

**Manual of Purchasing Policies and Procedures**  
**City of Covington, Kentucky**

**SECTION I. GENERAL:**

**A: Introduction.**

- (1) A City employee, involved in any facet of processing department needs for goods or services, is an integral part of the City's Purchasing Team.
- (2) Delegation of procurement authority to using departments encourages user involvement and expedites the entire purchasing process, allowing the using department to obtain products or services in the fastest possible time.
- (3) The Covington purchasing process utilizes an automated computer system that relies on user input of all requisitions that, when approved, produce a computer generated purchase order for each procurement.
- (4) Periodic training courses for City employees involved in the purchasing process are available through the Department of Finance.
- (5) Because Covington's purchasing process is user oriented, suggestions for improvement to the basic system which comply with underlying public procurement law are always welcomed and encouraged.
- (6) Vendors providing commodities and services to the City should comply with the applicable provisions of Chapter 110 of the City Code of Ordinances covering business licenses. For further information on the provisions of Chapter 110 and its relationship to vendors under consideration, advise the vendor to contact the Finance Department at (859) 292-2175. All purchase award information is forwarded to the Occupational License Division by the Purchasing Office.

**B. Principles.**

- (1) To consider the best interests of the City in all transactions and to carry out its established policies.
- (2) To be receptive to competent counsel from colleagues without impairing the integrity and responsibility of the purchasing process.
- (3) To purchase without prejudice, seeking to obtain the maximum value for each dollar of expenditure in accordance with established City quality standards.
- (4) To strive consistently for knowledge of the materials and supplies required for use by the City and to establish practical methods of obtaining these items.

(5) To subscribe to, and work for, honesty and truth in buying and to avoid all forms of conflict of interest.

(6) To avoid all unethical practices and the appearance of same.

**C. Responsibilities.**

(1) The City Manager or his designee shall:

(a) Approve all purchases greater than \$1,000.

(b) Approve and recommend the award of bid for consideration by the Mayor and Board of Commissioners for goods or services costing more than \$20,000.00

(c) Hear all evidence and render a final verdict on vendor performances and eligibility to do business with the City.

(2) The Finance Director, or his/her assignee, is responsible for the following purchasing functions:

(a) Supervising the City's purchasing system, recommending and administering purchasing policies and procedures, and defining how to obtain savings on City purchases.

(b) Approving purchases costing more than \$100 up to \$20,000.00 and issuing all City purchase orders in excess of \$100.

(c) Maintaining and operating the City office supplies store room. This includes developing security measures, tracking and charging inventory to user departments, assuring proper inventory levels and periodically taking physical inventory counts.

(d) Coordinating purchasing procedures with City departments.

(e) Acting as the City's representative on all matters pertaining to purchasing.

(f) Knowing and becoming acquainted with the needs of all City departments.

(g) Working with City departments to establish standardization of materials, supplies, and equipment where practical.

(h) Working with City departments to promote good will between the City and its suppliers, contractors, and consultants.

(i) Assisting City departments in the preparation of quotation and bid specifications for all goods and services.

- (j) Consolidating purchases of like or common items to obtain maximum economic benefits.
  - (k) Determining eligibility of vendors to do business with the City.
  - (l) Assisting departments, as needed, in operating the City's decentralized purchasing system.
  - (m) Authorizing all departmental requisitions for goods and services costing more than \$100 up to \$1,000.00.
  - (n) Referring all departmental requisitions for goods and services costing more than \$1,000 up to \$20,000.00 to the City Manager for approval prior to the issuance of purchase orders.
- (3) City Department Heads shall be responsible for the following purchasing functions:
- (a) Being in compliance with provisions of the City's Manual of Purchasing Policies and Procedures.
  - (b) Selecting and limiting the number of departmental employees who shall be completely knowledgeable of and actively participating in the City's procurement program. An accurate list of these individuals shall be kept up to date and filed by the Department Head with the Purchasing Office. Department employees involved in the purchasing function, referred to as Department Buyers ("DB"), will receive training in order to enter their requisitions and goods received data into the City's computerized financial systems.
  - (c) Adhering to provisions regarding the solicitation of quotations for departmental goods and services.
  - (d) Issuing Purchase Orders for the procurement of individual goods and services costing no more than \$100.00.
  - (e) Establishing and maintaining a close relationship with the Purchasing Office in order to meet its purchasing requirements.
  - (f) Submitting requests for the purchase of individual goods and services costing more than \$100.00 to the Finance Department for the preparation of a Purchase Order.
  - (g) Preparing acceptable, technically written specifications that characteristically define the quality of goods or services needed as supporting documentation for either the solicitation of formal quotations or

competitive bidding.

**D. Unauthorized Purchases.**

- (1) Except for emergencies, or an authorized exemption, no purchase should be made, nor is a purchase considered "authorized" until:
  - (a) The available funds have been located and encumbered.
  - (b) The appropriate City Official has issued a City Purchase Order.
- (2) When purchases are made contrary to this policy:
  - (a) The purchase may be considered void and not considered an obligation of the City.
  - (b) The person ordering the unauthorized purchase may be personally liable for the cost of the purchase.
- (3) The City's policy is that adequate funds should be located and encumbered:
  - (a) Prior to ordering goods or services from an eligible vendor.
  - (b) Prior to executing any contract for goods or services from an eligible vendor.
  - (c) Prior to taking delivery or receipt of goods or services from an eligible vendor.
- (4) Acceptable/Unacceptable Uses of City Funds:
  - (a) Advertising  
Advertising for jobs and City events is appropriate. However, the purchase of congratulatory or sponsorship ads is not appropriate, with rare exception. Elected Officials should be cautioned that certain ads may appear to be political and would require the use of their personal funds.
  - (b) Business Meals for Staff  
When an employee is required to work through lunch, it is appropriate for the City to pay for the lunch. However, this should be the exception and it should be documented that it was necessary to work through lunch with topics discussed and attendees listed.

If it is appropriate for the City to pay for a business lunch, expenses should be kept at a reasonable level, \$12 per attendee, to be in-line with the travel policy per diem. See Travel Policy for breakfast and dinner per diems.

