

# City of Holyoke, Massachusetts

## Purchasing Policies & Procedures



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# Introduction

This document has been developed to serve as a guide and outline of the procurement process for the City of Holyoke's municipal departments and its employees. Policies and procedures defined within are in accordance with Commonwealth of Massachusetts Statutes and City of Holyoke Ordinances.

All City of Holyoke departments including the School Department and departments that operate through an enterprise fund are subject to state procurement laws, inclusive but not limited to M.G.L c. 30B, c. 149, c. 30 §39M, c. 149, and c. 7. In most cases purchases made with CPA funds are subject to the Commonwealth of Massachusetts procurement laws and regulations.

The objectives of the Purchasing Department are:

- To legally procure materials, supplies, equipment, services and lease agreements at the lowest possible cost consistent with the quality necessary for originating department, thereby attaining the maximum value for each public dollar spent.
- To legally dispose of surplus property and real estate.
- Foster competition among suppliers for the provision of goods and services.
- To encourage a mutually cooperative relationship with requesting departments recognizing that successful purchasing is a result of team planning and effort.
- To further develop the City's purchasing reputation that includes fairness and integrity and to promote impartial and equal treatment to all who wish to conduct business with the City.

The Purchasing Department is responsible for the following general matters regarding procurements:

- Provide oversight, direction and guidance to departments that need to procure items and services. Assist departments with procurement requirements and interpretations.
- Assist with the production of: Request for Proposals (RFP's), Invitations to Bid (IFB's) and Requests for Qualifications (RFQ's).
- Expedite if requested and warranted, the delivery of goods and services.
- Approval by the Chief Procurement Officer for all procurement or methods employed by departments for procuring items.
- Protect the City against unfair or unethical trade practices and unrealistic or exorbitant price increases.

- Educate departments on the benefits and utilization of State and consortium contracts.
- Serve as the primary liaison between vendors and the City.

## **Authority to Purchase**

Each fiscal year departments are approved to spend budgeted funds by a category of expenses (accounts). This gives the department the authority to purchase supplies, services, equipment, and construction related services.

The Chief Procurement Officer (CPO) is designated by City ordinance to procure supplies and services for the city. The CPO shall perform the duties and responsibilities pursuant to M.G.L c. 30B, c. 7 §§ 44-58, c. 149 and c. 30 § 39M.

Holyoke City Ordinance (2-343) allows the Chief Procurement Officer from time to time to change all rules and regulations.

## **Relationships with Departments**

The Purchasing Department is committed to providing all City departments, vendors and the public with courtesy and respect as described below:

- The Purchasing Department staff will conduct business with departments in a courteous, helpful and professional manner.
- The Purchasing Department staff will make all reasonable efforts to conduct daily business and to process department initiatives promptly.

## **Procurement Types**

Most procurements will fall into two categories: (1) Supplies, Services and Real Property or (2) Public Construction.

### Supplies, Services and Real Property:

Massachusetts General Law 30B applies to the procurement (purchase, lease, lease purchase) of all supplies, services and the acquisition & disposition of real estate and equipment.

### Public Construction:

There are three categories that fall under public construction procurement: Building Construction, Public Works Construction (materials with and without labor) & Design Services.

- **Building Construction:** Massachusetts General Law Chapter 149 governs the procurement and contracts for building construction which include the construction, reconstruction, installation, demolition, maintenance or repair of a public building. Contact the Purchasing Department for a list of exemptions.
- **Public Works (non-building) Construction:** Massachusetts General Law Chapter 30, § 39M governs the procurement and contracts for construction, reconstruction, alteration, remodeling, a repair that includes work on a public sidewalk, bridges, water mains as well as improvements to outdoor swimming pools, parking lots and public parks.
- **Public Works Construction Materials (no labor):** Massachusetts General Law Chapter 30, §39M also governs the procurement of construction materials (without labor charges). It is assumed that the requesting department would do installations.
- **Design Services-Buildings:** Massachusetts General Law Chapter 7, §§44-58 govern the procurement of design services for building construction projects if the design of the project is estimated to be over \$10,000 and the cost of any building construction, reconstruction, alteration, remodeling, or repair is estimated to be over \$100,000. Both rules must be met for this law to be triggered.
- **Designer Services (non- building):** For-non- building public works projects the selection of designers is not subject to the Design Service Law, however it is recommended that the originating department solicit price information and qualifications from at least three design firms.

Depending on the amount of the contract, most procurements for Public Construction will require advertising for quotes or sealed bids in addition to paying prevailing and OSHA training by the contractor.

