

 City of Santa Ana Administrative Policies and Procedures	Finance & Management Services Purchasing Division	
	Purchasing Policies and Procedures	
Users Guide	Date: 11-1-07	Version: 1

This manual establishes uniform policies and procedures for purchasing functions of the City of Santa Ana. It is neither intended as, nor does it establish, a legal standard for these functions except and unless specific charter or code sections are referenced.

SECTION 1.00 - PURCHASING POLICIES

Section 1.1 - Purchasing Authority & Responsibility

The City Council of the City of Santa Ana established a centralized purchasing system by adoption of Sec. 2-800 of the Santa Ana Municipal Code.

The City Manager and his/her designees may bind the City on contracts in amounts not to exceed twenty-five thousand dollars (\$25,000). The City Charter and Municipal Code further sets forth formal, informal and open market procedures to be followed in carrying out the purchasing function.

Buyers may authorize any department to proceed with a purchase or to contract for specified supplies, materials, equipment and services, but shall require that such purchases or contracts be made in conformity with the established procedures. Such purchases and contracts are subject to review by the Buyer.

Section 1.2 - Emergency Orders

Emergency orders *may* be authorized by the Finance Administrative Services Manager for procurements of urgent necessity for the preservation of life, health, or property. The requesting department shall assess the severity of the requirement and identify its critical needs, including the consequences of delaying the procurement. If in agreement with the requesting department's recommendation, Finance Administrative Services Manager shall notify the requesting department to proceed with the procurement. It shall be incumbent upon the requesting department to inform any contractors providing services to, for, or on behalf of the City that, per Sec. 2-750 of the Santa Ana Municipal Code, they are required to provide to the City, prior to payment of invoices, evidence of insurance in the amounts required.

Furthermore, the requesting department shall justify all emergency procurements in writing or by other means as requested by the Buyer.

Section 1.2 - Emergency Orders (continued)

Any procurement which under normal circumstances would require Council action shall be presented to Council for approval before invoices are paid.

Section 1.3 - Sole Source Purchases

Procurements may be exempt from the bidding process if the product or service is available only from a *sole source*. A sole source shall be defined as a single supplier who is the sole distributor or manufacturer of a product or service for which no acceptable substitute is available. This exclusiveness should be documented by the requesting department and is subject to verification. Council authorization shall be required for sole source procurements in excess of or in the aggregate of \$25,000.

Section 1.4 - Unauthorized Commitments

Procurements made outside the Purchasing Division without authorization and/or without observing established purchasing requirements shall be withheld from further processing and forwarded to the Finance & Management Services Administrative Services Manager for review, and may be subject to City Manager approval. The Finance & Management Services Administrative Services Manager shall make a final determination as to whether the procurement shall be authorized. The Purchasing Division shall not take steps to pay any invoice against the unauthorized purchase until this process has been completed. The requesting department shall prepare, in coordination with Purchasing, a Request for Council Action, should one be required.

Section 1.5 - Specifications

The term, "specification," refers to that portion of a solicitation that describes the characteristics of a commodity or service required by a using agency. It is used interchangeably with the terms, "purchase description," "purchase specification," "purchase requirement," "item description," "scope of work," and "statement of work." It shall be the responsibility of the requesting department to provide commodity and service specifications containing sufficient information to permit the Buyer to obtain meaningful proposals and adequate competition from suppliers. The Buyer has the authority and responsibility to challenge specifications which limit competition or do not adequately represent the requirements to suppliers. The Buyer shall, when necessary, assist in developing specifications that will result in a fair and equitable competitive procurement.

The specification should address as many of the following issues as is appropriate for the purchase:

- General description - This may include dimensions, tolerances, model numbers, manufacturer name, colors, sizes, performance characteristics such as speed and storage capacity, or the specific function to be performed
- Quantity and unit of measure
- Drawings, maps, pictures, sketches
- Required delivery date or any time limitations
- Installation or site preparation requirements
- Compatibility requirements with existing equipment or programs

Section 1.5 – Specifications (continued)

- Conversion requirements for maintaining a current equipment or system until the installation of new equipment
- Maintenance requirements
- Warranty, service location and/or response time requirements
- Minimum or desired qualifications
- List(s) of references
- The requisitioning department's contact person and phone number
- Estimated cost
- Suggested vendor(s), address(es), telephone number(s), contact(s)

Section 1.6 - Aggregate Limit

Council approval is required for the purchases of products or services from any vendor whose total fiscal year expenditures have exceeded \$25,000. The purchase order or agreement *issue* or *approval date*, respectively, determines the fiscal year in which the amount is aggregated. Each fiscal year begins July 1 and ends June 30.

