

Sample Purchasing Procedures

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Sample Purchasing Procedures

Reference Number: MTAS-1719

With the help of this guide, our city can create the most efficient purchasing operation possible. By clarifying the procedures, both the using department and the Purchasing Department will benefit from time saved obtaining materials, equipment and services.

The main function of the purchasing department is to aid all departments within the city by securing the best materials, supplies, equipment, and service at the lowest possible cost, while maintaining high standards of quality. One purpose of this manual is to explain city buying policies and to serve as a general framework and guide for purchasing decisions. To have a good purchasing program, all city employees directly or indirectly associated with buying must work as a team to promote the city's best interests in getting the maximum value for each dollar spent.

As revisions or additions to this manual become necessary, new pages will be sent to all recipients, who are expected to keep the guide up to date.

If there are any questions, please contact the purchasing agent at city hall. Requests for additional copies should be addressed to the same office.

MAYOR _____
CITY OF _____

Purchasing Procedures (Sample)

Reference Number: MTAS-1720

CITY OF _____, TENNESSEE

As designated in Ordinance No. _____, the _____ shall act as purchasing agent for the city, with power, except as set out in these procedures, to purchase materials, supplies, equipment; secure leases and lease-purchases; and dispose of and transfer surplus property for the proper conduct of the city's business. All contracts, leases, and lease-purchase agreements extending beyond the end of any fiscal year must have prior approval of the governing body.

The purchasing agent shall have the authority to make purchases, leases, and lease purchases of more than \$1,000 and less than \$2,500* singly or in the aggregate during any fiscal year and, except as otherwise provided herein, shall require three competitive bids or quotations, either verbal or written, whenever possible prior to each purchase. Competitive bids or quotations for the purchase of items that cost less than \$1,000 are desirable but not mandatory. All competitive bids or quotations received shall be recorded and maintained in the office of the purchasing agent for a minimum of seven years after contract expires. When requisitions are required, the competitive bids or quotations received shall be listed upon that document prior to the issuance of the purchase order. Awards shall be made to the lowest and best bid.

A description of all projects or purchases, except as herein provided, that require the expenditure of city funds of \$2,500* or more shall be prepared by the purchasing agent and submitted to the governing body for authorization to call for bids or proposals. After the determination that adequate funds are budgeted and available for a purchase, the governing body may authorize the purchasing agent to advertise for bids or proposals. The award of purchases, leases, or lease-purchases of \$2,500* or more shall be made by the governing body to the lowest and best bid.

Purchases amounting to \$2,500* or more, which do not require public advertising and sealed bids or proposals, may be allowed only under the following circumstances and, except as otherwise provided herein, when such purchases are approved by the governing body:

- Sole source of supply or proprietary products as determined after complete search by using the department and the purchasing agent, with governing body approval.

- Emergency expenditures with subsequent approval of the governing body.
- Purchases from instrumentalities created by two or more cooperating governments.
- Purchases from nonprofit corporations whose purpose or one of whose purposes is to provide goods or services specifically to municipalities.
- Purchases, leases or lease-purchases of real property.
- Purchases, leases, or lease-purchases, from any federal, state, or local governmental unit or agency, of second-hand articles or equipment or other materials, supplies, commodities, and equipment.
- Investment in or purchases from the Local Government Investment Pool (LGIP).
- Purchases directed through or in conjunction with the state Department of General Services.
- Purchases of fuels, fuel products or perishable commodities.
- Purchases of natural gas and propane gas for re-sale.
- Purchases from Tennessee state industries (T.C.A. § 41-22-119 - -121).
- Professional service contracts (T.C.A. § 12-3-12019 & § 12-4-107).
- Energy-related service contracts (T.C.A. § 12-4-110).
- Any of the insurance as provided in (T.C.A. § 29-20-407).
- Purchases for other local governmental units (T.C.A. § 12-3-1203).
- Cooperative purchasing agreements (T.C.A. § 12-3-1205 & § 12-9-101 et. seq.).
- Purchases of property at public auctions (T.C.A. § 12-2-421).
- Reverse auctions (T.C.A. § 12-3-1208).
- Purchase of confiscated property from the State (T.C.A. § 12-2-201).

The purchasing agent shall be responsible for following these procedures and the Municipal Purchasing Law of 1983, as amended, including keeping and filing required records and reports, as if they were set out herein and made a part hereof and within definitions of words and phrases from the law as herein defined.