## Procurement Methods

- Sound Business Practices. These fundamental practices require departments to ensure that purchases meet quality standards at a reasonable price and that the vendor is reputable. Departments are encouraged to solicit price sheets and quotes when making purchases in this manner.
- Written Quotes. Written quotes are used to purchase supplies or services between \$10,000 and \$50,000. Departments need to solicit and document attempts to receive at least three written quotes. Three quotes do not need to be submitted and departments must provide each vendor with a consistent written description of the supply or service needed.

- Invitation for Bid (IFB). Sealed bids are used generally for purchases over \$50,000 with the contract awarded to the vendor that meets quality requirements and offers the lowest price for either supplies or services.
- Request for Proposal (RFP). This process permits the City to weigh relative merits of a proposal other than price. Usually a contract is offered to the vendor submitting the most advantageous proposal weighing price and requirements outlined in the bid proposal. For supplies and services. Two (2) proposals are submitted: a technical proposal and a price proposal.
- Request for Qualifications (RFQ). The RFQ is typically used as a screening step to establish a pool of qualified vendors. Proponents who successfully respond to the RFQ and meet qualification criteria will be included in a subsequent RFP (Request for Proposal) solicitation.

**Exceptions to obtaining written quotes:**

Sole Source Purchases: A sole source procurement is one that is conducted without advertising or competition. A sole procurement process is ONLY for purchases under \$50,000. Departments must show that only one source is available for the required supply or service. The following procurements are the only sole source contracts that may exceed \$50,000: Educational materials, library books, and computer software maintenance.

State Contracts OSD, MHEC, MAPC, Other States Contracts, Cooperative Contracts and or GSA Contracts: These are contracts that have already been competitively bid. Departments are encouraged to utilize these contracts when practicable. Keep in mind that although a vendor may be listed on a contract from the above list not all items the vendor sells may be on that contract.

Most Cooperative Contracts have a user guide that is intended to make it easier for users to understand the terms and conditions of a specific contract.

In some instances, departments may still be required to solicit at least three (3) written quotes. User Guides for each cooperative contract specify instructions on making purchases.

If you are procuring a supply or service from one of the above contracts a contract number and or user guide must be included on your requisition and with requisition paperwork. Contact Purchasing with questions and assistance.

# Procurement Thresholds

## Supplies and Services under \$10,000 (Chapter 30B)

- Purchase orders are required for the procurement of all supplies, equipment and services.
- Departments should employ sound business practices. Sound business practices include applying the purchaser's best judgment to item needed, availability, value and price. All Departments should make it a practice to obtain quotes whenever possible from a variety of vendors.

## Bid Splitting

- The Massachusetts Office of Inspector General cautions against repetitive purchasing within the same calendar year. If Departments know they will be purchasing goods or services for more than \$10,000 from the same vendor it is highly recommended that bids for annual price contracts be issued for the year. For example, if you know you will need over \$10,000 worth of items in one fiscal year, you cannot do multiple mini procurements to avoid bidding. Please keep in mind that the \$10,000 rule includes shipping and handling charges. If shipping costs will bring your order over \$9,999, you will need to obtain three (3) written quotes. Quotes need to be submitted with a copy of your requisition to the Purchasing Department.

## Supplies and Services between \$10,000-\$50,000 (Chapter 30B)

- Departments are required to solicit at least three (3) written quotes when making purchases of items estimated to cost between \$10,000 but not more than \$50,000. This threshold includes shipping. Three quotes do not need to be received, only solicited. Departments have the option of obtaining the quotes or asking for an official Invitation for Bid. In some cases, the best price will be a result of an official sealed bid. Please note that pricing on flyers, catalogue, email and websites are considered viable sources for quotes.

## Supplies and Services over \$50,000 (30B)

- Departments are required to have the Purchasing Department do an official Invitation for Bid (IFB) or Request for Proposals (RFP) if the amount of the purchase is expected to exceed \$50,000. In some cases, making a purchase over this amount can be made by using a State Contract. It is the requesting department's responsibility to write the detailed specifications. The Purchasing Department will assist departments with developing the bid. The clearer the specifications the more responses you will receive allowing for lower costs to the City. Complete and concise specifications help prevent many bid protests. Although you may have vendors help you draft specifications, it is not a good idea to use those solely. Try not to use brand names as it limits competition. However, if a brand name is the best

possible description you must use the “or equal” clause to allow for competition. In all cases you can request samples of all products and the burden lies on the vendor to prove the “or equal” clause.

