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

SAFEKEEPING OF SECURITIES AND COLLATERAL

Safekeeping and Custodian Agreements (Best Practice)

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the City shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third party custodian designated by the City and pledged to the City as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank's trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third party bank approved by the City.

Collateral Policy (PFCA 2257.023)

Consistent with the requirements of state law, it is the policy of the City to require full collateralization of all City funds on deposit with a depository bank, other than investments. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the City may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement. The City Administrator is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral; including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed monthly or soon thereafter to assure that the market value of the pledged securities is adequate.

Collateral Defined

The City shall accept only the following types of collateral:

- 1) Obligations of the United States or its agencies and instrumentalities;
- 2) Direct obligations of the state of Texas or its agencies and instrumentalities;
- 3) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- 4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity often (10) years or less;
- 5) A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A;
- 6) A letter of credit issued to the City or SEED by the Federal Home Loan Bank.

Subject to Audit

All collateral shall be subject to inspection and audit by the City Administrator or the City's independent auditors.

PERFORMANCE

Performance Standards

The City's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City.

Performance Benchmark (Best Practice)

It is the policy of the City to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the City shall seek to optimize interest earnings; utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value.

REPORTING (PFIA 2256.023)

Methods

The Investment Officer shall prepare an investment report on a quarterly basis that summarizes City's investments in the most recent quarter and describes the portfolio in terms of investment securities and maturities. The quarterly investment report will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Council.

Monitoring Market Value [PFIA 2256.005(b)(4)(D)]

Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source and disclosed to the governing body quarterly in a written report.

DISBURSEMENTS PROCEDURES

- 1) Incoming invoices will be delivered to the responsible department head for his/her approval. A purchase order is required to be created for all invoices that are more than \$3,000 except when it falls under one of the exemptions outlined in the Purchasing Manual. Those purchase orders must be signed by the department head, City Secretary or the City Administrator. For invoices that are \$3,000.00 or greater: The City Administrator will sign the purchase order for approval or reject it before the purchase is made. The City Secretary will act as signature backup for the City Administrator. For payment, a purchaser must attach an invoice to the signed purchase order and submit to Accounts Payable (AP) for payment. The department purchaser must ensure that the invoice amount matches the purchase order amount. If not, the purchaser must contact the purchasing department to make a purchase order change. The following payments are allowed without a purchase order:
 - A. Utility services;
 - B. Payroll and related liabilities ;
 - C. Banking services ;
 - D. Debt Service payments;
 - E. Reimbursement and refunds;
 - F. Monthly reoccurring cost associated with an agreement.
- 2) Once received by the Account Payable Clerk, all invoices and purchase orders are entered into the financial software. Once all AP has been entered the AP clerk will forward all invoices, purchase orders, expenditure forms to the City Secretary. The City Secretary will then review each invoice for accuracy, legitimacy of expense, proper account coding; and approval signature from responsible individual or department. Once it has been verified that the invoice is acceptable to pay, it is processed and checks are printed by the City Secretary.
- 3) Accounts Payable will scan and save all invoices, check images, purchase orders; and other documents as an attachment to the check entry in financial software.
- 4) Once the Accounts Payable Clerk has scanned in all documents the checks and corresponding documents will be given to two of the approved signatories for final approval and signatures.
- 5) The City Secretary will upload a positive pay file to the bank and initiate any ACH and or wires needed.
- 6) Once signed, all checks will be given to a Clerk that has not been a part of the process for distribution and/or mailing.

RECONCILIATIONS

Bank Reconciliations

- 1) Bank statements are received by the City Secretary either electronically or by mail. The receiving party will reconcile each account promptly upon receipt of the bank statements. All accounts will be reconciled no later than 7 days after receipt of the monthly bank statements.
- 2) When reconciling the bank accounts, the following items should be included in the procedures:
 - A. A comparison of dates and amounts of daily deposits as shown on the bank statements with the general ledger;
 - B. An investigation of items rejected by the bank, i.e., returned checks or deposits;
 - C. A comparison of wire transfers dates received with dates sent;
 - D. A comparison of canceled checks with the disbursement journal as to check number, payee and amount;
 - E. An accounting for the sequence of checks both from month to month and within a month;
 - F. An examination of canceled checks for authorized signatures, irregular endorsements, and alterations;
 - G. A review and proper mutilation of void checks;
 - H. Investigate and write off checks which have been outstanding for more than twelve months.
- 3) Completed bank reconciliations will be uploaded in the Bank Reconciliation folder (Shared/Finance/Bank Statements) and on the Google Drive for City Administrator and City Council viewing.

Reconciliations of Other General Ledger Accounts

At least annually, the City Secretary will reconcile the accounts receivable, deferred revenue and accounts payable. Cash accounts are reconciled monthly and reviewed by the City Administrator and Council Members as referenced above in the bank reconciliation section.

Assets

These accounts will include cash, property, equipment and fixtures, security deposits, and intangible assets.

- 1) Cash - The balances in cash accounts should agree with the balances shown on the bank reconciliations for each month.
- 2) Property, Equipment & Fixtures - The amounts in this account should equal the totals generated from the audited depreciation schedules. When additional purchases are made during the year, the balances in the accounts may be updated accordingly.
- 3) Security Deposits - The balance in this account should equal amounts paid in escrow to home owners and renters and should not change frequently, but should be updated as applicable.

Liabilities

These accounts are described as accounts payable, payroll tax liabilities, loans and mortgages payable, and amounts due to others, as follows:

- 1) Accounts Payable - The balance in this account should equal amounts owed to vendors at the end of the accounting period and the aging report;
- 2) Payroll Tax Liabilities - The amounts in these accounts should equal amounts withheld from employee paychecks as well as the employer's portion of the expense for the period that has not

been remitted to the government authorities;

- 3) Due to Others - If there are any amounts owed to others at the end of the period they should be recorded and the correct balance maintained in the general ledger accounts.

Income/Expenses

These accounts are described as income from property tax revenue, other taxes, franchise taxes, fees and permits, charges for services, fines and forfeitures, grants and entitlements, intergovernmental revenue; other revenue, interest income, rental income and other expense line items such as personnel services, supplies, maintenance, contractual services, and capital outlay:

- 1) Income – The amounts charged to the various income accounts should agree to the detailed cash receipts proof list or the accounts receivable proof list;
- 2) Gross Salary Accounts - The balances in the gross salary accounts should be added together and reconciled with the amounts reported on quarterly payroll returns;
- 3) All other expenses – Should be tied to an approved expenditure request form or purchase order unless payment is made by credit card or listed as an exception in the purchasing manual.

PURCHASING POLICY

Mission, Vision, and Goals with Respect to City Purchasing

Purpose:

To generate fair and open competition to receive the best prices, terms, and conditions on purchases for the City.

Goals:

- 1) Establish policies and procedures that maintain the integrity of the purchasing process encourage competition, and achieve cost savings;
- 2) Procure goods and services of the requested quality and quantity from responsible sources using the most efficient and economical means and at the best possible price and to have them available when and where they are needed;
- 3) Improve the speed of delivery of supplies, equipment, and services through planning and predetermining through supply contracts or other means; the available purchasing sources before an actual need becomes known and when possible, to take advantage of quantity and special discounts;
- 4) Comply with state and federal laws and this manual during the procurement and purchasing process.

Policy Statements

Public interest: The City will conduct all purchasing – whether for goods or services – on the basis of economic and business merit. This Policy is intended to promote the best interests of the City’s citizens and customers.

Use of competitive bidding: City purchasing must operate in full view of the public. To assure an open, transparent purchasing process with the goal of obtaining the lowest possible price; the City Council has determined that the City will use competitive bidding as much as possible in the purchase of goods and services.

Employee support: The City seeks to maintain a cost effective purchasing system conforming to good management practices. To be successful, all employees must support the system. The establishment and maintenance of a good purchasing system is possible only through cooperative effort.

Planning: The purchasing process is not instantaneous. Planning is required to complete the steps required by state law and this manual. Again, a cooperative effort is required to accomplish the timely purchasing of goods and services at the lowest possible price.

Compliance with state law and manual: City officers and employees must comply with state law and this manual with respect to purchasing. Where a question or issue arises, an employee should not hesitate to contact the Purchasing Agent for guidance. Failure to comply with state law or this manual may result in disciplinary action being taken against the employee, up to and including termination. As specified below, violations of state laws concerning competitive bidding may also result in criminal convictions.