**This limit may be lowered or increased to a maximum \$10,000 by the governing body.*

Relations Of Other Departments With The Purchasing Department (Sample)

Reference Number: MTAS-1721

The purchasing department is a service agency for all other departments of the city. The purchasing function is a service, and for the mutual benefits gained to go toward the good of the city, all departments must work in harmony. This manual is a guide to help the departments know their buying responsibilities.

Purchasing Department's Responsibilities

- To aid and cooperate with all departments in meeting their needs for operating supplies, equipment, and services.
- To process all requisitions with the least possible delay.
- To procure a product that will meet the department's requirements at the least cost to the city.
- To know the sources and availability of needed products and services and maintain current vendor files.
- To obtain prices on comparable materials after receipt of departmental requisition.
- To select vendors, prepare purchase orders, and process and maintain order and requisition files.

- To search for new, improved sources of supplies and services.
- To assist in preparation of specifications and to maintain specification and historical performance files.
- To prepare and advertise requests for bids and maintain bid files.
- To keep items in store in sufficient quantities to meet normal requirements of the city for a reasonable length of time within space availability.
- To investigate and document complaints about merchandise and services for future reference.
- To transfer or dispose of surplus property.

Using Department's Responsibilities

- To allow ample lead time for the purchasing department to process the requisition and issue the purchase order, while permitting the supplier time to deliver the needed items.
- To prepare a complete and accurate description of supplies, equipment or services to be purchased.
- To help the purchasing department by suggesting sources of supply.
- To plan purchases in order to eliminate avoidable emergencies.
- To initiate specification preparation on items to be bid.
- To inspect merchandise upon receipt, and complete a receiving report noting any discrepancies in types, numbers, condition, or quality of goods.
- To advise the purchasing department of defective merchandise or dissatisfaction with vendor performance.
- To advise the purchasing department of surplus property.

Purchasing Forms And Methods (Sample)

Reference Number: MTAS-1722

Purchase Requisition

Purpose

A purchase requisition lets the purchasing department know, in detail, what the using department needs. A requisition is required for purchases, requesting price information, initiating a bid request, and for requesting governing body approval on major expenditures.

When Prepared

Requisitions shall be prepared far enough in advance that the purchasing department can obtain competitive prices and the vendor has enough time to make the delivery.

Who Prepares the Requisition

Requisitions shall originate in the using department and must be signed by the requisitioner and the department head. The department head shall file with the purchasing department a certified memorandum listing those who are authorized to sign a requisition.

How to Prepare

A properly processed purchase requisition must contain the following information:

- Date issued — The date the requisition is prepared.
- Date wanted — State a definite delivery date. "AT ONCE, ASAP, and RUSH" are vague instructions and don't give the purchasing department sufficient information. Prepare far enough in advance to avoid emergencies.
- Requisition number — Place the sequential number in this area if your department keeps a numerical requisition file.
- Department — The complete name of using department
- Requisitioner — Signature of the person initiating the purchase request
- Department head — Signature of the department head

- Suggested vendors — If there are more than three suggested vendors, the department head should list on a separate sheet.
- To be delivered to — Be specific. If vague or indefinite, confusion may result in costly delays.
- Item number — Numerical order of items listed.
- Quantity — The number required.
- Unit — Dozen, lineal feet, gallons, etc.
- Description — Give a clear description of the items, including size, color, type, etc. If the purchase is of a technical nature, specifications should be attached to the requisition. If the item cannot be described without a great amount of detail, a brief description should be given, followed by a trade name and model number of an acceptable item “or approved equal.” Requisitions must not give specifications that will favor one supplier to the exclusion of any others.
NOTE: Incomplete information in this area will result in the requisition being returned to the using department for clarification.
- Account to be charged — Complete budgetary code.
- Unit price — Price for each individual item.
- Amount — A total of quantity times unit price.

Routing Requisitions

Prepare three copies of the purchase requisition. Send the original and one copy to the purchasing department and keep the third copy in departmental files. After the purchasing department has received at least three quotations or bids and has determined total cost of the merchandise, the cost will be listed on the original and one copy of the requisition. These copies shall then be forwarded to the finance officer. The finance officer shall certify, by signature, that the proper account has been charged and the availability of budgetary and cash funds. The original requisition must then be returned to the purchasing department and the copy filed in the office of the finance officer.

General Information

A requisition must be completed before a purchase is made, except when stated otherwise.

The purchasing department obtains prices for any needed item after receiving a departmental requisition. **All requests for prices will be processed in this manner.**

Suggested vendors will be of great assistance to the purchasing department and will be given full consideration. This information will allow the department to process the requisition quickly.

Approximate cost of items will help buyers know if bids are required.