#### **Building Construction under \$10,000 (Chapter 149)**

- Procurement for projects estimated to cost less than \$10,000 must be conducted using “sound business practices”. Soliciting quotes to check pricing and qualifications of a contractor is highly encouraged.
- Prevailing wages are required.

#### **Building Construction between \$10,000-\$50,000 (Chapter 149)**

- Procurements for construction projects estimated to cost between \$10,000 and \$50,000 requires the solicitation of three (3) quotes from potential contractors. Requests must be in a written form and should clearly outline the scope of work to be performed. Alternatively, an IFB can also be used.
- Prevailing wages, labor & OSHA Certificates required
- Payment bond may be required
- A 5% bid deposit is required.

#### **Building Construction between \$50,000 and \$150,000 (Chapter 149)**

- Procurements made under this section required a sealed bid process.
- Prevailing wages, labor & OSHA Certificates required
- A 50% payment bond is required.

#### **Building Construction over \$150,000 (Chapter 149)**

- In addition to the requirements above, DCAMM Certification is required for the general contractor and any filed sub-contractors if the amount of the sub-bid is over \$25,000.
- A 5% bid deposit is required
- A 100% payment and performance bond are required.

#### **Building Construction over 10 million dollars (Chapter 149)**

- In addition to the requirements above, prequalification’s for the general contractor and sub bidders must be solicited. Once contractors have been pre-qualified the bidding process is then restricted to those who have only been approved. Projects in this category will likely have a designer or OPM (Owner’s Project Manager) who will assist the city as a construction consultant.

#### **Public Works Construction under \$10,000 (Chapter 30, §39M)**

- These procurements must be used using “sound business practices”. Market research, obtaining quotes, and checking price lists ensures competitive pricing.



- These contracts are subject to prevailing wages.

#### **Public Works Construction between \$10,000 and \$50,000 (Chapter 30, §39M)**

- These purchases require solicitation of three written quotes. It may be beneficial to create a sealed bid for certain purchases. Three quotes do not have to be received. Quotes need to be documented and in written form.
- Prevailing wages and OSHA training are required.
- Advertising in the Central Register, on the city website, Commbuy's and City Hall is required.

#### **Public Works Construction over \$50,000 (Chapter 30, §39M)**

- These procurements require a sealed bid process.
- In addition to the above advertising requirements, a notice must be posted in a local newspaper.
- Prevailing Wages and OSHA Certificates are required.
- Depending on the amount of the contract a bid deposit and payment bond are required.

#### **Public Works Construction Materials any amount (Chapter 30, §39M)**

- Depending on the contract amount sealed bids, a bid deposit and payment bond may be required. Please include Purchasing with these types of procurement.

#### **Design Services (Chapter 7C, §§44-58)**

- There is no formal procedure for a design if construction will be less than \$100,000 or the design fee will not cost more than \$10,000.
- If the costs are expected to be larger than the thresholds above, then a qualification based process is necessary.
- The City will work to create a "designer selection" process for these types of procurements

#### **Real Property**

- Real property shall be disposed of with the practices prescribed under Chapter 30B and Holyoke City Ordinances.

- In most cases the property needs to be declared as “surplus by the City Council”. In addition, abutters of the property need to be notified and advertizing thresholds maintained.

### **Disposal of Surplus Materials**

City property (i.e. vehicles, machinery, equipment, supplies and materials) should be declared surplus when the property is of no further use to the department for any of the following reasons:

- It is no longer capable of serving its intended purpose due to wear, outdated technology, lack of replacement parts, or safety concerns.
- It is not needed due to replacement, a change in department mission or a scaling back of operations.

Materials considered to be surplus or obsolete must be reported to the Purchasing Department. The Purchasing Department will determine whether the surplus material can be transferred to another department that may need the item. Notification is made to all Departments of surplus material available, with the wanted goods transferred to the first responding Department. If no response is received, bids will be issued to surplus the items with the award based upon the highest responsive and responsible bid obtained. Purchasing may, donate surplus property to local charities, regional charities, and or non-profits for use in serving the population of Holyoke if they are a 501c-designated organization.

### **Emergency Procurements**

In a situation where there is a threat to the health or safety of persons or property, procurements without competition may be warranted. An emergency procurement allows for the purchase of supplies or services necessary to meet the immediate needs or the temporary resolution of a problem. Given the complexities of emergency procurements it's important to communicate with the Purchasing Department as soon as possible concerning an emergency procurement.