Ethical Requirements Relating to Municipal Procurements

Procurement Requirements and Ethical Standards:

1) Local Government Officials:

Chapter 176 of the Local Government Code states the ethics law that requires certain local government officials to disclose employment and business relationships with vendors who conduct business with local government entities.

A City Councilmember, Director, Superintendent, Administrator, President, or any other person who is designated as an Executive Officer of the local government entity is considered a local government officer ("officer"). A city may also extend the requirements of the statute to an employee of the city who has the authority to approve contracts on behalf of the city.

An officer is required to file a conflicts disclosure statement ("statement") if a vendor enters into a contract with the city, or if the city is considering entering into a contract with the vendor, and the officer or officer's family member has an employment or other business relationship with the vendor that results in the officer or officer's family member receiving taxable income that is more than \$2,500 in the preceding twelve months. An officer who receives investment income, regardless of amount, is not required to file a disclosure statement. Investment income includes dividends, capital gains, or interest income gained from a personal, business checking, savings account; or other similar account, a personal or business investment, or a personal or business loan.

An officer is also required to file a statement if the officer or officer's family member accepts from a vendor one or more gifts with an aggregate value of more than \$250 in the preceding twelve months. An officer is not required to file a statement in relation to a gift, regardless of amount, that is accepted by an officer or officer's family member; if the gift is given by a family member of the person accepting the gift, is a political contribution, or is food, lodging, transportation or entertainment accepted as a guest. An officer is required to file a statement no later than 5:00 p.m. on the seventh business day after the date on which the officer becomes aware of facts that require a filing of the statement.

Chapter 176 defines a family member as a person related to another person within the first degree of consanguinity (blood) or affinity (marriage). An officer's family member would include the officer's spouse, father, mother, son, daughter, father-in-law, mother-in-law, son-in-law, daughter-in-law or stepchild.

It shall be a breach of ethics and law to attempt to realize personal gain through public employment with the City of Quinlan by any conduct inconsistent with the proper discharge of the employee's or officer's duties.

2) Vendors Supplying Good or Services:

A vendor is any person who enters or seeks to enter into a contract or a business relationship with the City. The term also includes an agent of a vendor. This applies to any written contract for the sale or purchase of real property, goods or services. A contract for services would include one for skilled or unskilled labor, as well as for professional services.

Prospective vendors are required to file a conflicts of interest questionnaire ("questionnaire") if the vendor has a business relationship with the city and has:

A. An employment or other business relationship with an officer or an officer's family member that

results in the officer receiving taxable income that is more than \$2,500 in the preceding twelve months; or

- B. Has given an officer or an officer's family member one or more gifts totaling more than \$250 in the preceding twelve months.

Vendor's are required to file a questionnaire not later than the seventh business day after the latter of the following:

- A. The date the vendor begins discussions or negotiations to enter into a contract with the city or submits an application or response to a bid proposal; or
- B. The date the vendor becomes aware of a relationship or gives a gift to an officer or officer's family member.

It shall be a breach of ethics and law to attempt to influence any public employee of the City of Quinlan to breach the standards of ethical conduct set forth by State Statute or this Purchasing Policy.

3) Filing Statements and Questionnaires:

The statements and questionnaires must be filed with the records administrator of the city. A records administrator includes: a City Secretary, a person responsible for maintaining city records, or a person who is designated by the city to maintain the statements and questionnaires filed under Chapter 176 of the Local Government Code. A city does not have a duty to ensure that a vendor that is required to file a questionnaire does so.

A city that maintains a website is required to post statements and questionnaires that are required to be filed under chapter 176. However, a city that does not have a website is not required to create or maintain one.

4) Gratuities:

It shall be a breach of ethics to offer, give, or agree to give any employee or former employee of City of Quinlan; or for any employee or former employee of City of Quinlan to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation of any part of a program requirement; or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing; or any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other peculiar matter pertaining to any program requirement, or a contract or subcontract, or to any solicitation or proposal, therefore, pending before this Local Government.

5) Kickbacks:

It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a contractor or subcontractor for any contract for the City of Quinlan, or any person associated therewith, as an inducement for the award of a subcontract or order.

6) Contract Clause:

The prohibition against gratuities and kickbacks prescribed above shall be conspicuously set forth in every contract and solicitation therefore.

It shall be a breach of ethics for any employee or former employee of the City of Quinlan to knowingly use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

This Code of Ethics is taken in part from the: "Standard Financial Management System for Texas Cities and Counties Model Purchasing Manual." and the: 2012 Texas Municipal Procurement Laws Made Easy

Purchasing Authority:

1) Purchasing Agent:

The City Administrator, pursuant to the City Council's approval of this manual, has delegated purchasing authority and responsibilities to the Purchasing Agent. The Purchasing Agent is the City Secretary. The Purchasing Agent must use this authority to purchase goods and services for the City in conformance with this manual. In certain instances as specified in this manual, the City Administrator has also granted this authority to specified employees, which in turn have been authorized by their Department Directors. In no case shall purchasing authority be delegated to an employee or other person who has not been authorized by the City Administrator or a Department Director.

2) Responsibilities of Purchasing Agent:

- A. The Purchasing Agent is responsible to ensure compliance with state and federal laws and this manual and to ensure that purchasing is practiced in a fully open, transparent, competitive, and ethical environment;
- B. The Purchasing Agent or their designee will assist with identifying potential vendors or contractors or researching any information needed to make purchases;
- C. The Purchasing Agent or their designee will assist in developing specifications for the purchase of goods and services along with the desired delivery schedules;
- D. The Purchasing Agent or their designee will encourage competition between vendors and contractors through negotiations, competitive bidding, and bulk purchasing by continuously monitoring requisitions from departments. This includes the consolidation of purchases where possible;
- E. The Purchasing Agent or their designee will monitor and evaluate the performance of vendors and contractors;
- F. The Purchasing Agent or their designee will solicit evaluations and recommendations from departments on bids received from vendors or contractors;
- G. The Purchasing Agent or their designee will oversee the transfer and/or reuse of products and equipment between offices and departments; or the sale of surplus, obsolete, or unused supplies, materials, or equipment;
- H. The Purchasing Agent, where applicable, will assist departments with the testing of goods and services for compliance with specifications;
- I. The Purchasing Agent, where applicable, will negotiate all warranties and service agreements.
- J. The Purchasing Agent will recommend the use of Cooperative Purchasing Agreements, Interlocal Agreements, and purchasing contracts for price and performance advantages.

3) Responsibilities of Department:

A Department has the following responsibilities with respect to making and managing the expenditure of funds to acquire goods or services for the City. In this manual, "Department" refers to the group of employees responsible for a service(s) or a particular set of duties (i.e.: the Public Works Department, Police Department) and it also refers to the employee(s) within each Department that is authorized and responsible for making purchases.

- A. A Department must determine the availability of budgeted funds in the appropriate category before requesting any purchase;

- B. A Department, where required; must submit all purchasing requests to the Accounts Payable Clerk to allow sufficient time to comply with the procedures established by this manual;
- C. A Department will plan and budget to eliminate and/or reduce work stoppages and rush ordering;
- D. A Department that believes that a product, equipment, or service is only available through a sole source must provide a written explanation and justification for the purchase in accordance with this manual;
- E. A Department will use existing City contracts when available for all purchases;
- F. A Department must immediately and thoroughly inspect all deliveries of goods and equipment and determine their quality and conformance with specifications;
- G. A Department must immediately notify the respective Vendor upon the discovery of an incorrect order or damaged products, materials, or equipment. When applicable, a Department must seek the assistance of the Purchasing Agent to help rectify the incorrect order or damaged goods;
- H. A Department will continuously monitor the performance of goods and services and immediately report any deficiencies or violations in the performance of a contract to their respective Department Director and, when applicable, to the Purchasing Agent;
- I. Where possible and when applicable, a Department's communications with vendors or contractors regarding purchasing should be arranged through and under the direction of their Department Director and/or the Purchasing Agent. This practice may include the evaluation of samples or products;
- J. A Department must provide the Purchasing Agent with a copy (email preferred) of any correspondence between a vendor or contractor and the Department.
- K. Monitor, manage and track inventory and appropriate use of supplies, parts and equipment.