If a requisition is incomplete or improperly prepared, the purchasing department shall return it to the using department for completion. An incomplete requisition can cause unnecessary delays.

The requisitioner shall not split orders to avoid any provision of the city code or charter, this manual, or any policy established by the city, nor shall requisitions be submitted for the sole purpose of using up budgetary balances.

Expediting Orders

If a company is waiting for a purchase order to process a rush job, write EXPEDITE IMMEDIATELY in the body of the requisition. The purchasing department will then contact the vendor and supply a purchase order number. This process will be the exception rather than the rule.

Insufficient Funds

If the finance officer says there is not enough in the budget account, it will be referred to the purchasing agent, who will notify the department head.

Requisition Form (Sample)

Reference Number: MTAS-1723

REQUISITION SAMPLE FORM

CITY OF _____, TENNESSEE

Requisition for Supplies

Date issued *(date requisition prepared)*
 Date wanted *(date delivery is needed)*

Req. No. *(department file number)*

Department *(name of using department)*
 Requisitioner *(signature of requesting person)*
 Department Head *(signature of department head)*

To be purchased from:
(This area to be filled in by purchasing department unless there is only one supplier for items requested.)

Suggested vendors:
 1. _____
 2. _____
 3. _____

To be delivered to:
Give specific delivery instructions, including name of person designated to receive the item(s), department and street address.

ITEM NUMBER	QUANTITY	UNIT	DESCRIPTION	ACCOUNT TO BE CHARGED	UNIT PRICE	AMOUNT

Competitive Prices: *(To be filled in by purchasing)*

Approved:

 Finance Officer

 Purchasing Agent

Purchase Order (Sample)

Reference Number: MTAS-1724

Purpose

A purchase order authorizes the seller to ship and invoice the materials and services as specified. Purchase orders shall be written in a clear, concise and complete manner. This will prevent confusion and unnecessary correspondence with suppliers.

When Prepared

Purchase orders are issued only after a requisition has been submitted and approved by the purchasing agent and the finance officer. No purchase order will be issued until the finance officer has certified adequate funds and cash balances to make the purchase, except as otherwise mentioned.

Who Issues the Purchase Order

The purchasing department issues purchase orders, except as otherwise provided herein. The using departments will not enter into negotiations with suppliers for the purchase of equipment, supplies, materials, services, or other items, except under the emergency purchase procedures and as otherwise provided herein.

How Purchase Orders Are Handled

The purchase order is made from the approved requisition. Copies should be distributed as needed to the following.

1. A copy is mailed to the vendor to be used as authority to furnish the city with the materials or services indicated.
2. A copy is sent to the finance officer and the account that handles the amount of the purchase order.
3. A copy is sent to the department head making the request, to be held until the goods or services are received. Upon completion of the order or contract, a copy will be signed and invoices and material receiving report attached. This copy is sent to the purchasing agent for discounting and processing for payment.
4. A copy is kept by the purchasing agent and filed as record of outstanding orders. When paid, the copy will be marked properly and put in a completed file in numerical order.
5. A copy should be kept in each department's file for reference.
6. A copy is the acknowledgment copy the vendor will sign and return to the purchasing agent, confirming the order.

Cancellations

The purchasing department must initiate all cancellations and will issue a purchase order to the next best vendor or renew the purchasing process.

Purchase Order Form (Sample)

Reference Number: MTAS-1725

PURCHASE ORDER SAMPLE FORM

CITY OF _____, TENNESSEE
Purchase Order

To: _____ Telephone: _____
 Purchase Order No.: _____ E-Mail: _____
 Ship To: _____ Date: _____
 _____ Department: _____
 Via: _____

ITEM NUMBER	QUANTITY	UNIT	DESCRIPTION	ACCOUNT TO BE CHARGED	UNIT PRICE	AMOUNT

Terms and Conditions:

Unless stated otherwise, all prices are free on board (F.O.B.) _____, Tennessee. City is exempt from federal, state, and local taxes. Exemption certificates will be furnished if necessary. Mark all shipments and invoices with purchase order number.

Purchasing Agent

I certify that the above materials or services have been received as ordered and in good condition, except as follows: _____

Date Received

Department Head

Material Receiving Report (Sample)

Reference Number:

MTAS-1726

Purpose

The material receiving report form is designed to let the purchasing agent and the finance officer know that an item(s) of a particular order has been received.

When Prepared

This form is completed immediately upon receipt of materials, supplies, or services.

Who Prepares

The person receiving the merchandise.