## **Solicitation and Contracts**

For competitive purchases (IFB's, RFQ's, & RFP's) the CPO and the initiating department will work together to prepare the formal solicitation. Prior to any solicitation each department must meet with CPO to discuss a procurement project schedule that will address the timeline and advertizing requirements of the solicitation. **Bid documents must be ready to distribute before a bid number is issued.**

Depending on the advertizing threshold bids generally need to be available to the public for a minimum of 2 (two) weeks. Consideration should be given to the timeline if there are pre-bid meetings, questions due to the city and time for the city to respond. For most

competitive solicitations you should allow for a minimum of 3 (three) weeks from the time the bid is issued to the end date.

Once a vendor has been selected and the notice of award is issued, departments should plan on two to three weeks for contract completion. This will allow the vendor to obtain insurance certifications, bonds and other required documents. A requisition should be in place prior to contract generation.

- The School Department shall generate all contracts relating to school purchases.
- For all other departments, regardless of amount, Purchasing will generate the agreement and send to the vendor for signature.

Once the vendor signs the contract, Purchasing will route the agreement for required signatures. The Mayor is the chief signing authority for the City. Once this is completed the Purchasing Department will send a copy of the contract and a Purchase Order to the vendor.

The contract package will not be considered complete until all the required documents are submitted (certificates of insurance, bonds) and **NO WORK IS TO COMMENCE UNTIL A FULLY EXECUTED CONTRACT IS IN PLACE.**

Should a contract amendment be necessary the originating department is responsible for notifying the CPO and City Solicitor. The Solicitor shall create the amendment. The completed amendment will then be distributed by Purchasing for City signatures.

**No representative of the City or School Department shall sign a vendor's contract without approval and review by the Law Department.**

## **Department Responsibilities**

All Departments must process all Invitations for Bids (IFB's), Request for Proposals (RFP's), Request for Quotes (RFQ's), and Designer Selection Processes through the Purchasing Department. The originating department must also: identify prospective bidders, write bid specs, manage site visits, develop price/score sheets, coordinate and manage review committee meetings and distribute documents.

Federal grant responsibilities that include contract actions and reporting, rests with each receiving department. Departments must maintain its own compliance file that conform to the standards of the grant and federal granting agency. This includes but not limited to: Davis Bacon Wages, Federal Debarment Certificates, Affirmative Action Compliance, Buy America Certificate and Compliance with Veteran's Employment.

Department heads are also responsible for monitoring the progress and performance of their contract which may include reviewing certified payroll, monitoring the expiration date/s of contracts, contractor review for DCAMM and notice to vendors who are not performing services according to the contract terms and contractor's statement of compliance.

Once a proposal or bid is received the Purchasing Department will be responsible for reviewing the submittals as well to determine if the bidder is responsible. After the receiving department receives a copy of the bid submittal, reference checks should be done as well as research to discover the bidder's ability to meet the requirements set forth in the solicitation.

## **Purchasing Team Responsibilities**

The CPO will complete the solicitation after a review with the originating department and assist with targeted distribution once the bid is available to the public.

If prevailing wages are needed the CPO will request a wage sheet from the Massachusetts Department of Labor Standards (DLS) as part of the bid solicitation.

The Purchasing Department is responsible for ensuring that public notices for bid solicitations are properly made in accordance with Massachusetts General Laws.

The CPO will partner with OPM's (Owner's Project Managers) and designers to ensure bid compliance. Unless an online bid hosting service is used, the Purchasing Department will be responsible for the distribution of bids, related documents & addenda.

The Office will maintain a record of all vendors/contractors who have requested bid documents and will be responsible for bid deposits which shall be turned over to the Treasury within thirty (30) days following an award.

For an IFB (Invitation to bid), the CPO will receive all bids at the time of opening, read aloud and prepare a tabulation sheet with the results. The CPO will review submittals and determine bidder responsiveness to the basic requirements of the IFB. Following the CPO review the originating department will receive a copy of the IFB for evaluation.

For a RFP (Request for Proposal), the CPO will receive all proposals and at the time of opening will prepare a register of proposals. Price proposals shall remain unopened for a limited period, until a review committee has selected the most advantageous proposer. This step is subject to changes based on the terms set forth in the RFP.

## **Fraud and Waste Prevention**

We have a duty of best effort, honesty and transparency. We must always put the interest of the City of Holyoke before our own; it is our duty to prevent and detect fraud. If you feel that procurement fraud is going on please notify the Purchasing Department as soon as possible.