Meals at your desk are not reimbursable.

- (c) Coffee, Refreshments and Kitchen Supplies  
The utilization of City funds for the purchase of coffee, tea, drinks, snacks or kitchen supplies is inappropriate. Where desired, such items should be financed from employee supported funds for use in the employee's department.
- Exception: Providing refreshments for employees working in heated or cold or adverse conditions (crews working outside, DPI, Firefighters, Police, etc.) is an appropriate use of City Funds.
- (d) Community and Service Association Club Memberships  
The City will not pay membership fees, monthly dues or meal costs for social or service clubs and organizations unless it is directly related to City business.
- It is appropriate for the City to pay for Elected Officials and City Administration meals at community events and functions that are directly related to City business.
- (e) Employee Gifts for Holiday, Birthdays and Retirements  
The City will not pay for employee gifts for said events.
- (f) Employee Recognition and Awards Programs  
All reasonable expenses are paid for employee recognition and awards programs.
- (g) Floral Arrangements to City Employees (Birthdays, Illness, etc.)  
The City will not pay for flowers and cards sent to employees as a result of illness, deaths, birthdays, or any other occasion.
- (h) Holiday Expenses  
The City will not reimburse for meals, decorations, cards, or gifts related to any types of Holiday activities.
- (i) Memberships  
The City will pay for professional memberships that relate to or add value to one's City position.
- (j) Newspaper Subscriptions  
Expenses for a reasonable minimal number of subscriptions to local newspapers are considered appropriate for all City departments.
- (k) Office Decorations  
As a practice, the City does not reimburse for personal items such as plants and pictures. However, the Department Head can authorize expenditures

for decorating the office. This could include pictures, framing, and artwork. Only common area decorations may be reimbursed if approved by the Department Head.

(l) Parking Reimbursements

Parking is reimbursable if incurred for City business, and should be submitted through the City's Travel Reimbursement Policy and forms.

(m) Professional Organization Functions

Expenses incurred to attend a professional organization function are appropriate. The function must be related to the employee's job duties or City business. The employee must receive prior approval from the Department Head.

(n) Refreshments for Staff Meetings/Training

The City will not reimburse for staff meeting refreshments. Exceptions can be made for reimbursement by Department Head with explanation.

Refreshments for training and or meetings involving outside guests are reimbursable. The event must be related to City business. A receipt, a description of the event, and list of attendees should be provided for reimbursement.

(o) Subscriptions to Professional Literature

Subscriptions to professional journals and magazines are considered appropriate expenses. Departments should avoid subscribing to multiple periodicals which provide similar information. When at all practical, departments should avoid duplicating subscriptions already purchased by other departments.

(p) Travel Expenses

See City Travel Policy for allowable travel expenditures and reimbursement process.

If the expenditure is acceptable for City payment, employees should follow the City's Standard Operating Procedures for purchases. See Section II for Standard Operating Procedures and Purchasing Classifications.

**E. How Purchasing Policy May Affect Your Job.**

- (1) It is vital that every employee involved in any part of the purchasing process understands there are obligations, responsibilities, and liabilities which can affect their job.
- (2) The City's purchasing program is based on the Kentucky Model Procurement Code and this Manual of Purchasing Policies and Procedures. These provide the basic

legal authority covering all purchases made by the City. Employees are reminded to keep these codes, policies, and procedures in mind whenever they become involved in the procurement process. Procurement activity includes, but is not limited to, preparing specifications, reviewing bids, recommending awards, administering contacts with vendors, and making routine small purchases.

- (3) The following elements highlight some of the issues employees may face during interactions with vendors and the possible effect on the employee's position with the City. If further clarification is needed, contact the Purchasing/Personnel Director.
- (a) Violation of Policy: The willful violation of any provision of Kentucky Revised Statutes, Chapter 45A, and/or the provisions of this Manual of Purchasing Policies and Procedures may subject you to:
- City disciplinary action;
  - Paying all or a portion of the cost involved;
  - Loss of employment.
- (b) Assuming authority: Section I through III sets forth various duties and responsibilities for specific individual. A City employee who is neither a Department Head nor a DB and who assumes any of these duties and responsibilities without the express consent of the appropriate City Official is in violation of these policies.
- (c) Purchasing Classifications: Department personnel can be involved in each of the City's four major purchase classifications to varying degrees. Understanding each of these classifications is very important. A complete description can be found in Section II of this policy.
- (d) Unauthorized Purchases: Purchases made without following these policies and procedures can result in the employee who places the order being held personally liable for the cost of the goods or services ordered or provided. Depending on the circumstances, the City may not be liable for payment of the invoices covering such unauthorized purchases.

## **SECTION II. STANDARD OPERATING PROCEDURES:**

### **A. Steps to follow.**

- (1) The following steps are recommended to be followed in initiating and completing individual purchases:
  - (a) Determine quantity and quality (specifications) of goods or services to be purchased.
  - (b) Determine reasonable cost estimate for the procurement.
  - (c) Verify availability of funds in the appropriate Departmental budget to cover the estimated cost. If sufficient funds exist, contact the Finance Director.
  - (d) Verify the eligibility of potential vendors who are capable of supplying you with the desired goods or services.
  - (e) Complete the requirements of (a) the quotation process for small purchases, from \$100 up to \$20,000.00 or (b) the formal bid process if the cost is more than \$20,000.00.
  - (f) All purchases made must be purchased with a tax exempt status. No reimbursements will be made for taxes paid.

### **B. Purchasing Classifications.**

- (1) Classification One:  
INDIVIDUAL GOODS AND SERVICES COSTING NO MORE THAN \$100 IN CUMULATIVE VALUE. Purchases in this classification originate and are completed at the departmental level. Prerequisites include the following:
  - (a) The selected vendor should have an account in good standing in the City's automated computer system.
  - (b) The selected vendor should be free of any liability to the City for reporting and paying taxes and fees, and should not be in violation of the City Codes.
  - (c) The appropriate departmental budget should have sufficient unencumbered funds available.
  - (d) The purchases shall not represent a splitting of the department head's needs in an effort to keep the purchase from being labeled a

Classification Two, Three, or Four procurement.