How to Prepare

A proper material receiving report must contain the following information:

- Purchase order number — The number from the purchase order on which the items were ordered
- From — Name of vendor
- Material received by — Person receiving the item
- Date received — Date the goods are received
- Quantity — Number of items received
- Description — Brief statement describing item(s)
- Price — Unit price from the purchase order
- Per — Unit measure (foot, lb., etc.)
- Amount — Amount equal to quantity times unit cost
- Freight charge — Amount (if any) charged for delivery

When any item(s) is not in satisfactory condition, a statement about the condition of the item(s) must be made in the description column. There is no need to write anything in this column if the item is undamaged.

Material Receiving Report Form (Sample)

Reference Number: MTAS-1727

SAMPLE MATERIAL RECEIVING REPORT FORM

CITY OF _____, TENNESSEE
 Material Receiving Report

Purchase Order No.: _____

From: _____

QUANTITY	DESCRIPTION	PRICE	per	AMOUNT

Freight Charge: _____

TOTALS: _____

MATERIALS RECEIVED

By: _____ Date Received: _____

Departmental Purchase Orders (Sample)

Reference Number: MTAS-1728

Purpose

Departmental purchase orders allow the using department to handle small purchases without having to process a requisition through the purchasing department.

When Used

Departmental purchase orders are to be used for buying items which cost * or less.

Who Prepares

The department head may fill out a departmental purchase order. The purchasing department must keep a list of people authorized to sign a departmental purchase order for a department head.

How to Prepare

A proper departmental purchase order will contain the following information:

- Number (No.) — Assigned by the purchasing department
- Date — The date the order was prepared
- Dept. — Ordering department
- Vendor — Firm or person from whom purchase is being made
- Vendor's address — Address of vendor
- Quantity — The amount ordered of each item described
- Description — Brief description of item(s) to be bought
- Account to be charged — Complete budgetary code of using department
- Price — Amount equal to quantity times unit cost
- Purchase authorized by — Signature and title of department head
- Articles or service received — Signature of person receiving articles or service and date received

Routing

A departmental purchase order should be distributed as follows.

- A copy to the vendor
- An acknowledgment copy returned signed from the vendor to the department head, confirming the order. This will be attached to the packing slip, delivery ticket, invoice, material receiving report, etc., by the receiving department and forwarded to the purchasing department. The purchasing agent will initial and forward to the finance officer for payment.
- A copy will be retained by the purchasing department for filing

General Information

The department head is responsible for keeping expenses within budgetary appropriations and must try to secure at least three quotes for those items which cost * or less.

These purchase orders will be numbered and issued to the using department by the purchasing department.

It is the responsibility of the department head, considering price and quality, to determine the best source of supply. All local sources should be considered before a purchase is made. The purchasing department will assist in vendor selection upon request.

If the purchase is above the dollar limit, under no circumstances may multiple forms be used in an effort to avoid filling out a purchase requisition.

* Amount to be established by the governing body.

Departmental Purchase Order Form (Sample)

Reference Number: MTAS-1729

SAMPLE DEPARTMENTAL PURCHASE ORDER FORM

CITY OF _____, TENNESSEE
Departmental Purchase Order

Vendor: _____ No.: _____

Vendor's Address: _____ Date: _____

Department: _____

The departmental purchase order is valid only for purchases of \$_____ or less. The original copy should be returned to the ordering department with your invoice or statement to make payment easier.

QUANTITY	DESCRIPTION	ACCOUNT TO BE CHARGED	AMOUNT

TERMS AND CONDITIONS:

The city is exempt from federal, state and local taxes.
Exemption certificates will be provided upon request.

TOTAL _____

This purchase authorized by:	Articles or service received by:
(Name) _____	(Name) _____
(Title) _____	(Title) _____

Date Received: _____

Request For Bid Form (Sample)

Reference Number: MTAS-1730

REQUEST FOR BID SAMPLE FORM

The request for bid form shall be used when the purchasing agent decides it is necessary. The bid number (#) shall be the number assigned to the firm or individual to which the request for bid is forwarded.

CITY OF _____, TENNESSEE

Request for Bid

IMPORTANT: THIS IS NOT AN ORDER

Sealed bids will be received until _____ a.m./p.m. (date), 20_____, in the office of the purchasing agent and will be opened the same day at _____ a.m./p.m.

Bid # _____

Date: _____

Purchasing Agent: _____

Terms: _____

Delivery: _____

NO BIDS RECEIVED AFTER CLOSING WILL BE ACCEPTED.