“Splitting” or separating purchases across fiscal years for the purpose of evading the aggregate limit is prohibited.

Section 1.7 – Impacted Items

Certain purchases of property or services designated primarily for personal use by City employees are generally not allowable without prior approval from the City Manager's office. If an item is questionable, the Buyer shall send the requisition to the City Manager's office for approval.

SECTION 2.00 - PURCHASING PROCEDURES

Section 2.1 - The Purchasing Cycle

The purpose of the purchasing cycle is to provide a general understanding of the procedures for securing the materials and services required by the city, summarized as follows:

1. The requesting department prepares a requisition and specification
2. The requisition is printed and date stamped in the Purchasing Division and is forwarded to the Buyer
3. The Buyer reviews the requisition for completeness and determines procurement method
4. The Buyer solicits quotations using methods appropriate to the type of purchase
5. The Buyer evaluates responses and issues a purchase order or recommends award to City Council
6. After approval, the vendor is notified of award
7. The using department submits appropriate written notification to Accounts Payable upon completion
8. Accounts Payable matches final invoice with purchase documents and processes for payment
9. Payment is issued and purchase order is closed

Section 2.2 - Purchase Requisitions

The purpose of the requisition is to communicate the need of a user to the Purchasing Division and to signify that the appropriate authority within the requesting department has approved the purchase. With the exception of some citywide blanket orders and requests from Central Stores, no action towards processing a procurement should be made on the part of the Buyer without an approved requisition.

It is the responsibility of the requesting department to provide a complete description/specification for their requirement(s). If the information is incomplete or insufficient, the Buyer should request clarification or return the requisition to the requesting department for correction and resubmission.

Procedures

1. Requisitions shall be printed twice daily, date stamped, and assigned to the appropriate Purchasing Division personnel.
2. Requisitions utilizing capital expenditure funds and/or computer and computer related requests shall be forwarded to Budget for review.
3. Approved and assigned requisitions shall be distributed to the appropriate Buyer for determining the proper method of acquisition and performing the necessary procurement action.
4. After selection of supplier, the Buyer shall assign a purchase order number. The requisition, along with all pertinent documentation, shall be attached to the Accounting copy of the purchase order when the purchase order copies are distributed.

Section 2.3 - Competitive Bid Requirements

The City Charter and Municipal Code set forth formal, informal, and open market procedures to be followed in carrying out the purchasing function.

Informal bids valued from **\$1 to \$5,000** do not require competitive quotation. Upon verification of price, delivery terms, delivery dates, shipping information, and source of quotation, the Buyer may issue a purchase order.

Informal bids valued from **\$5,001 to \$25,000** require competitive quotation. Buyers may solicit quotations or verify quotations submitted by the requesting department. Suppliers shall be selected based upon their ability to provide maximum quality goods and services at a minimum cost. Purchase orders \$6,000 and higher shall be co-signed by the Administrative Services Manager.

Section 2.3 - Competitive Bid Requirements (Continued)

Formal bids valued above **\$25,000** require competitive, sealed bidding and shall be processed per section 2-806 of the Santa Ana Municipal Code and the following:

The Buyer shall, in conjunction with the requesting department, develop an Invitation for Bid (IFB) which includes a complete product or service specification and compile a list of bidders. The using department should review and approve specifications before distribution and should provide a suggested list of qualified bidders to be included. The Buyer shall then establish a bid due date, an estimated mailing date, an estimated council award date, obtain a bid number, and provide this information to the Senior Office Assistant for public notice and distribution. Public notice means the distribution or dissemination of information to interested parties. Methods include publication in newspapers of general circulation, electronic or paper mailing lists, and the City's website.