Basis for Purchasing:

- 1) Purchasing authority under state law:
 - A. Pursuant to state law, before the City may enter into a contract that requires expenditure greater than \$50,000.00, the City must comply with the procedure established by state law for competitive sealed bidding or competitive sealed proposals. (See Ch. 252, Subch. B, TX. Local Gov't Code)
 - B. Pursuant to state law, the City may use the competitive sealed proposal procedure to purchase goods and services, including high technology items and insurance. (See §252.021(b), TX. Local Gov't Code)
 - C. The City Council, pursuant its adoption of this manual and in accordance with state law, has delegated to the City Administrator, or designee, the authority to determine the purchasing method, including competitive sealed bids, competitive sealed proposals, or otherwise, which provides the best value to the City. (See §252.021(c), TX. Local Gov't Code)
 - D. Pursuant to state law, the City, in making expenditure greater than \$3,000.00 but less than \$50,000.00, must contact at least two historically underutilized businesses (HUB) on a rotating basis, based on information provided by the state comptroller. If the state's list fails to identify an eligible HUB, the City is exempt from this requirement. (See Ch. 252, Subch. B, TX. Local Gov't Code)
 - E. The City is entitled to reject any and all bids. (See §§ 252.043(f), 271.027(a), TX. Local Gov't Code)
- 2) Exemptions from the requirement of competitive bidding:

Pursuant to state law, the following purchases do not require competitive bidding (some

exemptions are explained more fully in other sections of this manual):

- A. a procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality;
- B. a procurement necessary to preserve or protect the public health or safety of the municipality's residents;
- C. a procurement necessary because of unforeseen damage to public machinery, equipment, or other property;
- D. a procurement for personal, professional, or planning services;
- E. a procurement for work that is performed and paid for by the day as the work progresses;
- F. a purchase of land or a right-of-way;
- G. a procurement of items that are available from only one source, including:
 - 1. items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies;
 - 2. films, manuscripts, or books;
 - 3. gas, water, and other utility services;
 - 4. captive replacement parts or components for equipment;
 - 5. books, papers, and other library materials for a public library that are available only from the persons holding exclusive distribution rights to the materials; and
 - 6. management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facility to which the organization has provided significant financial or other benefits;
- H. a purchase of rare books, papers, and other library materials for a public library;
- I. 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;
- J. a public improvement project, already in progress, authorized by the voters of the municipality, for which there is a deficiency of funds for completing the project in accordance with the plans and purposes authorized by the voters;
- K. a payment under a contract by which a developer participates in the construction of a public improvement as provided by Subchapter C, Chapter 212, , TX. Local Gov't Code;
- L. personal property sold:
 - A. at an auction by a state licensed auctioneer;
 - B. at a going out of business sale held in compliance with Subchapter F, Chapter 17, Business & Commerce Code;
 - C. by a political subdivision of this state, a state agency of this state, or an entity of the federal government; or
 - D. under an interlocal contract for cooperative purchasing administered by a regional planning commission established under Chapter 391, , TX. Local Gov't Code;
- M. services performed by blind or severely disabled persons;
- N. goods purchased by a municipality for subsequent retail sale by the municipality;
- O. electricity; or
- P. advertising, other than legal notices.

3) Procurement of professional services:

- A. The Professional Services Procurement Act provides that the City may not use competitive bidding procedures when seeking certain professional services. Instead, the City must award a professional services contract on the basis of demonstrated competence and qualification for

the performance of that particular type of professional service. (see Ch. 2254, TX. Gov't Code)

- B. Fees must be fair and reasonable, consistent with and not in excess of published recommended practices and fees of applicable professional organizations, and not in excess of any maximums specified by state law.
 - C. "Professional services" includes services within the scope of the practice of accounting, architecture, optometry, professional engineering; this includes services performed by any licensed architect, optometrist, physician, surgeon, certified public accountant or registered professional engineer in connection with his or her professional employment or practice.
 - D. In procuring architectural, engineering, or land surveying services, the City must first select the most highly qualified provider of those services on the basis of demonstrated competence and qualifications; and then attempt to negotiate a contract with that provider at a fair and reasonable price. If a satisfactory contract cannot be negotiated with the most highly qualified provider of architectural, engineering, or land surveying services, the City must formally end negotiations with that provider, select the next most highly qualified provider, and attempt to negotiate a contract with that provider at a fair and reasonable price. The City must continue this process to select and negotiate with providers until a contract is entered into.
- 4) Purchases through a state contract:
The state comptroller may perform purchasing services for local governments. A city that makes purchases under such a contract satisfies all state competitive bidding laws. Depending on expenditure levels, appropriate approvals are still required for this type of purchase. (see Ch. 271, Subch. D, TX. Local Gov't Code)
- 5) Cooperative purchasing programs:
Pursuant to state law, the City may participate in a cooperative purchasing program with another local government or a local cooperative organization. A city that makes purchases under such a program satisfies all state competitive bidding laws. Depending on expenditure levels, appropriate approvals are still required for this type of purchase. (see Ch. 271, Subch. F, TX. Local Gov't Code)
- 6) Interlocal cooperation:
State law authorizes the City to enter into cooperative purchasing agreements with other jurisdictions (see Ch. 791, TX. Gov't Code). In addition, state law authorizes the extension of state bids and contracts to participating local governments under certain conditions. Depending on expenditure levels, appropriate approvals are still required for this type of purchase. (see Ch. 271, Subch. D, TX. Local Gov't Code).
- 7) Local preference:
- A. If two or more bidders have bids that are identical in nature and amount, with one bidder whose principal place of business is in the City and the other bidder or bidders being not having their principal place of business in the City, the City must select the bidder whose principal place of business is in the City. (see §271.901, TX. Local Gov't Code)
 - B. If purchasing real property or personal property that is not affixed to real property and the City receives one or more bids from a bidder whose principal place of business is in the City and whose bid is within three percent (3%) of the lowest bid price received from a bidder who is not

a resident of the City, the City may enter into a contract with either the lowest bidder or the bidder whose principal place of business is in the City; however, if the City awards the contract to the resident bidder, the City Council must determine, in writing, that the local City bidder offers the City the best combination of contract price and additional economic development opportunities for the City created by the contract award, including the employment of City residents of the local government and increase tax revenues to the City. (see §271.905(b), TX. Local Gov't Code)

- C. For contracts less than \$100,000, if the City receives one or more competitive bids or quotations from a bidder whose principal place of business is in the City and whose bid is within five percent (5%) of the lowest bid price received by the City from a bidder who is not a resident of the City, the City may enter into a contract with the lowest bidder or the bidder whose principal place of business is in the City if the City Council determines, in writing, that the local bidder offers the City the best Amended – June 2013 combination of contract price and additional economic development opportunities for the City created by the contract award, including the employment of residents of the City and increased tax revenues to the City. (see §271.9051, TX. Local Gov't Code)

8) Bonding for public works projects:

State law requires contractors to submit bonds to the City for bids, payment, and performance of contracts on certain public works projects. State law establishes standards for when the bonds are required and the amount of the bond. A corporate surety duly authorized and admitted to do business in the State of Texas must issue the bonds. Although the term “public work” is not defined by statute, it is generally understood to mean the construction, repair, or renovation of a structure, road, highway, utilities, or other improvement or addition to real property. Bonds are required in the following amounts:

- A. Bid bond. A bid bond, in the amount of 10% of the proposed contract price, is required where a contract is in excess of \$100,000.00.
- B. Performance bond. A performance bond, in the total amount of the contract, is required if the contract is in excess of \$50,000.00.
- C. Payment bond. A payment bond is required if the contract is in excess of \$50,000.00, in the total amount of the contract. The bond is intended solely for the protection of all claimants supplying labor and material in the prosecution of the work provided for in the contract.
- D. Maintenance bond. In addition to the above statutorily required bonds, the City will require a maintenance bond for all public work projects for a minimum time period of one or two year. (see Ch. 2253, TX. Gov't Code)

9) Disqualification of bidder/proposer:

Pursuant to state law, the City may reject any and all bids and/or reject a bid(s) on the basis that it is nonresponsive. In addition, the City may disqualify a bidder where there is a reasonable belief that the bidder might not be able to satisfactorily fulfill the contract or that past performance by the bidder has left grounds for suspecting that the bidder might not perform. The City will not take the act of disqualification lightly. The City may consider the safety and financial records of bidders and proposers. Where a bidder or proposer has had past unsatisfactory performance, the Department must document the experience by completing a Vendor Performance Form (see Exhibit A). Upon completion, the Department must forward the form to the City Secretary who will maintain a list of bidders and proposers and their performance history.

10) Alternative delivery methods:

Pursuant to state law, City Council may determine that the alternative delivery methods described by Chapter 271, Subchapter H, TX. Local Gov't Code, provide a better value for the City with respect to expenditures that exceed \$50,000.00 than the competitive bidding procedures described in Chapter 252, TX. Local Gov't Code. If such a determination is made, the City must use one of the alternative delivery methods described in Chapter 271, Subchapter H with respect to that expenditure.