Quotations are requested for furnishing the items described below in accordance with the terms set forth herein. Failure of a bidder to execute a purchase order or contract awarded as a result of this bid or to comply with any terms or conditions therein may disqualify the bidder from receiving future orders. Bidders are cautioned to verify their bids before submission. No bid may be withdrawn or changed after it has been opened. If you do not quote, return this sheet and explain the reason. Otherwise your name may be removed from our mailing list.

ALL QUOTATIONS MUST BE FREE ON BOARD (F.O.B.) _____, TENNESSEE.

ITEM NUMBER	QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT

Above items to be delivered to:

In submitting the above, the vendor agrees that acceptance of any or all quotations by the purchasing office within a reasonable period constitutes a contract.

Name of Firm: _____

By: _____

Phone: _____

Bids must be sealed and returned in envelope provided.

Summary Of Bids Form (Sample)

Reference Number:

MTAS-1731

SUMMARY OF BIDS SAMPLE FORM

The summary of bids form shall be used by the purchasing department to record quotations. This form must contain the bids for each purchase and be attached to the pink copy of the purchase order when filed.

CITY OF _____, TENNESSEE
 Summary of Bids

Requisition No.: _____ Date: _____

Items	Quantity	Unit	NAMES OF BIDDERS					
			Unit Price	Unit Price	Unit Price	Unit Price	Unit Price	
TERMS								

Reverse side must contain full explanation of awards not given to the lowest bidder.

Emergency Purchases (Sample)

Reference Number: MTAS-1732

Purpose

Emergency purchases are to be made by departments only when normal functions and operations of

the department would be hampered by submitting a requisition in the regular manner, or when property, equipment, or life are endangered through unexpected circumstances and materials, services, etc., and are needed immediately.

Who Makes Emergency Purchases

Emergency purchases, either verbal or written, may be made directly by the using department without competitive bids, provided sufficient funds are available and necessary approvals have been secured.

Who Authorizes Emergency Purchases

The purchasing agent or the department head, if the purchasing agent is unavailable, may authorize an emergency purchase.

How to Make Emergency Purchases

After determining a true emergency exists, the following procedure should be followed:

1. Notify the purchasing department of the need and nature of the emergency. The department will give verbal approval and issue a purchase order number. This number will be put on the requisition referred to in number 4 below.
2. Using department must use sound judgment about prices when making emergency purchases of materials and supplies and for labor or equipment. Orders should be placed with vendors who have a good track record with the department.
3. Suppliers shall furnish sales tickets, delivery slips, invoices, etc., for the supplies or services rendered. Terms of the transactions, indicating price and other data, shall be shown.
4. As soon as the purchase is complete, on the same or following business day, the using department must:
 - Give the purchasing department a complete requisition with a description of the emergency and approval by the department head. "Confirming Emergency Purchase" must be marked plainly on the requisition, along with the purchase order number.
 - The sales ticket, delivery slips, invoices, and material receiving report confirming the purchase must be attached to the emergency requisition form.
 - The purchasing department will issue the vendor a purchase order marked "Confirmation."
5. If an emergency should occur during a time when the purchasing department normally is closed, the using department will follow the above procedure with the exception of the first step. The evidence of purchase, such as sales slip, counter receipt, delivery slip, invoice, etc., that the supplier normally furnishes, shall be attached to the completed and approved requisition form and be forwarded to the purchasing department, along with a material receiving report.
6. As soon as possible, the person authorizing the emergency purchase must prepare a report to the chief executive officer and the governing body specifying the amount paid, the item(s) purchased, from whom the purchase(s) was made, and the nature of the emergency.

General Information

Emergency purchases are costly and should be kept to a minimum. Avoiding emergency orders will save the city money.

Petty Cash Fund (Sample)

Reference Number: MTAS-1733

To buy items that cost less than (*amount to be established by governing body*) from businesses that don't issue invoices or have charge accounts, a petty cash fund must be set up by the finance officer.

The department head is solely responsible for any withdrawals from this account. All receipts or requests for monies from this fund must contain the departmental code and be signed by the department head.

This fund should be used only if other purchasing methods are not applicable.

The finance officer may establish more detailed procedures for the use of the petty cash fund.

Sealed Bids Or Proposals (Sample)

Reference Number: MTAS-1734

Sealed bids are required on purchases of \$2,500* or more. Bids must be advertised in a local newspaper of general circulation not less than five days before bid opening date.