A pre-bid conference or job walk should be scheduled to further explain product or service requirements if the specification is of a complicated nature or if site conditions impact price or performance. This should be coordinated with and attended by a representative of the requesting department and the Buyer. To ensure that all interested vendors are given consistent and uniform information regarding the product or job requirements, mandatory attendance is encouraged.

Addendums, when required, shall be composed by the Buyer and provided to the Senior Office Assistant for distribution.

Bids shall be opened in public at the time and place stated in the public notice. Any bid received after the time specified in the notice shall either be returned unopened or received, time stamped, and filed unopened.

After opening, bid responses become public record and, within 10 days of a request, should be made available for inspection by any interested party. Bid abstracts, if available, shall be posted to the city's website as soon as practical.

The lowest responsive, responsible bid as determined by the Buyer and requesting department shall be recommended for award.

Local vendors (located within the City of Santa Ana) shall be considered with a 1% vendor preference when evaluating their total bid.

The Buyer, in conjunction with the requesting department shall prepare a Request for Council Action (RFCA) for approval by the Administrative Services Manager. If three or more bids are received, the Buyer shall prepare an abstract of bids to accompany the RFCA. Once approved, the RFCA, along with the entire bid package, shall be provided to the Senior Office Assistant for final preparation and inclusion on the next available City Council meeting agenda.

After award, the Buyer shall issue a purchase order which shall include the bid number, date of award, and agenda item number. Council approved purchase orders require City Attorney and Administrative Services Manager signatures.

Section 2.3 - Competitive Bid Requirements (continued)

Request for Proposals

Request for proposals (RFP) are an alternate method for procurement of goods and services used when other qualifying criteria is determined to be of greater value than price and the lowest, responsive bidder cannot be determined by normal objective measures. RFPs are processed and awarded in much the same manner as formal bids with the following exceptions;

Developing the evaluation criteria is the primary responsibility of the using department and, with assistance from the Buyer, must be developed prior to the release of the RFP.

Proposals do not become public record until *after award*, rather than upon opening as with an IFB. Furthermore, vendors may designate certain portions of their proposal as “trade secrets” as defined by California Government Code Sec. 6250, exempting them from public release.

The using department shall prepare the Request For Council Action.

Section 2.4 - Methods of Procurement

Each of the following procurement methods are used by the City. The type used is determined by such things as dollar value, complexity, urgency, and frequency of the procurement.

Purchase Order: The Purchase Order is the most common and preferred method of procurement. It establishes the parties involved, the products purchased, price, terms and conditions of the purchase in order to establish a legally enforceable agreement. These can be generated from a properly authorized requisition or can be hand typed.

Each purchase order form contains four copies to be distributed as follows:

- *Vendor's Copy*-Mailed to the vendor. Authorizes the seller to deliver materials or services to the requesting department and invoice Accounts Payable.
- *Accounting Copy*-Mailed (via interoffice mail) to the accounting department to verify proper account usage and adequate funding. Once verified, it is returned to Accounts Payable as a control copy to be matched with invoices for payment authorization. Generally, quotations and correspondence should be attached to this copy for all informal purchases (less than \$25,000)
- *Follow Up Copy*-Can be used in several ways:
 1. Mailed with Vendor's Copy as an acknowledgment.
 2. Date stamped and attached to the Accounting copy to verify mailing date.
 3. Kept by the Buyer as a reference copy.

Section 2.4- Methods of Procurement (continued)

- *Receiving Copy* - (triplicate)-Forwarded to the requesting department. To be returned to Accounts Payable to verify receipt of goods or services. Additional copies are for use by requesting department.

Blanket Order: To facilitate purchases which are required on a recurring basis and to reduce the number of small value purchase orders, blanket orders (also called “term orders” or “term contracts”) have been created. Generally, they can be established in two ways:

Without competitive bidding-Blanket orders that have not been competitively bid are limited to a maximum of \$5,000 per purchase and \$25,000 per fiscal year (unless a higher limit has been council approved).

With competitive bidding-Bids are solicited for fixed pricing within a specific time period. Purchases against blanket orders with established prices or rates are allowed up to the full value of the contract unless otherwise specified.