- (e) The automated Purchase Order should be generated before the purchase and must be approved by the appropriate departmental official.

(2) Classification Two:

INDIVIDUAL GOODS AND SERVICES COSTING MORE THAN \$100 UP TO \$1,000 IN CUMULATIVE VALUE. Purchases in this classification can originate at the department level and be approved by the Finance Director or his/her designees. Prerequisites can include the following:

- (a) The selected vendor should have an account in good standing in the City's automated computer system.
- (b) The selected vendor should be free of any liability to the City for reporting and paying taxes and fees, and should not be in violation of other City Codes.
- (c) The appropriate departmental budget should have sufficient unencumbered funds available.
- (d) The purchase should not represent a splitting of the department head's needs in an effort to keep the purchase from being labeled a Classification Three or Four procurement.
- (e) The automated Purchase Order should be generated before the purchase and must be approved by the appropriate departmental representatives, Management Assistant, and the Finance Director.

(3) Classification Three:

INDIVIDUAL GOODS AND SERVICES COSTING MORE THAN \$1,000 UP TO \$20,000.00 IN CUMULATIVE VALUE. Purchases in this classification can originate at the department level, but must be approved by Department Management and the City Manager. Prerequisites include the following:

- (a) The proper quotation procedures should be followed.
- (b) The selected vendor should have an accounting good standing in the City's automated computer system.
- (c) The selected vendor should be free of any liability to the City for reporting and paying taxes and fees, and should not be in violation of other City Codes.

- (d) The appropriate departmental budget should have sufficient unencumbered funds available.
- (e) The purchase should not represent a splitting of the department needs in an effort to keep the purchase from being labeled Classification Four procurement.
- (f) The automated Purchase Order should be generated before the purchase and must be approved by the appropriate departmental representatives, Management Assistant, and the City Manager. Such PO's will also be reviewed by the Finance Department.

(4) Classification Four:  
INDIVIDUAL GOODS AND SERVICES COSTING MORE THAN \$20,000.00 IN CUMULATIVE VALUE. Purchases in this classification can originate at the department level, be approved by the Finance Director and the City Manager and also be authorized by the Mayor and Board of Commissioners. Prerequisites include the following:

- (a) The proper bidding procedures should be followed.
- (b) The selected vendor should have an account in good standing in the City's automated computer system.
- (c) The selected vendor should be free of any liability to the City for reporting and paying taxes and fees, and should not be in violation of other City Codes.
- (d) The appropriate departmental budget should have sufficient unencumbered funds available.
- (e) The Order/Resolution authorizing the purchase should be adopted by the Board of Commissioners.
- (f) The automated Purchase Order should be generated before the purchase and must be approved by the appropriate departmental representatives, Management Assistant and the City Manager.

**C. Alternate Purchasing Options.**

- (1) It is the policy of the City to stimulate competition among eligible vendors. All purchases will be made fairly by soliciting quotations and bids. Consideration is to be given to the appropriate quality and cost contract requirements of the City.

**D. The Quotation Process.**

- (1) The City and all Departments will strive to adhere to the following table for stimulating competitive pricing for small purchases up to \$20,000.00.

Reasonable Cost Estimate:

More Than	Up to	Recommended Contacts	Solicitation Method
\$0	\$1000	None Required	N/A
\$1,000	\$5,000	Three or More	Telephone Form
\$5,000	\$20,000	Three or More	Written Response

- (2) The Finance Director will prescribe an appropriate form for telephone solicitations. This form should be completed by the user department and submitted to the Purchasing Office.
- (3) If the recommended vendor contacts are not achieved, written justification should be submitted by the department to the Purchasing Office before the purchase can be authorized.
- (4) Written vendor responses are required when the cost is more than \$5,000.00. Department personnel should prepare sufficient specifications, when appropriate, to generate fair competition among multiple vendors.
- (5) Even though a formal solicitation of prices is not required for purchases of less than \$100 it is recognized that there are many instances of small purchases which are repetitive and exceed \$100 per year. Examples of these types of purchases include auto parts and medical supplies. In such cases the using Department shall, at least annually, secure price quotes from at least three vendors for the most common items purchased.

The using Department should get quotes on as many different items as it practical to fairly determine the lowest overall annual price. Total estimated purchase price should be computed by multiplying the total expected usage level of each item by the quoted prices and then summing the costs of each item listed. This procedure should be followed for each vendor submitting prices. These quotes should be well documented and retained by the Department with a copy being submitted to Management Assistant.

Once these prices are secured, a requisition for the estimated annual

amount of purchases should be issued. The Purchasing Office shall then issue a blanket Purchase order for the expected annual amount usage, not to exceed \$20,000.00.

**E. The Requisition Process.**

- (1) Once the steps in Section II-A are completed, department personnel may proceed with the City's purchasing requisition system. The City uses an automated requisition process that permits each City department to enter its purchasing requests, irrespective of dollar amount, into the City's computerized financial system.
- (2) Participation in the requisitioning process is not, in and of itself, an authorization to process to purchase goods or services. It merely provides a process to enter a chosen vendor's pricing and quotation information, description of the purchase, and general ledger account to be charged.
- (3) It is extremely important to complete the information requested about the purchase in great detail. Accuracy is critical because the information entered into the system at this point will follow the transaction to completion.

**F. The Purchase Order Process.**

- (1) All departmental requisitions entered into the City's computerized financial systems should be reviewed at the department level.
- (2) If the requisition is \$100 or less in cumulative value, designated department personnel will be authorized to release the requisition into a Purchase Order Form with an assigned number generated by the City's computer.
- (3) If the requisition total is more than \$100 but less than \$1,000 the Finance Director has authority to approve the requisition. The Purchasing Official will review such requisitions and supporting documentation before creating the Purchase Order Forms.
- (4) If the requisition total is more than \$100 but less than \$20,000 the Finance Director will review the requisition and transmit it to the City Manager. The City Manager will review each requisition and after approval transmit it to the Purchasing Office; the Purchasing Office will review such requisitions and supporting documentation before creating the Purchase Order Forms.
- (5) If the requisition total is more than \$20,000 the bids shall be taken pursuant to Section II-J of this policy. Upon completion of the bid process approval of

the requisition and issuance of the Purchase Order shall be the same as that outlined in Section II-F-4 above.