### **Our principals are:**

1. To be fair and transparent
2. To achieve the best price or value for needed goods and services

3. To purchase only what we need, not what vendors think we need

**Everyone should watch out for possible red flags as to procurement fraud.**

1. Close personal relationships with vendors
2. "Sole Source" procurements or procurement where only one bidder shows up
3. Higher bids or quotes than normal from all vendors
4. Same bidders or vendors quoting repeatedly with no new people in the mix
5. Bid rotations: same bidders with different ones winning every year

**Counter Measures to these possible problems.**

1. Look for new bidders
2. Compare bids from other cities and towns in our area
3. Use group, blanket or cooperative agreements
4. Reach out and look up market data
5. Question non-bidders "why did you not bid, what was the reason"
6. Take all tips and complaints seriously, do your due diligence to consider them

**Other areas of procurement fraud that everyone should be aware of:**

1. Double billing
2. Overbilling
3. False claims
4. Phantom vendors
6. Bid splitting
7. Personal purchases
8. Unnecessary change orders
9. Product substitution
10. Billing of more product than was used or delivered to job site

## **Making Purchases**

A purchase shall not be made without a purchase order in place.

Departments are responsible for creating requisitions for purchases and, if needed, work with the Auditor and Treasurer if funding is in the form of a bond or grant.

Purchase orders will not be issued without a requisition. You must use a requisition for procuring all goods and services and for encumbering funds.

Before submitting a requisition, you should check in Munis to see if a person or company already has a vendor number. For an individual you can search by last name e.g. \*HOLYOKE\*. If looking for a company you can search by name or key word, i.e., Holyoke Hardwood would be \*HARDWOOD\*. It is possible that some vendors have more than one number and location (Verizon) and you want to check for the correct remit address.

If a vendor is new then the originating departments need to submit new vendor forms and W-9's to Purchasing. A requisition cannot be entered without a vendor number. Contact Purchasing for assistance.

### **Requisitions:**

Requisitions begin the purchase process. They are how departments "place an order" with the Purchasing Department. Information on a requisition will create the purchase order.

Departments are accountable for the appropriation of funds and available of funding at the time the requisition is created.

After a requisition is approved it is converted to a Purchase Order. Most requisitions are converted to Purchase Order's within 3 days of receipt in the Purchasing Department.

### **Purchase Orders:**

A purchase order (PO) is a legal contract between the City and another party to provide goods or services.

Purchase orders are important internal documents as well. PO's ensure that items are being purchased in compliance with the law and are legitimate for City use. They also let providers know that funds are available for the purchase.

Departments may not issue PO's on their own authority nor represent to providers that they are authorized to commit the City to an acquisition.

Once you decide to make a purchase or if a contract is awarded a requisition should be entered by the originating department to encumber the funds necessary to pay for the contract. The requisition will be converted to a PO.

Please submit a Purchase Order change request when modifying or cancelling a PO. You'll need to provide the PO number, amount to be changed, what the new PO amount should be and reason for the change. Contact Purchasing for assistance.

### **Invoices v. Statements:**

#### **IMPORTANT**

The Auditor will not process a payment using a billing statement. An invoice **MUST** either be attached to your Purchase Order or sent to Purchasing. Purchasing will attempt to reach the vendor and ask for an invoice to be submitted, however the responsibility is ultimately on the receiving department to provide Purchasing with the proper paperwork to be submitted to the Auditor.

## **Types of Purchase Orders:**

### Standard

Standard Purchase Orders are the normal product of the requisitioning process. They are issued to acquire specific items from authorized sources. Standard POs are typically used for non-recurring acquisitions.

### Blanket

A Blanket Purchase Order is one that is issued for recurring purchases from the same Provider that applies to the same general or specific department need and spans an extended period. Blanket POs are often used to encumber budget funds for a given purpose to ensure that the purpose is adequately funded for the necessary timeframe. They typically set a “not to exceed” amount that serves as a benchmark or warning flag for both parties.

Example: A department might create a blanket PO for heating fuel, electricity or telephone services for an entire year, instructing the provider to bill against a specific PO number.

### Confirming

A confirming purchase order is one that “confirms” an acquisition that has already occurred. Confirming POs are the result of unanticipated and emergency acquisitions. All Departments are required to generate a requisition as soon after the fact as possible **and must provide details on the requisition why a confirming order was used.**

Purchasing reserves, the right to reject confirming orders. Please note that the City is not liable to pay a vendor if the purchase was not done legally. Departments should plan accordingly and use blanket purchase orders to minimize the use of confirming purchase orders.

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## **Comments:**

This manual was developed as a guide and tool for City departments. This document is a work in progress and all departments will receive updates as they become available. Contact Purchasing if you have questions.

**Date of Release:** May 2019

**Revision Dates:**