11) Tax exempt status:

The City is exempt from federal, state, and local taxes except in certain prescribed cases. An exemption certificate is available from the Finance Department. Upon request, a Department may furnish the certificate to any of the City's vendors or contractors.

12) Criminal penalties:

State law provides criminal penalties where a city officer or employee fails to comply with competitive bidding requirements.

Purchasing Amounts–Thresholds:

The following table provides general guidelines for purchases and the procedures and approvals required (more specific information follows):

CITY OF QUINLAN APPROVAL REQUIREMENTS			
Total Amount of Request	Type of Bid/Quotes Required	Employee(s) Responsible for Bid/Quotes	Approvals Required
Goods/services costing \$50,000 or more	Competitive bids/proposals opened at a public meeting by the City Secretary & City Administrator	City Administrator or their designee & Dept. Head (Project Manager)	City Council
Goods/services costing \$25,000 to \$49,999.99	3 Written Quotes based on like products	City Administrator or their designee & Dept. Head (Project Manager)	City Administrator if in budget or City Council if not budgeted for
Goods/services costing \$3,000.00 to \$24,999.99	3 Written Quotes based on like products	City Administrator or their designee & Dept. Head (Project Manager)	City Administrator or their designee
Goods/services costing up to \$2,999.99	Efforts made to obtain the best value for the City	Department Head	Department Heads

Purchases Between \$0.01 - \$2,999.99:

A Department may purchase products, materials, or services up to \$2,999.99 from a vendor or contractor by the following method. Because the administrative cost of requesting competitive bids would more likely be more than the amount that could be saved by receiving bids, the competitive bidding procedure does not apply to purchases of \$2,999.99 or less. However, even though bids are not required for this purchase, a Department must still seek out the lowest possible pricing. Further, because a significant amount of small purchases may occur locally and in many cases result in the lowest or competitive pricing, a Department should consider local vendors and contractors for purchases in this amount.

Purchases Between \$3,000.00 - \$ 24,999.99:

- 1) Three written bids: A Department must purchase goods and services that are estimated to cost less than \$25,000.00 by first developing written specifications and then using these specifications to obtain a minimum of three written bids (quotes). Written bids must be made on the vendor's or contractor's letterhead or on the bid form provided by the City Secretary (see Exhibit B). Departments must attach copies of each written bid to the purchase order. Bids are valid for 6 months and will then automatically expire such that the City will need to obtain new bids.
- 2) Purchase requisition: All purchases shall require a purchase requisition initiated by the Department whose appropriation will be charged and a purchase order approved by the Finance Department. No contract or order shall be issued to any vendor or contractor unless and until the Finance Department certifies the availability of sufficient funds. Inclusion in an approved budget does not automatically entitle the Department to the goods or services requisitioned.
- 3) Historically underutilized business: State law (§252.0215, TX. Local Gov't Code) requires Texas cities to contact at least two (2) historically underutilized businesses (HUB) on a rotating basis when making any expenditure of more than \$3,000 but less than \$50,000. The HUB must be based on information provided by the Texas Comptroller (see www.window.state.tx.us/procurement). If the list fails to identify a disadvantaged business in the City of Quinlan or if the purchase is an emergency (see emergency expenditures below), the City is not required to follow this requirement.
- 4) Processing for purchases from \$3,000.00 - \$ 24,999.99:
 - A. The Department staff requests purchase approval from their Department Director and after approval, sends a purchase request City Finance Department with minimum requirements, such as description, quantity, at least three quoted total price, delivery/freight costs, payment terms, account code, vendor/contractor name. The Finance Department will then certify the availability of funds and accuracy of account code(s).
 - B. Finance Department and/ or the City Secretary must verify the receipt of written, competitive bids, proposals or current contracts and then assign a purchase order number.
 - C. The Department will place the order, receive the product, verify accuracy of product, and submit a printed purchase order with invoice attached for payment to Accounts Payable.

Purchases Between \$25,000.00 and \$49,999.99:

- 1) Authority: The Administrator has authority to make purchases in the amounts between \$25,000.00 and \$49,999.99. Any such purchase must be for an item or service that was approved within the budget. Items not included in the budget will be sent to Council for approval.
- 2) Three written bids: Prior to any purchase of goods or services that are estimated to cost between \$25,000.00 and \$49,999.99, the Department, with assistance from the City Secretary, must develop written specifications. The Department will then use these specifications to obtain a minimum of three written bids (quotes). Written bids must be made on the vendor's or contractor's letterhead or on the bid form provided in this manual (see Exhibit B). The Department will attach copies of each written bid to the purchase request. Bids are valid for 6 months and will then automatically expire such that the City will need to obtain new bids.
- 3) Purchase requisition: All purchases shall require a purchase requisition initiated by the Department whose appropriation will be charged and a purchase order approved by the Finance Department and/or the Department Director. No contract or order shall be issued to any vendor or contractor unless and until the Finance Department certifies the availability of sufficient funds. Inclusion in an approved budget does not automatically entitle the Department to the good or service requisitioned.
- 4) Historically underutilized business: State law (§252.0215, TX. Local Gov't Code) requires Texas cities

to contact at least two (2) historically underutilized businesses (HUB) on a rotating basis when making any expenditure of more than \$3,000.00 but less than \$50,000.00. The HUB must be based on information provided by the Texas Comptroller (see www.window.state.tx.us/procurement). If the list fails to identify a disadvantaged business in the City of Quinlan or if the purchase is an emergency (see emergency expenditures below), the City is not required to follow this requirement.

- 5) Processing for purchases between \$25,000.00 and \$49,999.99:
 - A. Departments, with assistance from the City Administrator, develop detail specification for the items/goods to be purchased, obtain at least three written quotes, completes a purchase request form (see Exhibit B) and submits it to the Department Director for review and approval. After approval, the Department submits purchasing request form, written quotes, and detailed specification form to the City Secretary.
 - B. The City Secretary will create a purchase request with minimum requirements, such as description, quantity, at least three quoted total price, deliver/freight costs, payment terms, account code, vendor/contractor name. The Finance Department will then certify the availability of funds and accuracy of account code(s).
 - C. The Finance Department will then assign a purchase order number.
 - D. The Department, following approval by the City Administrator, will place the order.

Purchases Greater Than \$50,000.00:

- 1) Authority: State law (see §252.021, TX. Local Gov't Code) provides that purchases estimated at greater than \$50,000.00 require advertising which requests sealed bids or proposals. The City Secretary is responsible for the advertisement and distribution of the requests for bids or proposals. City Council is responsible for selecting and approving the bid or proposal, in accordance with state law.
- 2) Sequence for purchases greater than \$50,000.00:
 - A. The City Council will provide approval to go out to bid.
 - B. A Department must initiate the bid process by completing a Request for Purchasing (see Exhibit C) to obtain an Invitation to Bid (ITB), Request for Proposal (RFP), or Request for Qualifications (RFQ).
 - C. Departments must avoid any act or practice of component, consecutive, or sequential purchases.
 - D. The Department is responsible for preparing or aiding the City Secretary in the preparation of specifications for bids.
 - E. The City Secretary will assign the bid a number or group it with other like items in an existing bid.
 - F. The City Secretary will prepare bids and bidder mailing lists. After consulting with the Department, the City Secretary will set the bid advertising dates and schedule the bid opening date and time. Where appropriate, the City Secretary will utilize website notices for national advertising.
 - G. The City Secretary will receive bids and maintain them in a locked file until the date of the bid opening. At the time of the bid opening, the City Secretary will present all bids to the City Secretary for opening, review, and analysis. The City will reject as nonresponsive any bid or proposal which is received after the due date and time. The time stamp in the City Secretary's Office will be the official time. Bid or proposal openings are open to the public.
 - H. The City Secretary will conduct bid or proposal openings. Such opening will take place in Council Chambers or at the place designated in the advertisement and notice.
 - I. The City Secretary will prepare tabulation for each item or group of items and after opening the bids, will read them aloud. The City Secretary will consult with the Department for consensus of

a recommendation.