Purchasing Department's Responsibilities

- Prepare bid requests.
- Establish date and time for bid opening.
- Select possible sources of supply.
- Prepare specifications (unless of a technical nature, such as architectural, engineering, etc.) using department's input and assistance.
- Mail bid requests and advertise as appropriate. If delivered by hand, a receipt of the bid request should be signed by the vendor.
- Receive and open bids.
- Evaluate bids using department's assistance.
- Prepare bids and make a recommendation on award to governing body for approval.
- Process purchase order after governing body approval.
- Maintain all specification and bid data files.

Using Department's Responsibilities

- Prepare requisition to begin bid process. This should contain specific information about items needed. For example, quantity, size, brand preferred, performance requirements, etc.
- Submit requisition to begin bid request to the purchasing department at least three weeks prior to the date bids are to be opened.
- Assist in specification preparation if needed.
- Assist in evaluation of bid results.

General Information

The following policies shall apply to sealed bids:

1. **Bid or Proposal Opening:** Bids will be opened at the time and date specified on the bid request. All bids are opened publicly and read aloud, with a tabulation provided to all vendors participating. Proposals for extensive systems, complicated equipment, or construction projects, with prior approval of the governing body, may be opened privately in cases where the disclosure of the contents of the proposal could not readily be evaluated and would have a negative impact on both the vendor and the city.
2. **Electronic Bids:** The invitation for bids shall be distributed electronically and bids shall be considered when they are received in hand at the designated office if by the time and date set for receipt of bids. Such electronic bids or proposals shall contain specific reference to the Invitation for Bids; the items, quantities, and prices for which the bid is submitted; the time and place of delivery; and a statement that the bidder agrees to all the terms, conditions, and provisions of the Invitation for Bids.
3. **Late Bids:** No bids received after closing time will be accepted. All late bids will be returned unopened to the vendor. Bids postmarked on the bid opening date but received after the specified time will be considered late and will be returned unopened.
4. **Bid Opening Schedule:** The Purchasing department is responsible for setting bid opening dates and times.
5. **Telephone Bids:** The Purchasing department will not accept any bid by telephone.
6. **Bid Form:** The Purchasing department sends duplicate copies of bid request forms to each bidder, thereby enabling the bidder to return one and maintain a file copy. Bids will not be accepted on any vendor letterhead, vendor bid form, or other substitutions unless special permission is given by the purchasing department.

7. **Unsigned Bids:** Failure of a vendor representative to sign a bid proposal removes that bid from consideration. A typed official's name will not be accepted without that person's written signature.

8. **Acceptance of Bids:** The city reserves the right to reject any or all bids, to waive any irregularities in a bid, to make awards to more than one bidder, to accept any part or all of a bid, or to accept the bid (or bids) that in the judgment of the governing body is in the best interest of the city.

9. **Shipping Charges:** Bids are to include all shipping charges to the point of delivery. Bids will be considered only on the basis of delivered price, except as otherwise authorized by the governing body.

10. **Sample Product Policy:** The purchasing department may request a sample product as part of a bid. If this is stated on the bid proposal form, the vendor is required to comply with this request or have the bid removed from consideration.

11. **Approved Equal Policy:** Specifications in the request for bid are intended to establish a desired quality or performance level or other minimum requirements that will provide the city with the best product available at the lowest possible price. When a brand name or model is designated, it signifies the minimum quality acceptable. If an alternate is offered, the bidder must include the brand name or model to be furnished, along with complete specifications and descriptive literature and, if requested, a sample for testing. Brands or models other than those designated as "equal to" products shall receive equal consideration.

12. **Alternate Bids:** Should it be found, after bids have been opened, that a product has been offered with an alternative specification and that this product would be better for the city to use, all bids for that item may be rejected and specifications redrawn to allow all bidders an equal opportunity to submit bids on the alternate item.

13. **Vendor Identification:** Potential suppliers are selected from existing vendor files using department's suggestions and any and all sources available to locate vendors related to a specific product or service. New suppliers are added to the bid list as they are found.

14. **Tie Bids:** A tie bid is one in which two or more vendors bid identical items at the same unit cost. The winning bidder among tie bids may be determined by one of the following factors:

- Discount allowed
- Delivery schedule
- Previous vendor performance
- Vendor location
- Trade-in value offered

15. **Cancellation of Invitation for Bid or Request for Proposal:** An invitation to bid, a request for proposal, or other solicitations may be canceled, or any or all bids or proposals may be rejected in part as may be specified in the solicitation when it is in the best interest of the city. The reasons shall be made a part of the bid or proposal file.