- (6) After any Purchase Order is issued the Purchasing Office will print a copy of the PO to the ordering department's printer.

**G. The Purchase Order and Receiving Process.**

- (1) Upon delivery and acceptance of one or more of the items set forth in the Purchase Order, department personnel shall be responsible for handling the Purchase Order Receiving process which will create a payment voucher to the vendor. This information will be electronically transferred to the Finance Department.
- (2) Departments should become familiar with the provisions of Section V (Merchandise Receiving Process) and Section VI (Payment Process) to prevent delays in processing checks to vendors for goods received.

**H. Purchase Order Exemptions.**

- (1) Certain purchases are not readily adaptable to the Purchase Order process. These purchases cover areas where the competitive bidding process is not applicable or where a check is required to be issued prior to the receipt of materials or services purchased. See Section 3 below for a list of the types of purchases exempt from purchase orders.
- (2) Departments who desire additional exemptions shall provide a memorandum of justification to the Finance Director for review. If the exemption is granted, all departments will be notified and the exemption will be added to the official exemption list.
- (3) Payments related to exemptions do not require the advance issuance of a Purchase Order. Such payments can be directly handled as Payment Vouchers within the Finance Department as an internal process for reduction of paperwork. In such instances an invoice or some other form approved by the appropriate officials, depending on the amount of the payment, should be forwarded to the Finance Department where the payment voucher will be processed. However, exemption payments may be processed at the department level using the requisition, purchase order, and purchase order receiving process, as an alternative means of inputting the information into the City's computer system. The following reflects an initial, but not all inclusive, listing of allowable exemptions under this Policy:

**I. Purchase Order Exemptions:**

- ✓ Travel advances
- ✓ Travel settlements
- ✓ Expense advances
- ✓ Educational costs
- ✓ Subscriptions to trade publications
- ✓ Insurance claims
- ✓ Reimbursement of expenses
- ✓ Medical payments
- ✓ Newspaper advertisements and notices
- ✓ Dues to approved organizations
- ✓ Courier services
- ✓ Payments to other governmental units
- ✓ Utility payments
- ✓ Refunds
- ✓ Housing assistance payments
- ✓ Housing relocation payments
- ✓ Housing rehabilitation payments
- ✓ Registration fees
- ✓ Clothing allowances purchases
- ✓ Purchases reimbursed through petty cash
- ✓ Grant and/or loan payments
- ✓ Debt service payments
- ✓ Insurance premiums or administrative fees
- ✓ Trustee fees
- ✓ Zone change application fees

**J. Formal Bids -Purchase over \$20,000.00.**

- (1) The term "Formal Bid" is used to identify solicitations which represent major purchases of the City. The difference between a Formal and Informal Bid is primarily in the requirement of public notice. Formal bids require advertising in a newspaper of general circulation in the Covington area. Because of the scope of the contracts covered in a Formal Bid process, the specifications, general terms, conditions, and required award documentation are considerably more detailed and complex.
- (2) Formal bids are processed and published by the City Clerk with direct assistance from the using departments in the preparation of technical specifications, plans, and drawings where required. The following steps are to be followed:
  - (a) The final bid invitation, including advertisement, general terms and conditions, special instructions, and other bid package inserts are to be prepared by the using department. The City Clerk shall then advertise for bids. The using department shall oversee the

distribution of the bid package with assistance from the Purchasing Department.

- (b) Formal bids will be received and opened publicly at the specified date, time, and place set forth in the bid documents by the City Clerk and then tabulated by the using department.
  - (c) The using department then prepares a written report to the City Manager containing its recommendations for award to the lowest and best responsible bidder meeting the City's specifications.
  - (d) After approval of the Mayor and Board of Commissioners the using Department should issue a requisition pursuant to Section II- F-4 of this policy.
- (3) All contracts over \$20,000 should be awarded by the Board of Commissioners based on the City Manager's recommendation and in accordance with the provisions of the Model Procurement Code.
  - (4) Enough time should be allocated to the formal bidding process to offset any potential delays that could be encountered in resolving differences in specifications, bid terms, bid conditions, bid instructions, bid opening date and any extensions.

**K. State Pricing Contracts.**

- (1) The Commonwealth of Kentucky establishes contracts which are extended to all Kentucky cities. The Purchasing Office maintains a master list of State Pricing Contracts and will periodically publish the list for departmental use. The City shall have the right to contract with a vendor for supplies or equipment where such supplies or equipment are the subject of a price agreement with the Commonwealth of Kentucky. Such procurement shall be regarded as noncompetitive transactions.

**L. Personal Service Contracts.**

- (1) Personal service contracts involve acquiring the services of a licensed professional or consultant, such as an attorney, physician, psychiatrist, psychologist, certified public accountant, engineer, architect, registered nurse, educational specialist, or instructor. Bids for such services may be taken; however, they are not required.
- (2) Authorization to Proceed with Work: A personal service contract is not valid, and the contractor may not start work until the contract form is executed by the City Manager.

**M. Sole Source Procurement.**

- (1) General: Certain purchasing transactions may be classified as sole source procurement exempt from competitive bidding when it is clearly determined by the using department and confirmed by the purchasing office that it is impractical to procure the commodity or service through competitive bidding process.

There are several justifications for sole source procurement including but not limited to the following:

- (a) Purchase is made from the original manufacturer or provider and there are no regional distributors.
- (b) Purchase is made from the only area distributor for the manufacturer or provider.
- (c) Parts/equipment are not interchangeable with similar parts of another manufacturer.
- (d) This is the only known item that will meet the specialized needs of this department or perform the intended function. (Attach memorandum with details).
- (e) Parts/equipment are required from this vendor to provide standardization. (Attach memorandum explaining reason for standardization).