- J. Pursuant to state law, the City must award bids on the basis of the lowest responsible bidder or the bid that provides the best value. As for “best value”, the City, pursuant to law, may consider:
 - 1. the price;
 - 2. reputation of the bidder;
 - 3. reputation of the bidder’s goods or services;
 - 4. the quality of the bidder’s goods or services;
 - 5. the extent to which the goods and services meet the City’s needs;
 - 6. the bidder’s past relationship with the City;
 - 7. the impact to the City’s ability to comply with HUB requirements;
 - 8. total long-term cost to the City of acquiring the goods or services; and i. any relevant criteria that the City listed in its ITB or RFP (see §252.043, TX. Local Gov’t Code).
- K. In the event of a disagreement between the Department and the City Secretary, City Administrator or his/her designee, will determine the recommendation to Council.
- L. The City Secretary, with Department input, will prepare an agenda report with the staff recommendation for Council approval and award.
- M. The Department will use the City’s purchasing software, or other form provided to submit a requisition to the City Secretary for processing.

Competitive Bidding Notice:

A notice of a proposed purchase must be published two times, at least seven days apart, in a newspaper of general circulation in the County. The first day of publication should be 14 days before the date of the bid opening. The notice must include:

- 1) The specifications describing the item to be purchased or a statement of where the specifications may be obtained.
- 2) The time and place for receiving and opening bids and the name and position of the City official or employee to whom the bids are to be sent.

Receiving Bid Proposals:

All bids and proposals will be received by the City Secretary’s Office on or before the time and date requested on the bid notice.

Bids received after the official bid opening time and/or date will be returned unopened to the bidder with a letter from the Purchasing Department notifying the bidder that the submitted bid/proposal was received after the due date and time.

On occasion, bids and proposals that are not clearly marked may be inadvertently opened. If this situation occurs, the bid will be re-sealed in front of a witness, and the occasion will be documented.

Opening Bid Proposals:

Bids and/or proposals will be opened at the specified time (or shortly thereafter) and on the date specified in the notice. The date specified in the notice may be extended if circumstances warrant. Preliminary tabulation will be provided to the public when appropriate.

Awarding a Contract:

The City Administrator will evaluate all bids and provide a tabulation of the bid results. The department requesting the purchase will make their recommendation to the City Administrator to be placed on the

City Council's agenda for approval. The Purchasing Department, after Council's approval, will supply the vendor with a purchase order and contracts as required.

Should a Contractor or Professional Services provider request a change in contract price, approvals shall be made prior to the beginning of the work covered by the proposed change. Such change will be authorized by a written change order prepared and approved by the City Administrator in consultation with the Department Director.

If two responsible bidders both submit the lowest and best bid, the City Council should award the bid according to the best value to the City of Quinlan.

Insurance Requirements:

Where the City contracts with an outside party (contractor, consultant, vendor, or concessionaire) for goods or services, the RFP that is advertised must include a proposed contract. The contract should include indemnity and hold harmless provisions that appropriately transfer the project risks from the City to the contractor. Because the contractor may or may not have the financial resources to account for the risks, the City requires the contractor to purchase and maintain valid insurance to help ensure the financial security required by the City. The insurance types and amounts are as follows:

- 1) Workers compensation: Workers Compensation covering all employees per the state statutory requirement is required on all contracts.
- 2) Liability insurance: The following insurance is required on all contracts over \$15,000.00:
 - A. Employer's Liability of \$100,000;
 - B. Comprehensive General Liability and Bodily Injury & Property Damage \$1,000,000 (per occurrence and aggregate); and
 - C. Business Automobile Liability covering owned vehicles, rented and non-owned vehicles, and employee non-ownership Bodily Injury Property Damage \$1,000,000 (per occurrence and aggregate).
- 3) Reasonable coverage: Although insurance coverage is not required for every project, and limits will vary by exposure, understanding insurance is important to assure that all of the City's potential liabilities and exposures from a project are properly and reasonably protected. Where questions arise about the types of insurance or amounts, the Department should contact the City Secretary, who may in turn consult the Risk Manager and/or the Legal Department.

Warranties and Service Agreements:

A Department must include any requirement for warranties or service agreements for the purchase specifications for use in creating the RFP documents. Where negotiation is possible, the City Administrator or authorized personnel will negotiate all warranties and service agreements. A Department is responsible to ensure that service agreements exist on equipment, as necessary. A Department must not agree to a service agreement unless prior approval is received from the City Administrator or authorized personnel. It is the responsibility of each Department to maintain and actively monitor agreements that pertain to their Departments, to schedule service calls under the agreements, and to notify the City Secretary when agreement renewals should be scheduled.

Bonds for Projects:

Based upon good business practices, whenever the City enters into a contract for the purchase of a product system or service in which the system or service will be of little value to the City until it is complete, then the City may require performance and payment bonds.

Sole Source Purchases:

The purchase of items that are available from only one source are exempt from competitive bidding pursuant to state law. The City will strictly interpret this exemption. Items that are available through a single distributor will not be considered as sole source unless the distributor has an exclusive right to distribute the item and a like item cannot be purchased through any other distributor. Items such as captive replacement parts or components may be considered as “sole source” items. (See §252.022(a)(7), TX. Local Gov’t Code)

- 1) Sole source purchases greater than \$3,000.00. The following is the procedure for all sole source purchases that are greater than \$3,000.00:
 - A. The Department must contact the vendor or manufacturer for verification and justification as to why the procurement is sole source. The Department shall submit a Sole Source Affidavit (see Exhibit D) to the Purchasing Agent for consideration and approval.
 - B. The Department should seek other information (Thomas Register of American Manufacturers, other cities, yellow pages) in an attempt to verify the vendor’s or manufacturer’s information and document the findings.
- 2) Sole source purchasing greater than \$50,000.00. All sole source purchases greater than \$50,000.00 must be reviewed by the City Administrator prior to placement on the Council agenda. The Department shall submit a Sole Source Affidavit (see Exhibit D) to the Purchasing Agent for consideration and approval.
- 3) Verification. All sole source purchases must be verified annually.

High Technology Purchasing Procedures:

All purchases of high technology items must be processed through the Information Technology Department (IT) unless a specific exemption is granted by IT or the City Administrator. “High technology” items means the procurement of equipment, goods, or services of a highly technical nature, including data processing equipment, software and firmware, telecommunications equipment, and technical services related to these items. The City may solicit for high technology procurements through a request for proposal. The RFP must specify the relative importance of price and other evaluation factors. High technology is defined as information processing equipment, software, telecommunications equipment, radio and microwave, electronic distributed control systems and the technical services related to such equipment. (See §§252.001 and 252.021(b), TX. Local Gov’t Code)

Purchasing of Insurance:

All purchases of insurance related products must be processed through the Human Resources Department (HR) unless a specific exemption is granted by HR or the City Administrator. The City may solicit for insurance through a request for proposal. (See §252.021(b), TX. Local Gov’t Code)

Purchase of Computers and Related Equipment and Supplies:

- 1) Requests: The Information Technology Department must review all requests for computers and related equipment, software, services, or supplies. IT’s review will help standardize the type and quality of equipment in the City’s inventory, ensure that purchases are made with minimum delay, facilitate tracking of requests, assist IT in maintaining accurate inventories for insurance and other purposes, and contribute to the most effective use of City resources. IT will review each request for compatibility with other hardware and software and may investigate alternatives. IT’s recommendations and comments will include:
 - A. Any additional maintenance costs incurred because of the purchase;
 - B. Compatibility considerations;
 - C. Cost effectiveness of the request; and

- D. Alternatives that would effectively meet a user's needs.
- 2) Placing the Order: The Purchasing Agent, in consultation with the Department and IT, will prepare and submit the necessary purchase requests

Emergency Expenditures:

- 1) Emergency expenditures authorized; defined: Pursuant to state law, there is an exemption from the bidding process for emergency purchases. An emergency is described as follows:
 - A. A procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of residents or to preserve City property;
 - B. A procurement necessary to preserve or protect the public health or safety of residents;
 - C. A procurement necessary because of unforeseen damage to public machinery, equipment, or other property. (See §252.022(a) (1-3), TX. Local Gov't Code)
- 2) Sequence for emergency purchases: Where an emergency exists and a purchase estimated at being over \$5,000.00 is required, the following procedure will be used:
 - A. The Department must complete the Emergency Justification form to justify the emergency to the Purchasing Agent who shall notify the City Administrator. If the expenditure does not exceed \$25,000, Department Director must review and approve the purchase. If the expenditure exceeds \$25,000.00, the Purchasing Agent must have the City Administrator review and approve of the transaction.
 - B. For expenditures exceeding \$25,000.00, the Purchasing Agent and the City Administrator must certify that the expenditure is derived from an emergency condition specified by state law, the need for the expenditure was unforeseen, the continued expeditious operation of the City requires that the expenditure be made before the time necessary to obtain City Council approval (for expenditures exceeding \$50,000.00) in advance or to obtain competitive bids, and that funds are available for the expenditure.
 - C. A copy of the certification shall be delivered to City Council as soon as possible with an explanation of a description of the expenditure, an explanation of the necessity of the expenditure, the source of funds, and evidence of all necessary approvals.