16. **Public Advertisement:** In addition to publication in a newspaper of general circulation as required by law, the purchasing agent may make any other efforts to let all prospective bidders know about the invitation to bid. This may be accomplished by delivery, verbally, mail, or by posting the invitation to bid in a public place. It is not required that specifications be included in the invitation to bid. However, this notice should state clearly the purchase to be made.

17. **Mistakes in Bids:** Mistakes in bids detected prior to bid opening may be corrected by the bidder withdrawing the original bid and submitting a revised bid prior to the bid opening date and time. Bidder mistakes detected by the bidder after the bids have been opened based on miscalculation may be withdrawn only with the approval of the purchasing agent. The purchasing agent shall determine if all or a portion of any bid bond shall be surrendered to the city as liquidated damages for any costs associated with the bid withdrawal.

18. **Bid Bond:** The purchasing agent may require that bidders submit a bid bond or other acceptable guarantee equal to 5 percent of the bid to ensure that the lowest responsible bidder selected by the board enters into a contract with the city. All or a portion of the bid bond shall be surrendered to the city as liquidated damages should the successful bidder fail to enter into a contract awarded by the board.

19. **Performance Bond:** The purchasing agent may require and then include in the bid documents a requirement for the successful bidder to post a performance bond or other guarantee satisfactory to the

city attorney that insures the faithful performance of all of the terms and conditions of the purchase contract.

*Unless lowered or increased to the maximum allowed by law by the governing body.

Other Aspects To Be Considered In Bid Awards (Sample)

Reference Number: MTAS-1735

In addition to price, the following points should be considered when awarding a bid:

- The ability of the bidder to perform the contract or provide the material or service required.
- Whether the bidder can perform the contract or provide the material or service promptly or within the time specified, without delay or interference.
- The character, integrity, reputation, experience and efficiency of the bidder.
- The previous and existing compliance, by the bidder, with laws and ordinances relating to the contract or service.
- The ability of the bidder to provide future maintenance and service for the use of the subject contract.
- Terms and conditions stated in bid.
- Compliance with specifications or request for proposal.

Non-Performance Policy (Sample)

Reference Number: MTAS-1736

Failure of a bidder to complete a contract, bid, or purchase order in the specified time agreed on, or failure to provide the service, materials, or supplies required by such contract, bid, or purchase order, or failure to honor a quoted price on services, materials, or supplies on a contract, bid, or purchase order may result in one or more of the following actions:

- Removal of a vendor from bid list for a period to be determined by the governing body.
- Allowing the vendor to find the needed item for the city from another supplier at no additional cost to the city.
- Allowing the city to purchase the needed services, materials, or supplies from another source and charge the vendor for any difference in cost resulting from this purchase.
- Allowing monetary settlement.

Delinquent Delivery (Sample)

Reference Number: MTAS-1737

Once the purchasing department has issued a purchase order, no follow-up work should be done unless the using department says the items have not been received. If this happens, the purchasing department will initiate action, either written or verbal as time allows, to investigate the delay. The using department will be advised of any further problems or a revised delivery date.

Contractual Purchases (Sample)

Reference Number: MTAS-1738

Materials, supplies, or services that are needed constantly for city operations will be taken on a formal bid and will be awarded by the governing body for a contract period determined to be in the best interest

of the city. This procedure shall be used in cases where the amount of the purchase of said materials, supplies, or services will be \$2,500* or more within the fiscal year. For amounts below \$2,500*, the award will be made by the purchasing agent.

*Limit may be lowered or increased to a maximum of \$10,000 by the governing body.

Items Covered By Warranty Or Guarantee (Sample)

Reference Number: MTAS-1739

The city buys many items that have a warranty or guarantee for a certain length of time, such as tires, batteries, water heaters, roofs, and equipment. Before these items are repaired or replaced, the purchasing agent should be consulted to see if the item is covered by such warranty or guarantee.

The purchasing agent shall maintain an active current file with complete information on such warranties or guarantees. All warranties must be remitted to the purchasing agent with the invoice indicating date of receipt.

Signatures (Sample)

Reference Number: MTAS-1740

Contracts, applications for title, tax exemption certificates, agreements, and contracts for utilities shall not be signed by any city employee unless authorized in writing by the purchasing agent or by action of the governing body.

Trade-Ins (Sample)

Reference Number: MTAS-1741

List of equipment to be used as trade-in shall accompany the request and specifications. The list includes the model, year, serial and city tag numbers, and other pertinent data.