**SECTION III. EMERGENCY PURCHASES:**

**A. General.**

- (1) Under normal operating conditions, a department may easily utilize the City's requisitioning system in order to secure an appropriate Purchase Order within a reasonable period of time for a procurement transaction. However, there may be occasions when circumstances dictate a process that allows for flexibility in dealing with emergencies.
- (2) Emergency purchases require the involvement of the Purchasing Office. An "emergency" is defined as follows:

An "emergency" exists when a breakdown in machinery, equipment, and/or a threatened termination of essential services, including maintenance and

repair of essential equipment; or a dangerous condition develops; or when supplies are needed for immediate use in work which may vitally affect the safety, health or welfare of the public.

**B. Making an Emergency Purchase DURING Normal Working Hours.**

- (1) When the "emergency" is identified during normal working hours, the process listed below should be followed:
  - (a) The using department shall immediately notify the Purchasing Office of the nature of the "emergency."
  - (b) The using department shall discuss the estimated cost of the goods/services required with the Purchasing Office. Considering the circumstances, every effort should be taken to obtain the item or service at the lowest possible cost.
  - (c) The using department shall identify the vendor who will likely receive the order.
  - (d) The Purchasing Office shall make every effort to secure verbal approval for the purchase from the City Manager and the Finance Director.
- (2) The Purchasing Office will proceed to process a regular automated City Purchase Order. It may be necessary, depending on the urgency of the purchase, to issue the Purchase Order prior to securing all of the required approvals on the requisition.
- (3) If the cost exceeds \$20,000, the Purchasing Office will notify the City Manager prior to processing the Purchase Order.
- (4) The Purchasing Office will contact both the using department and the vendor directly (via electronic communications) to relay the City Purchase Order number.
- (5) The Purchasing Office will advise the using department and the vendor to include the PO number on all correspondence and invoices relating to the "emergency."
- (6) A written explanation of the "emergency" shall be prepared by the using department and submitted to the Purchasing Office, the City Manager, and the Finance Director.
- (7) If the final cost of the "emergency" exceeds \$20,000, the City Manager will

approve and recommend the vendor payment for consideration to the Board of Commissioners.

**C. Making an Emergency Purchase OUTSIDE Normal Working Hours.**

- (1) When an "emergency" is identified outside of the normal office hours, the process listed below should be followed:
  - (a) The using department has the responsibility to procure the needed goods or services necessary to correct the "emergency" problem without obtaining prior approval from the Purchasing Office.
  - (b) The "emergency" procurement should be reported to the Purchasing Office no later than the next working day.
  - (c) If the cost exceeds \$20,000 the using department should make every effort to notify the City Manager to secure prior verbal approval.
- (2) The Purchasing Office will then proceed to process a regular automated City Purchase Order ("PO").
- (3) If the cost exceeds \$20,000, the Purchasing Office will notify the City Manager.
- (4) The Purchasing Office will contact both the using department and the vendor directly (via electronic communications) to relay the City PO number.
- (5) The Purchasing Office will advise the using department and the vendor to include the PO number on all correspondence and invoices relating to the "emergency."
- (6) A written explanation of the "emergency" shall be prepared by the department to the Purchasing Office, the City Manager and the Finance Director.
- (7) If the final cost of the "emergency" exceeds \$20,000, the City Manager will approve and recommend the vendor payment for consideration to the Board of Commissioners.

**SECTION IV. SPECIFICATIONS:**

**A. General.**

- (1) A specification is the description of materials or services to be purchase.

- (2) Because quality is as important as price, specifications should be written that will fulfill, but not exceed, the requirements for which the materials and/or services are intended.
- (3) In considering and developing specifications, it should always be borne in mind that purchases funded by public revenues cannot be expected to provide for deluxe or luxurious levels of quality. It is necessary to follow a general policy toward the purchasing of good, standard grades of merchandise which represent an optimum relationship between quality and price, at all times consistent with providing a satisfactory level of service.
- (4) Bids, and quotations requiring written responses, should be based upon adequate specifications. A lengthy specification designed solely for the purpose of eliminating competition is contrary to public purchasing laws and regulations and shall not be permitted. A brand name should be used in a specification only when no other of its kind can be proven to be satisfactory. Specifications should have enough detail to afford a basis for full and fair competitive pricing based on a common standard and should be free from restrictions which would tend to reduce or eliminate competition.

**B. Types of Specifications.**

- (1) **Brand Names:** A brand name may be used if it is representative of the quality desired and its use is intended to be illustrative. If a brand name is used, the words "or equivalent" must be added, unless it is approved in advance by the Purchasing Office that the brand identified is the only brand that will meet their needs. Whenever possible, list all acceptable brand names (preferably at least three). (See "OR EQUAL" paragraph below).
- (2) **Technical or Design Specifications:** This type of specification describes the construction of the item in detail. Although this may appear to be the best type of specification to use, the using department should have a complete understanding of the final product and its use. Use of technical or design specifications virtually eliminate the vendor from liability as to the performance of the item after the purchase is made because the responsibility for performance usually lies with the specifier. Because of this responsibility factor, technical or design specifications are among the most difficult to prepare.
- (3) **Performance Specifications:** This type describes the function and use of the product or exactly what the using department wants to accomplish as an end result. This is usually considered as one of the most versatile types of specifications because the supplier is able to apply the latest technologies and techniques to achieve the performance desired by the City. Once

again, caution should be exercised in preparing this type of specification.

- (4) "Or Equal": This is used frequently in specifications and does not mean that the product will be evaluated as to whether it is exactly equal to the product named in the specification. "Or Equal," or the more frequently used term, "or Equivalent," means that an alternative product bid will be evaluated to determine if it produces the same end result as the brand specified. It is important to add to the specification any physical characteristics of the product specified (such as general size, horsepower, weight, etc.) which should be met by the alternate bid in order to be accepted as "equivalent."
- (5) Addendums: Additions and/or changes to official specifications should be processed through the use of an addendum that discloses the added and/or changed information to be placed in the specifications. The addendum, with attachments if necessary, should be provided to each and every vendor of record that has received a copy of the City's specifications for the particular procurement at the time the addendum is issued. Each addendum should also be attached to the original specifications for subsequent distribution.

## **SECTION V. MERCHANDISE RECEIVING PROCESS:**

### **A. General.**

- (1) When a particular item is ordered through the purchasing process, departments should receive exactly what is ordered.