Disaster Related Purchases:

A disaster is the occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or man-made cause. The existence of a local state of disaster is established by the Mayor through the issuance of a proclamation as provided by Texas Government Code § 418.108. A disaster declaration expires seven days after issuance of the proclamation unless it is renewed or extended. A declaration of local disaster may not be continued or renewed for a period of more than seven days without the consent of the City Council.

During a local state of disaster, the Director of Purchasing shall cooperate with the Emergency Management Coordinator to insure that the procurement process is coordinated with emergency operations. The Director of Purchasing may suspend or modify normal purchasing procedures as necessary to rapidly secure equipment, goods and services that are required or suitable to respond to the emergency. The modifications to normal procedure shall be the least which are deemed necessary by the Director in order to meet the demands of the emergency, but may specifically include the suspension of the notice and publication requirements of Texas Local Government Code § 252.041 applicable to procurements of more than \$50,000 that are subject to requirements for competitive sealed bidding or proposals.

Suspension of the notice and publication requirements for procurements in excess of \$50,000 does not eliminate the requirement to obtain competitive pricing unless the procurement is necessary to time sensitive emergency work that makes it clearly impractical to obtain informal bids. Where emergency demands make even informal bidding impractical a short-term non-competitive contract for site-specific emergency work may be warranted, however, the contract term should not exceed the time necessary to obtain competitive pricing on the basis of informal bids. Ordinarily non-competitive contracts may not be awarded more than 72 hours after the commencement of the state of disaster. If possible the Purchasing Department will contact at least three eligible vendors to obtain informal bids on procurements to which the competitive sealed bidding or proposal process would ordinarily apply. Informal bids may be obtained by phone, fax, email, or face to face solicitation. Informal bids need not be in writing, however, verbal offers will be immediately recorded by the Purchasing Department and a record of all informal bids will be maintained.

Contracts that are based on cost plus a percentage of cost shall not be used for the procurement of emergency work. Contractors listed on the Excluded Parties List System (www.epls.com) will not be eligible for the award of emergency work.

The suspension of normal purchasing procedures during a local state of disaster does not authorize procurements by persons other than Purchasing Department staff. Unless authorized in advance by the Director, all procurements shall be processed by the Purchasing Department to insure compliance with this policy.

The Director of Purchasing shall reinstate normal purchasing procedures as quickly as possible following the declaration of a local state of disaster. The suspension of normal purchasing procedures automatically terminates 7 days following the declaration of a disaster unless authority to continue the suspension is specifically granted by the Mayor or City Council in any proclamation, resolution or ordinance authorizing the continuation of the local state of emergency for a period of time beyond 7 days.

Receiving Orders:

- 1) Inspection: Upon receiving an order, a Department must inspect the delivery prior to acceptance when possible or otherwise as soon as possible.
- 2) Action upon receipt: A Department will acknowledge that all item(s) were physically received and send a confirmation to the Purchasing Agent.
- 3) Notice of discrepancies: A Department shall inspect all items against the purchase order for acceptability and discrepancy. If the items are unacceptable or any discrepancy occurs, the Department will immediately notify the vendor or contractor. The Department must also send a notice of this issue to the Purchasing Agent.
- 4) Invoice: Where the order is deemed correct, the Department shall send the invoice with attached expenditure report and written quotes, if applicable, to the Accounts Payable Clerk for payment as soon as possible, as in many cases, state law requires payment within 30 days of the receipt of a correct and proper invoice.

Contract Renewal Procedures:

- 1) Terms: Renewal terms should not exceed a total of five years including the original year. The Purchasing Agent, in consultation with the City Administrator, may make an exception on case-by-case basis when in the best interest of the City. Any renewal provision must include language that such renewal is subject to budgeting and appropriations.
- 2) Multiple Award Contracts: When multiple vendor awards occur, if all vendors do not agree to

renew, the contract in its entirety may be rebid or just that vendor's part may be rebid.

- 3) Price Changes: Renewal terms due to quantity changes or vendor proposed price increases may be recommended on a case-by-case basis considering the merits of the renewal offer. No price changes will be considered in the middle of a contract year.
- 4) Performance: The City will always consider the performance of a vendor and contractor when considering whether or not to renew or rebid. A Department will ensure that a Vendor Performance Form (see Exhibit A) is completed when appropriate.

Change Orders:

- 1) General Information
 - A. A Department must submit a change order request to the Purchasing Agent, where applicable. Included in the request should be the number for the original Purchase Order, detailed specifications (if applicable), and written quote(s).
 - B. Pursuant to state law, an original contract may not be increased by more than 25%; nor may the original contract price be decreased by more than 25% without the consent of the contractor. (See §§252.048 and 271.060, TX. Local Gov't Code).
- 2) Pursuant to state law, a change order is required if, after the contract has been executed:
 - A. Changes in plans or specifications are necessary;
 - B. It is necessary to decrease or increase the quantity of work to be performed; or
 - C. It is necessary to decrease or increase the quantity of materials, equipment, or supplies to be furnished. (See §252.048, TX. Local Gov't Code)
- 3) Material Changes. Following advertisement and submission of bids, the City may not make any material changes in the scope, quantities, or related work for goods or services. The City strives to ensure, and the law requires, that the City provides all potential bidders with an equal opportunity to bid and that toward the end, bidders submit bids upon the same terms and conditions involved in all the items and parts of the contract. To the extent that the City must make such a change after the submission of bids, the City may proceed by rejecting any and all bids.
- 4) Changes to Contracts. A Department that is requesting a change order to a contract for professional services, must submit such request to the Purchasing Agent. The Purchasing Agent may approve the change provided that the change order does not increase the original contract amount by more than ten percent (10%). The City Administrator must approve changes in excess of this amount. Change orders with a cost that exceeds \$50,000.00 require City Council approval.
- 5) Change orders exceeding 10% of any contract over \$50,000.00 must be approved by City Council.

Approvals:

- 1) City Council: Only City Council has the authority to approve and award bids, proposals, and contracts that exceed \$50,000.00. In most cases, the City Council will authorize the City Administrator to enter into the contract.
- 2) City Administrator: The City Administrator is authorized to approve expenditures without further approval of the City Council for all budgeted items not exceeding \$50,000.00. Only the Mayor, City Administrator or designee may execute a contract for the City.

Purchasing Card (P-Card) Policy and Procedures:

- 1) Overview: The City issues and authorizes the use of Purchasing Cards (P-card) to establish a more efficient, cost-effective method of purchasing and payments. P-cards are intended to streamline the purchasing and accounts payable process by reducing paperwork generated by low cost, high volume transactions; providing immediate access to goods and services; and facilitating quick payments to vendors and providers. Such use also results in a significant reduction of both data

entry and paperwork. The P-card is designed to delegate the authority and capability to purchase limited items directly to an authorized employee. A P-card will enable authorized employees to purchase non-restricted goods directly from vendors without the issuance of a purchase order. Authorized employees may use a P-card with vendors that accept credit cards.