Sale Of Surplus Property (Sample)

Reference Number: MTAS-1742

When a department head decides there is surplus equipment or material in the department, he or she shall notify the purchasing agent in writing. After the approval of the governing body to dispose of the surplus equipment or materials, the purchasing agent will figure out the best way to dispose of these items in accordance with the entity's surplus disposal policy. This policy shall provide procedures for the disposal of items based on estimated value. Items with an estimated value of less than \$100 should be disposed in cooperation with the department head. Items with an estimated value of more than \$100 should be sold at public auction or advertised for bidding, which will begin after the purchasing agent has received approval from the governing body. Such equipment or materials will be sold to the highest bidder.

With approval of the governing body, surplus equipment or material may also be transferred from one department to another. The purchasing agent must be sure the finance officer is informed of the transfer or sale.

Inspection And Testing (Sample)

Reference Number:

MTAS-1743

When necessary, the purchasing agent may have all deliveries of supplies, materials, equipment, or contractual services inspected to be sure their performance meets specifications made in an order or contract.

The purchasing agent may also require chemical and physical tests of materials submitted with bids and delivery samples or after products have been delivered. These tests may be necessary to be sure the quality of materials meets the desired standards. When performing such tests, the purchasing agent may use the facilities of any outside lab.

General Information (Sample)

Reference Number: MTAS-1744

Federal Excise Tax

The city is exempt from the payment of excise taxes imposed by the federal government, and suppliers should be requested to deduct the amount of such taxes from their bids, quotations, and invoices.

Standardization Requirements

Standardizing supplies and materials that can be bought in large quantities can save a great deal of money. Thus, department heads should adopt as standards the minimum number of quantities, sizes, and varieties of commodities consistent with successful operation. Where practical, materials and supplies should be bought on the basis of requirements for a six-month period.

Inspection of Deliveries

No invoices for supplies, materials, or equipment shall be accepted for payment until such supplies, materials, etc., have been received and inspected by the department head.

Correspondence with Suppliers

Copies of any correspondence with suppliers concerning prices, adjustments, or defective merchandise shall be forwarded to the purchasing agent. All invoices, bills of lading, delivery tickets, and other papers relating to purchases shall be sent to the purchasing agent.

Claims

The purchasing agent shall prosecute all claims for shortages, breakages, or other complaints against either shipper or carrier in connection with shipments.

Public Inspection of Records

The purchasing agent shall keep a complete record of all quotations, bids, and purchase orders. Such records shall be open to public inspection.

Designee

When a position such as purchasing agent, finance officer, or department head is mentioned, their assistants or designees are acceptable substitutes if they have written permission to do so.

Definitions

- **Customarily Purchased:** Items that are purchased regularly under specific circumstances considered reasonable and appropriate. (Example: After two consecutive years; then, not required for two consecutive years of not attaining the total amount of \$2,500*).
- **Like Items:** Items that are similar and may be bought at the lowest common denominator, such as size, color, etc.
- **Lot:** A single grouping of like items to be purchased at one time.
- **Single Source of Supply:** When only one vendor is available for a product or service within a reasonable marketable distance of the city.
- **Proprietary Product:** A brand-name product made and marketed by one having the exclusive right to manufacture and sell.
- **Within the Limits of the Approved Budget:** Purchases must stay within appropriation limits in funds requiring budgets either by law, regulation, or policy. Appropriation limits do not apply to nonexpendable funds not requiring budgets, such as enterprise funds, intra-governmental service funds, and nonexpendable trust funds.

- **Performance and Bid Bonds:** Performance and bid bonds as may be determined by the purchasing agent or the governing body.
- **Architect or Engineer Required:** T.C.A. § 62-2-107 (a) states that state and local governments shall not engage in the construction of public works projects involving architecture, engineering or landscape architecture without having plans, specifications, and estimates made by registered architects, registered engineer or registered landscape architect. This requirement does not apply to exceptions listed in T.C.A. § 62-2-107 (b) (1) (A), which states if the cost of the complete project does not exceed fifty thousand dollars (\$50,000), and the work does not alter the structural, mechanical, or electrical system of the project; or T.C.A. § 62-2-107 (b) (1) (B), the project cost does not exceed one hundred thousand dollars (\$100,000), the project is located in a state park, and the work is solely maintenance, as defined in the state building commission policy and procedures.

*Limit may be lowered or increased to a maximum of \$10,000 by the governing body.

Sources (Sample)

Reference Number: MTAS-1745

Purchasing Policy

City of Hendersonville
City of Johnson City
City of Little Rock, Ark.
City of Tullahoma

and

The Model Procurement Code
for State and Local Governments
American Bar Association
February 1979

Model Purchasing Ordinance
Municipal Association of South Carolina
April 1983

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