### **B. Processing.**

- (1) Check the Shipment: The Department Buyer ("DB") responsible for handling the Purchase Orders in every City department should always demand complete and accurate receiving information. DB's should not recommend payment for any merchandise that has not been checked thoroughly. DB's should be sure that the receiving personnel have opened all cartons of mixed items and determined against the packaging slip and the Purchase Order that the shipment is complete as specified.
- (2) Incorrect Orders: If materials delivered are not in conformity with the Purchase Order, the vendor should be notified immediately and the shipment should be returned to the vendor if necessary. If the vendor does not satisfy the requirements of the Purchase Order, the DB should consider canceling the Purchase Order.
- (3) Receiving Merchandise: When receiving any merchandise from a carrier where there is no obvious damage, sign for the shipment and mark all copies of the Freight Bill "RECEIVED SUBJECT TO INSPECTION FOR

CONCEALED DAMAGE AND COUNT." Procedures to be observed in reporting receipt of damaged merchandise or "possibly" damaged merchandise are as follows:

- (a) Notify obvious damage or damage to shipping containers on the carrier's freight bill before signing for materials.
- (b) Sign for and accept shipment of damaged merchandise and have driver sign, acknowledging damage.
- (c) Open damaged containers and inspects the merchandise for concealed damage as soon as possible, preferably while the delivering carrier is still present.
- (d) When the Purchase Order is marked F.O.B. Covington, it means the vendor is responsible for any damages, and should be notified immediately (within 24 hours). The vendor is responsible for replacement and will not be paid until this is accomplished or the item canceled.
- (e) All invoices must have a packing slip or proof of receipt of material or services. All packing slips must be forwarded to the appointed purchasing employee for his/her department.

## **SECTION VI. THE PAYMENT PROCESS:**

### **A. General.**

- (1) No purchase is complete without processing payment to the vendor. Processing payments is as important to the entire governmental purchasing function as the initial request. Without prompt and accurate payment to the vendors, the City stands a good chance of alienating responsible businesses from involving themselves in the City's procurement program.
- (2) Vendor Discounts: Some vendors offer additional discounts for prompt payment of invoices. These discounts can amount to thousands of dollars a year in direct savings for departmental budgets. Every department has the responsibility to process all Receiving Papers, Invoices, Purchase Order Receiving, and Payment Vouchers as quickly as possible after receipt of the materials.
- (3) Original Invoices: As important as rapid payment processing is, the City's responsibility is to be certain that we pay for only what we ordered

and received. Vendors should be instructed to send all original invoices to the Finance Department. THE PAYMENT PROCESS CANNOT BE INITIATED UNTIL THE VENDOR'S "ORIGINAL INVOICE" IS RECEIVED AND VALIDATED. If a department receives an original invoice it should be forwarded to the Finance Department as quickly as possible.

- (4) The Finance Department will send a copy of each vendor invoice to the department which ordered the goods or services. Upon receipt of the invoice copy the using department shall complete the Purchase Order Receiving Process.

**B. Purchase Order Receiving Process.**

- (1) When a Department Buyer ("DB") is ready to convert all or a portion of an encumbered Purchase Order into a Payment Voucher, the following steps should be taken:
  - (a) Initiate the automated "Purchase Order Receiving" program.
  - (b) Complete the "Purchase Order Receiving" computer screens as thoroughly as possible and respond accordingly to each question asked relative to the remaining status of the Purchase Order.
  - (c) When dealing with partial shipments, or an Open Purchase Order, the DB will be asked whether or not any remaining quantities in the Purchase Order should be liquidated or left outstanding on the Purchase Order. DB's should respond accordingly.
  - (d) The final step in the "Purchase Order Receiving Process" is for the DB to prepare a payment voucher instructing the Finance Department to issue a check to the vendor. When this step is completed the DB should electronically transmit a copy of the payment voucher to the Finance Department Printer.

**C. Payment Processing.**

- (1) Upon receipt of a payment voucher the Finance Department will match the voucher with the appropriate invoice. The invoice will then be filed until the payment is processed.
- (2) Normal Check Processing: Claims checks are usually issued weekly by the Finance Department to pay verified payment vouchers with a payment due date less than or equal to the Friday following the check processing date. As a normal rule, payment due date is set for 15 days following entry of the vendor's invoice into the City's automated procurement system. If all

documentation has been submitted to the Finance Department and the payment voucher has been verified, requests can be made by DB's to advance or delay the scheduled payment due date.

- (3) Prepaid Vouchers: If it becomes necessary to process a payment voucher for a Claims check in advance of the next normal check processing date, requests can be made for prepayment of a particular payment voucher, and if authorized by the Finance Director, a Claims check can be issued. Prior to deciding on a purchase from a vendor requiring prepayment the total cost of the transaction, including disruption of normal procedures, should be factored into the decision. Such payments should be extraordinary and requested only in rare instances.

## **SECTION VII. CREDIT CARD USAGE:**

### **A. General.**

- (1) The purpose of this section shall be to regulate and monitor the issuance, use and control of U.S. Bank 'One-Card' Employee Credit Cards (herein 'card'). The requirements listed throughout this section are intended to maintain financial accountability and incorporate the City's ongoing desire for transparency.
- (2) The City is authorized to issue credit cards to employees for use as a valid form of payment for official City business; pursuant with the policies and purchasing practices expressed throughout this 'Manual' and in the Kentucky Model Procurement Code, adopted by City of Covington Ordinance § O-49-88. Cards shall be used in accordance with the City's existing procurement policies, regulations and internal procedures.

### **B. Definitions.**

- (1) Credit Card. Represents a City issued U.S. Bank One-Card, credit card. Authorized employees are granted use of cards for the sole purpose of procuring items necessary to the administration of official City business. Cards shall be issued in individual names and safeguarded accordingly.
- (2) Service Provider. Represents U.S. Bank, the City's current credit card provider and account systems administrator.
- (3) Plan Administrator. The City's Operations Director shall serve as the designated Plan Administrator of this policy. All rights and responsibilities of the Plan Administrator shall be vested in the Operations Director. Should there be a conflict with such appointment, the City Manager reserves the

right to appoint a qualified designee as the Plan Administrator.