- 2) Scope: This policy applies to all Departments. All P-cards are governed by this policy and employees who are authorized to use P-cards to perform official City business must comply with state law and this manual.
- 3) Responsibilities:
 - A. The City Secretary is the administrator of the P-card program.
 - B. The City Secretary, where appropriate, may authorize an employee(s) under their direction to use a P-card for an authorized purchase.
 - C. An employee authorized to use a P-card must sign a Purchasing Card Cardholder Agreement (see Exhibit D) prior to receiving a P-card for their purchase. The employee is responsible for not only protecting the card, but is also responsible and accountable for all purchases while the P-card is in their possession. The employee must keep the P-card in their possession and not allow anyone to use the P-card. The employee will assume responsibility that all purchases made with the P-card adhere to this policy and will insure that no unauthorized purchases are made. The City will consider unauthorized purchases to be misappropriation of City funds that violates City policy and potentially state law. The employee authorized to use the P-card is responsible for the integrity and accuracy of P-card purchases and as such, are responsible for receipts for all P-card purchases and transactions. All purchases processed against a P-card must be made by the employee to whom the card is issued. P-card receipts must specify all purchased items. Receipts that show only a total amount without any itemized details are unacceptable. The employee must inform the merchant of the City's tax-exempt status; where the employee fails to do this, the employee will be responsible for reimbursing the tax amount to the City. The City will hold the employee personally responsible for items purchased without the supporting documentation.
- 4) Purchases: P-cards are intended for small purchases of products and supplies needed during the course of business. The City Secretary will place limitations and restrictions on each P-card purchase. The P-card must not be used on any goods or services or with any merchant that would be considered to be an inappropriate use of public funds. The following list constitutes examples of inappropriate purchases made with a P-card, but is not intended to be an exhaustive or an inclusive list:
 - A. Items for personal use;
 - B. Alcoholic beverages;
 - C. Bars, cocktail lounges, etc.
 - D. Consulting services (i.e.: construction, engineering, etc.);
 - E. Cash advances;
 - F. Salaries and wages;
 - G. Purchases made from merchants with restricted MCC codes;
 - H. Gifts or donations;
 - I. Transaction amounts greater than the cardholder's transaction limit;
 - J. Split purchases to bypass limits on P-card;
 - K. Separate, sequential, and component purchases or transactions made with the intent to circumvent state law or this manual.
- 5) Disputed Charges: An authorized employee who is issued a P-card for a purchase is responsible for attempting to resolve any dispute with a vendor. The employee must attempt to resolve such

dispute within fifteen (15) days of receipt of a purchase. If a resolution is not possible, the employee must immediately notify the City Secretary of the disputed item. The City Secretary will notify the bank of the disputed item. The bank should provide a dispute form for which the employee making the purchase must complete and return to the City Secretary. The City Secretary will return the form to the bank for processing. The employee must submit a copy of the form to their Department Head.

- 6) Loss of P-card: A P-card holder must report a lost P-card immediately. The City may hold an employee liable for any losses not covered by the protection plan. The City may also hold an employee responsible for the cost of a replacement card.

Rental or Lease of Equipment:

- 1) Rental procedures: Where a Department seeks to rent or lease equipment, such acquisition must be handled as any other type of purchase such that a purchase requisition is sent to the Purchasing Agent for the procurement. Prior to placing a request, a Department should determine whether the equipment that is proposed for rental or lease is available in any other Department.
- 2) Lease/purchase agreements: Any equipment lease may occur but only after the availability of a lease option has been fully evaluated for efficiency and cost effectiveness. A Department will work with the Purchasing Agent and Finance Department when proposing either a short-term or long-term lease of equipment for analysis of actual capital costs including interest charges. The total cost of the lease shall be calculated. Where such cost exceeds an authorized purchasing threshold for either the City Administrator or City Council under this manual, the City Administrator or City Council, as appropriate, will need to approve the lease agreement. Under no circumstances may a Department sign a rental or lease agreement unless prior approval has been granted by the Purchasing Agent.

Copier or Fax Security Requirements:

Overview: Departments should be aware when leasing or renting copier equipment of the eminent threat of data security breach. Since 2002 almost all copier equipment manufactured contains a computer hard drive whereby all information that is copied, scanned or faxed from these copiers is stored on a hard drive.

To ensure that all City employees responsible for making departmental purchases for leased copier equipment and to protect the security of confidential information the following guidelines have been established:

Existing Lease or Rental:

- 1) Prior to the end of the lease; consult the vendor regarding the purchase of the hard drive or;
- 2) Contact the vendor to add an addendum to the current contract to have the vendor scrub the hard drive; if this option is available have vendor submit documents certifying the completion.
- 3) Contact vendor to see if Immediate Image Overwrite (IIO) or On Demand Image Overwrite (ODIO) software can be purchased and added to copier

New Lease or Rental:

- 1) Inquire if Immediate Image overwrite (IIO) or On Demand Image Overwrite (ODIO) software can be purchased or;
- 2) Add an addendum to the contract to have the vendor erase the hard drive upon termination of lease or;
- 3) Inquire of the vendor as to the option that the hard drive can be purchased upon termination of lease.

EXHIBIT A

Vendor Performance Form – City of Quinlan, TX.

Instructions: Complete this form to report exceptional or unsatisfactory vendor performance and return to the Purchasing Agent.

Purchase Order No.

Requisition No.

Today's Date:

Vendor Name:

Contact:

Address:

City, State:

Phone: Fax:

E-mail:

Department:

Contact:

Phone: Fax:

E-mail:

Nature of report (Check all applicable boxes):

POOR PERFORMANCE

- ☐ Late Delivery
- ☐ Failure to Deliver
- ☐ Delivery made at wrong destination
- ☐ Failure to identify shipments per contract terms
- ☐ Short/overweight or count
- ☐ Vendor shipped incorrect merchandise
- ☐ Failure to replace damaged goods
- ☐ Slow replacement of damaged goods
- ☐ Failure to pick up incorrect shipment
- ☐ Improper Product Packaging
- ☐ Failure to meet specifications
- ☐ Failure to follow palletizing instructions
- ☐ Poor product quality
- ☐ Poor product performance
- ☐ Failure to respond to letter or phone call
- ☐ Failure to promptly notify Purchasing concerning
- ☐ Manufacturer discontinuation of an item
- ☐ Poor customer service (Requires comment)
- ☐ Unauthorized substitution
- ☐ Unsatisfactory installation
- ☐ Service not performed within specifications
- ☐ Incorrect invoices
- ☐ Failure to comply with terms & conditions of contract (Requires comment)

ACTION TAKEN BY PURCHASING

- ☐ 1ST Written notice issued for late delivery
- ☐ 2nd Written notice issued for late delivery
- ☐ Damaged assessed

RESOLUTION

- ☐ Complaint withdrawn
- ☐ Vendor failed to receive purchase order
- ☐ Delivery made after late notice sent
- ☐ Performance corrected
- ☐ Material or item replaced
- ☐ Equipment performance corrected
- ☐ Invoice Corrected
- ☐ Item cancelled from contract (Vdr failure-Vdr initiated)
- ☐ Item cancelled from contract (Vdr failure-Purchasing initiated)
- ☐ Item cancelled from contract (No fault of vendor)
- ☐ Entire order cancelled
- ☐ Entire contract cancelled (Vendor fault)
- ☐ Entire contract cancelled (No fault of vendor)
- ☐ Damages paid
- ☐ Vendor counseled
- ☐ Order completed
- ☐ Correct shipment received
- ☐ Damages not paid – Vendor removed from bid list
- ☐ Performance not corrected – Vendor removed from bid list

EXCEPTIONAL PERFORMANCE

- ☐ Shipment made early upon Purchasing/Department request
- ☐ Product upgrade substitution suggested and accepted

☐ Vendor commended

☐ Shipment rejected

☐ Vendor counseled

☐ Exceptional customer service response

☐ Exceptional service provided for return of products

☐ Provided technical/training/set-up assistance when not required

☐ Price reduction for large order

☐ Vendor commended

Detailed explanation (Please be specific)

Resolution completed by Purchasing:

Date:

Buyer:

EXHIBIT B
Written Quote Sheet \$3,000.00 +

Date Requested:

Funds Budgeted in Account:

Dept/Div:

Budgeted Amount:

Vendor One

Vendor Two

Vendor Three

Firm

Address

City

State/Zip

Telephone

Fax

Sales Rep:

E-Mail Address

Delivery

Freight Term

Payment Term

HUB

			Vendor 1		Vendor 2		Vendor 3	
Qty	Unit	Description (include Brand/Model)	Unit Price	Item Total	Unit Price	Item Total	Unit Price	Item Total

SUB – TOTAL
GRAND TOTAL

EXHIBIT C

Purchasing Request
Invitation for Bid (IFB) and/or Request for Proposal (RFP)
\$50,000.00 +

Date Requested: _____ Department: _____

Funds Budgeted in Account: _____ Budgeted Amount: _____

Point of Contact: _____

1st Advertising Notice Date requested: _____ Notice of the time and place at which the bids will be publicly opened and read aloud must be published at least once a week for two consecutive weeks in a newspaper published in the municipality. (if unknown leave blank)

2nd Advertising Notice Date requested: _____ (if unknown leave blank)

Requested Opening Date: _____ The date of the first publication must be before the 14th day before the date set to publicly open the bids and read them aloud. (if unknown leave blank)

Attachments:	Yes	No
1) Detailed Specifications pertaining to requested item(s) to be purchased.	☐	☐
2) List of any vendors known by the department to provide material or services.	☐	☐

Signatures:

Department Head:

Date:

City Administrator:

Date:

**CITY OF QUINLAN PURCHASING CARD POLICY
EMPLOYEE CARD AGREEMENT**

I, _____, hereby request a Purchasing Card. As a holder I agree to comply with the following terms and conditions regarding my use of the Card.