- (4) Cardholder Employee. Represents authorized City employees who have designated use and control over City issued U.S. Bank One-Card, credit cards.

### **C. Procedures.**

- (1) Cards are issued to City employees whose job duties and responsibilities include the purchasing of goods and/or services required to facilitate official City business. Participating employees have a responsibility to safeguard the card as City property and to maintain confidentiality of all pertinent card information (e.g., including but not limited to login information, passwords, physical storage location). Card requests can be made by Department Heads to the Plan Administrator; the Plan Administrator will make a qualified recommendation to the City Manager. The City Manager shall either approve or deny the request based on a collective review of departmental needs and controls.

- (2) Cards will be established and issued in individual employee names by our credit card service provider, U.S. Bank. Authorized use of cards should be limited to individual Cardholder Employees, sharing or borrowing of cards is strictly prohibited. Cards are restricted and monitored for use by monthly credit limits, single purchase limits and limitations on transactions per day. These restrictive measures are set by the Plan Administrator prior to card activation and are based on departmental considerations.

- (3) Every authorized Cardholder Employee shall execute an employee authorization agreement, located on page twenty-nine (29) of this 'Manual,' and return signed authorization to the Plan Administrator for safekeeping. Using a City issued credit card absent an executed authorization agreement may constitute unauthorized use and may subject the employee to disciplinary action as listed below (see Unauthorized Use).

- (4) Facilitating a Purchase with a City issued Credit Card.

(a) Step 1. Funds Availability Check.

Prior to charging expenditures on City issued credit cards, the Cardholder Employee shall be responsible for verifying with departmental administration that the line-item to be debited has enough available funds to facilitate the purchase and that the anticipated purchase will not place the line-item over budget. Once departmental administration has confirmed funds are available to facilitate the

purchase and the purchase will not cause the designated line-item to go over budget the Cardholder Employee may continue with the card purchase. If there are not enough available funds to cover the cost of purchase, and/or the anticipated purchase will cause the line-item to go over budget, the Cardholder Employee may not continue with the purchase. Departmental administration may request, through the use of a "Budget Re-Appropriation Form," to transfer money within the departmental budget from one-line item to another, to allow for necessary purchases. Until such request has been approved in accordance with City procedures, a Cardholder Employee may not continue with the purchase from an under-funded or non-funded budget line-item.

The Finance Department will receive and reconcile all documentation against charges appearing on monthly statements. To ensure prompt payment and efficient reconciliation all credit card purchases will require the following:

(b) Step 2. A Valid Purchase Order.

Departments will be required to input all credit card transactions into the City's accounting software prior to or immediately following the point of purchase. To reiterate, it is the department's administrative responsibility to promptly enter a purchase order for each credit card transaction. The Finance Department will be the recipient of monthly statements. The Finance Department will scan and forward monthly statements to applicable departments. In turn, it is each department's administrative responsibility to ensure all credit card transactions listed on the monthly statement: (1) have a coordinating purchase order in the accounting system; and (2) are supported by necessary documentation, which must be electronically attached to the purchase order. Each department shall be required to establish internal procedures in which Cardholder Employees are required to submit documentation of a valid credit card purchase with department administration up to three (3), but no later than five (5), days after a purchase has been made with a City credit card.

(c) Step 3. An original receipt from purchase.

Receipts must be obtained for each credit card transaction and must be submitted to departmental administration in a timely manner, for processing. If an original receipt is lost, stolen and/or destroyed accommodations may be made to account for a record of purchase, these accommodations include but are not limited to: a duplication of an

original receipt; a written-statement from the vendor describing the services/ goods purchased and the amount paid; a packing slip from delivery attesting to the terms of the purchase; a vendor invoice with sufficient detail describing the purchase.

(d) Step 4. Proof of delivery.

Proof of delivery is required when applicable. This includes, most commonly, a packing slip when available. If a packing slip is unavailable sufficient proof of delivery can be provided by: a written statement made on the original receipt including the name, date and location of recipient; and /or an electronically submitted statement attesting to the receipt of goods including the name, date and location of recipient (i.e. an email, facsimile).

- (5) Once departmental administration has received a copy of their monthly statement(s) they will have three (3) business days to release their purchase orders, with all required documentation, to invoices for payment. The Finance Department will verify all credit card expenditures against the monthly transaction summary. The Accounts Payable Manager will notify departmental administration and/or the Department Head of any discrepancies or inconsistencies during the reconciliation process.

**D. Authorized Use.**

- (1) Card Purchases. Card purchases must conform to the City's current purchasing practices as stated throughout this 'Manual of Purchasing Policies and Procedures.' This includes obtaining prior authorization for purchases, retaining original receipts and prompt submission to the necessary parties for payment. Cardholders are permitted to make authorized purchases for goods, services or other items in connection with the performance of their duties on behalf of the City and official City business. A purchase order is required prior to or immediately following the point of purchase; a purchase order must be entered into the City's accounting software, at least, within three (3) business days after procuring the item(s) for official City use (see Procedures).
- (2) Kentucky Sales & Use Tax Exempt. The City is exempt from paying state sales and use tax to the Commonwealth of Kentucky for the exclusive purpose of procuring tangible personal property and/or services for official City use, per the Commonwealth of Kentucky, Department of Revenue, Division of Compliance and Taxpayer Assistance, as defined by KRS § 139.470(7) and KRS § 65.005. Kentucky state sales tax should be avoided on all purchases made for official City business. The City's state sales and

use tax-exempt account number shall be made available upon request to the Accounts Payable Manager and referenced to Vendors, as needed. With the authority vested in the Commonwealth of Kentucky, any official or employee who uses their position to make tax-free purchases for their own personal use, or for the use by any other person and/or entity, will be subject to the penalties defined in KRS § 139.990. Additionally, City employees' and/ or officials who inappropriately use the City's tax-exempt status may be subject to disciplinary action up to and including termination of employment, and/or criminal prosecution.

#### **E. Unauthorized Use.**

(1) Unauthorized and/or inappropriate card use includes, but is not limited to:

- Items for personal use;
- Items for non-official City purposes;
- Items purchased without Supervisor approval;
- Cash back or cash advances;
- Salaries and wages;
- Money orders and/ or travelers checks;
- Alcoholic beverages;
- Legal services, real estate lease purchases, insurance premiums and bonds;

(2) A Cardholder who makes an unauthorized purchase with the card or uses the card in an inappropriate manner may be subject to disciplinary action up to and including termination of employment, and/or criminal prosecution. Additional remedial measures may include revocation of card privileges and restitution by the Cardholder to the City for unauthorized purchases

(3) If an item purchased with a credit card is not acceptable and requires a return and/or exchange a cash refund or check is prohibited. Returns and/or exchanges must be credited to the card directly. Additionally, returns and/or exchanges must be supported by proper documentation; this includes a coordinating receipt and return shipping slip when applicable.

#### **F. Reporting a Lost or Stolen Credit Card.**

(1) It is the responsibility of the Cardholder Employee to report the loss of a City issued credit card immediately to the City's Plan Administrator and our service provider U.S. Bank. Once notified, our service provider will be able to take necessary security measures to protect the City from incurring fraudulent transactions and possible theft. It is imperative that Cardholders report lost or stolen cards to all necessary parties immediately upon discovery.

- U.S. Bank representative are available 24/7, Cardholder Employees should contact 1-800-344-5696 when reporting a lost or stolen card. Cardholder Employees shall be responsible for obtaining confirmation from U.S. Bank when reporting a lost or stolen card. Cardholder Employees may be asked to provide a copy of this confirmation to the Plan Administrator.
- Cardholder Employees must notify the City's Plan Administrator via email and/ or phone, in a prompt and urgent manner. A card that has been reported lost or stolen that is subsequently found shall be given to the Plan Administrator until a decision has been made regarding its continued use.

#### **G. Cardholder Notice.**

- (1) By signing an Employee Credit Card Authorization, located on page twenty-nine (29) of this 'Manual,' the Cardholder Employee acknowledges they have (1) received a copy of this 'Manual' and (2) agree to abide by its terms and conditions. Signed employee credit card authorizations must be returned to the Plan Administrator, and must receive approval from the City Manager, prior to card activation. The City reserves the right to revoke card privileges at any time and for any reason, with or without cause. Assignments of card privileges are not an entitlement nor reflective of title or position, Cardholder Employees are designated based on departmental purchasing needs and requirements.



**9.0. U.S. BANK ONE CARD, EMPLOYEE CREDIT CARD AUTHORIZATION**

The U.S. Bank One Card represents the City of Covington’s (herein ‘City’) trust in you. You are empowered as a responsible agent to safeguard City assets. Your signature below is verification that you have read the City’s Procurement Procedure, based upon the Kentucky Model Procurement Code, and agree to comply with it as well as the following responsibilities. It also acknowledges that you have received a City issued ‘one card’ procurement card (herein ‘card’) No. \_\_\_\_\_.

1. I understand the card is for City-approved, departmental purchases only and all other purchases, including personal purchases and unauthorized purchases for other City departments, are prohibited.
2. Improper use of this card can be considered misappropriation of City funds and may result in disciplinary action up to and including termination of my employment, and/ or criminal prosecution.
3. If the card is lost or stolen, I understand it is my responsibility to immediately notify all necessary parties including the City’s Plan Administrator, and our service provider U.S. Bank, by telephone. I will confirm the telephone call to our service provider by mail, email or facsimile with a copy of the notification to the Plan Administrator.
4. I understand the City reserves the right to revoke or terminate my card privileges at any time, without cause. Additionally, I agree to surrender the card immediately upon termination, retirement and/or separation from employment.
5. I understand the card is assigned to me individually; I understand it is my responsibility to safeguard the card as well as my personal information relating to the card. I will not allow any other person to use the card and I understand that I am considered responsible for any and all charges made against the card on the City’s behalf.
6. All charges will be billed directly to, and paid directly by, the City. I understand I may be held personally liable for all charges against the card which are fraudulent, personal in nature or not within City-approved, departmental purchasing guidelines.
7. As the card is City property, I understand that I may be periodically required to comply with internal control procedures designed to protect City assets. This may include being asked to produce the card to validate its existence and account number. I may also be asked to produce receipts and other documentation to audit its use.
8. I understand that cards are issued in individual names and that my personal information is securely provided to U.S. Bank so as to create a valid user account. I understand this card is linked directly to the City of Covington, KY and does not affect my personal credit in any manner. Should a security and or data breach occur I agree to hold the City, its officer, agents and employees harmless for the actions and/or negligence of our third-party service provider, U.S. Bank.
9. Prior to making a charge against my card I understand that the expense must be accounted for in the City’s financial accounting system. I understand the expense must be (1) budgeted for accordingly; (2) appropriated to a specific department and line item; (3) and approved by departmental management.
10. I understand card privileges are a responsibility assigned to me individually. Assignment is based on my need to purchase materials for the City and/or to provide for business travel. My card may be revoked based on change of assignment or location. I understand that the card is not an entitlement nor reflective of title or position.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Dept. Head/ or Plan Admin. Signature

\_\_\_\_\_  
Employee Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Dept. Head/ or Plan Admin. Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
City Manager Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
City Manager Printed Name

\_\_\_\_\_  
Date

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## **SECTION VIII. DISPOSAL OF OBSOLETE OR SURPLUS MATERIAL:**

### **A. General.**

- (1) During the course of departmental operations, materials and equipment may become obsolete or surplus to the needs of the department.
- (2) The disposition of obsolete or surplus City property is handled through notification to the Purchasing Office. The notice should include a description of the property, the asset number, the reason for disposal and any other relevant information.

### **B. Disposition Process.**

- (1) The Purchasing Office then has the responsibility for determining the eventual disposition of the surplus material.
- (2) The first consideration of the Purchasing Office is to determine whether the surplus material can be transferred to another department, or municipal agency, that may need the item(s). The second consideration is what to do with the item if it is no longer needed by a City department of agency.
- (3) The Purchasing Office will then determine the best method of disposition (Auction, transfer, discard, etc.), and to proceed with the disposition.