I understand that I am being entrusted with the Card and will be making financial commitments on behalf of the City.

I understand that the city is liable for all charges made on the Card. I understand that I am liable for all charges not in compliance with this Agreement or with the City of Quinlan Financial Management Policy and Procedures Manual.

I agree to use the Card for purchases in compliance with the Manual and agree not to make personal purchases or any purchase in violation of the policies set forth in the Manual. I understand that the City Secretary or their designee will audit the use of the Card and that appropriate actions will be taken to enforce this Agreement and violations of the Policy. Failure to follow the Policy may result in the revocation of my use of the Card and other possible disciplinary actions up to and including termination.

I have received a copy of the Financial Management Policies and Procedures Manual and understand the requirements of the use of the Card and further agree to return the Card immediately following the purchase.

If the Card is lost or stolen, I agree to immediately notify the City Secretary. If the Card is used in a manner not authorized by the Policy, I agree to notify the City Secretary immediately.

I understand that the burden of proof will be upon me to show that the items purchased were made in compliance with the Policy as set forth in the Manual. I agree to comply with competitive procurement policies and will obtain the best value when using the Card to make a purchase.

Purchases made in violation of the Policy as set forth in the Financial Policies and Procedures Manual will subject me to liability for the total dollar amount of such unauthorized purchase(s).

Employee Signature	Date	Department
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City Secretary/Designee	Date
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CAPITAL ASSETS POLICY

PURPOSE

To establish standards and consistency for the accounting and controlling of capital assets owned by the City of Denison.

DEFINITION

A capital asset is any item, property, or equipment with a monetary value of \$5,000 individually, or \$5,000 collectively when the unit value is at least \$600. This includes items with either cash or trade-in value. To be classified as a capital asset, the item must have a useful life of two years or longer.

Additions and improvements are capital assets when they prolong the asset's useful life or increase the value of the original asset. An addition is a physical addition that did not exist as part of the original capital asset. An improvement consists of replacing some significant part of the asset. If the addition or improvement does not prolong the life or increase the original value, then it is treated as a maintenance expense. Roofing repairs and new roofing are expensed, unless new roofing enhances assets above previously assessed standard of performance.

CLASSIFICATIONS

Capital assets are generally classified as:

- 1) Land
- 2) Land Improvements
- 3) Buildings and Structures
- 4) Furniture and Fixtures
- 5) Vehicles
- 6) Machinery and Equipment
- 7) Infrastructure

VALUATION

Capital assets are accounted for at cost, or if the cost cannot be determined, at fair-market value or estimated cost. The cost of a capital asset includes not only its purchase price or construction cost, but also any charges necessary to place the asset in its intended location and condition for use. These extra charges include such costs as freight, transportation charges, modifications to asset, and site preparation expenditures. Construction cost includes materials as well as labor. Donated capital assets will be recorded at their estimated fair market value at the time received.

DEPRECIATION:

Straight-line depreciation method is used. "Discovered" assets are depreciated through their remaining useful life only, counted from the time of original acquisition and not from the time of discovery.

ESTIMATED USEFUL LIFE

The following list is used as a guide in determining an asset's estimated useful life:

Land	Not depreciated
Small cars and trucks	5 – 10 years
Large Trucks	10 – 15 years
Small Machinery and Equipment	7 – 10 years

Large Machinery and Equipment	20 years
Improvements	20 – 40 years
Buildings	50 years
Infrastructure	10 – 100 years

CHANGES IN CAPITAL ASSETS

- 1) ADDITIONS occur through outright cash purchases, lease-purchases, installment purchases, donations & gifts, discoveries, or construction. Items purchased outright will be recorded at time of purchase. Donated items will be recorded at time of possession. Items purchased on a lease-purchase agreement or installment purchase contract will be recorded at the inception of the agreement. Items that are constructed will be placed on inventory at the completion of construction.
- 2) DELETIONS occur when assets are lost, stolen, destroyed, worn-out, scrapped, auctioned, sold through sealed bidding, traded-in, or other administrative action by the City Administrator. Note: Replacements occur when a new asset is purchased to replace another asset, perhaps because the old asset is inefficient or irreparable. The old asset must be “deleted” and the new asset is added as an “addition”. However, if the replacement is a component part (bundled) of the capital assets, then that replacement part is treated as an expense.
- 3) TRANSFERS occur when assets are transferred from one department to another. A new unit number is assigned through the garage maintenance facility to reflect new department ownership.

ANNUAL INVENTORY AUDIT

A physical inventory of capital assets will be performed by each department once a year. This should coincide with our annual insurance rerate inventory update. The Finance Department will send an inventory list to the appropriate department with a memo instructing the division to check for possession of items listed. The Department Director will mark changes to, sign, and date the completed inventory and return the list to the Finance Department. The Finance Department will be responsible for verifying a sample of the inventory returned. Once the Finance Department has completed their audit of the inventory, they will provide the department with an updated inventory list reflecting any changes made as a result of the inventory audit.

If a Department has possession of any assets which do not belong to the City, they must be clearly marked to show ownership of employee, company, organization, etc.

Financial Reporting

Monthly Reports:

A monthly financial report reviewed by the City Administrator should be downloaded to the City's website. The financial statement should include a monthly comparison of actual revenue to budgeted revenue and actual expense to budgeted expense.

Year-End Report/Audit:

At fiscal year-end, a final trial balance should be prepared reflecting the income, expense, assets, and liabilities for the year. This report will be initially reviewed by the City Secretary prior to distribution to the auditors.

Grant Compliance

- 1) When a new grant is received, or renewed, a copy of the executed grant must be forwarded to the Grant Administrator. Additional information to be sent to the Grant Administrator is: grant report deadlines, notification of the employee responsible for the grant, copies of all grant reports filed, and all draw requests with backup reflecting the draw amount.
- 2) The Grant Administrator will and the City Secretary should set up a permanent file for the grant and maintain the contract along with any other financial correspondence regarding the grant.
- 3) It is the responsibility of the Grant Administrator to review the grant contract and extract any fiscal items which must be complied with by the City. Typically, for government grants, reference will be made to various publications put out by the Office of Management and Budget (OMB) and the Comptroller General's Office to which the City is responsible for adhering.

Currently, the publications include:

OMB Circular A-102 Grants and Cooperative Agreements with State and Local Governments

OMB Circular A-133 Audits of Institutions of Higher Learning & Other Non-Profit Organizations

OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments

Governmental Generally Accepted Accounting Principles:

- 1) It is a policy of the City to adhere to any restrictions imposed by its funders, both governmental and private. Therefore, City employees are expected to bring to the attention of management, any instances of non-compliance.
- 2) When the City is expending federal funds, prior written approval from the funding agency is required for the purchase of:
 - A. Capital expenditures for land or buildings
 - B. Insurance and indemnification expenses
 - C. Pre-award costs
 - D. Public information service costs
 - E. Publication and printing costs
 - F. Rearrangement and alteration costs
- 3) The City will never request federal funds to pay for the following costs:
 - A. Bad debt expense
 - B. Contingencies
 - C. Contributions or donations to others
 - D. Entertainment expenses
 - E. Fines and penalties
 - F. Interest, fundraising and other financial costs

Procedures:

- 1) The grant applicant will forward a copy of the grant notice of allocation or applicable award document(s) to the finance department whenever a new or continuing grant allocation is acknowledged by the funding agency.
- 2) When grant/loan payments are submitted to the finance office the payment is entered and distributed from the dedicated grant fund in the accounting software.
- 3) Reconciliation regarding a general ledger issue will be reviewed by the City Secretary and if the issue is valid the general ledger will be corrected via journal entry.
- 4) The Grant Administrator will handle all reporting requirements.
- 5) The finance department will forward all requested reports to the Grant Administrator.



**Acknowledgement of Receipt of City of Quinlan's
Financial Management Policies and Procedures Manual**

I hereby acknowledge the receipt of a copy of the City of Quinlan's Financial Management Policies and Procedures Manual. I agree to read and familiarize myself with the contents and I understand I will be responsible for adhering to these Policies and Procedures herein. I agree to abide by the City of Quinlan's rules and procedures as outlined in this Policies and Procedures Manual.

Printed Name

Position

Signature

Date