Purchases can be issued against a blanket order using a purchase order or material release.

Confirming Order (Verbal): A confirming order is a commitment made by Purchasing or a requesting department for the procurement of materials, supplies, equipment or services, evidenced by the assignment of a confirming purchase order number. Confirming numbers are authorized at the discretion of the Buyer and should be reserved for critical, rather than convenient, circumstances.

The requesting department must obtain a confirming number prior to the order of materials or service and should, whenever possible, provide the Buyer with a corresponding requisition number at the time of request. This provides a reference for matching the requisition, purchase order, and invoice properly. Buyers shall maintain a log of purchase numbers released, to whom they were released, and additional information as required to maintain accurate records. Requisitions and the resulting purchase orders shall then be processed per normal procedures with a few exceptions:

It is important that the using department clearly state *Confirming Only* on their requisition to avoid duplication by the Buyer;

Generally, the using department will place the order and the “Vendor Copy” of the purchase order will not be mailed;

The Buyer shall note the confirming number on the purchase order, thereby alerting Accounts Payable to match invoices by the confirming number rather than the purchase order number.

Section 2.4- Methods of Procurement (continued)

Agreement: Within the City of Santa Ana, the term “agreement” refers to a long form contract, usually written by the using department with the assistance of the City Attorneys office, that is signed by the City Manager, City Attorney, Director of the using department, Clerk of the Council, and the vendor. A purchase order *may* also be issued against an agreement for purposes of encumbering funds and facilitating payment. However, most agreements are paid against a direct payment voucher (DPV). Purchase orders issued against an agreement must contain the agreement number and the accounting copy shall be accompanied by a copy of fully executed agreement.

Direct Payment Voucher (DPV): The primary purpose of the direct payment voucher is to minimize paperwork and administrative costs for low value and repetitive purchases. They are used; for reimbursements, registrations, subscriptions, memberships, fees, utilities, and travel expenses regardless of the amount; for miscellaneous *materials* up to **\$200** in value; for miscellaneous *services* up to **\$500** (at the Buyers discretion); and for payments against approved agreements and contracts up to and including their maximum value.

The using department places the order, receives the invoice, and forwards the properly authorized document to Accounts Payable for processing. In addition, they are responsible for obtaining complete information required for payment (correct address, business classification, federal taxpayer identification number).

Material Release: The material release program is designed to allow City employees to make low value and emergency purchases quickly and easily with a minimum of paperwork. Once a blanket order is established, properly identified City employees may make purchases of up to \$500 (at the Buyers discretion) against a Material Release form, which the employee must present at the time of purchase. If ordering by phone, the user is responsible for providing the vendor with the material release number for accounting purposes. Invoices, along with copies of the Material Release forms, are sent directly to the purchasing division for payment. Use of a material release for purchases against a blanket order with established prices or rates is allowed up to the full value of the contract unless otherwise specified.

Section 2.5 – Work Performed on City Property

Insurance

Per section 2-750 of the Santa Ana Municipal Code, each person, firm or association contracting with the City to perform any services for or on behalf of the City shall provide proof of insurance protecting the interests of the City, in a form acceptable to the City Attorney, in limits specified therein before a purchase order is issued. To further protect the City from liability exposure, as well as to keep the City informed of any change or cancellation of policies, the City Attorney has developed additional requirements, including an “additional insured endorsement. These documents shall be received before issue of a purchase order or payment of invoices.

Insurance (Continued)

An additional insured endorsement must be completed, signed by the insurance broker, and returned with the certificate of insurance or, the following changes must be made:

- The certificate must include the following statement: *“The City of Santa Ana, its officers, employees, agents, and representatives are named as additional insured.”*
- A notation must be made that the City *will be mailed 30 days written notice of policy cancellation* and the references *“endeavor to”* and *“failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives”* shall be removed.

Prevailing Wage

Contractors are required to pay prevailing wage for public works construction. The City Charter defines Public Works Construction as a project for the erection or improvement of public buildings, streets, drains, sewers, parks, or playgrounds. Maintenance and repair of public buildings shall not be considered as public works construction and therefore are not subject to prevailing wage requirements.

Section 2.6 - Bonds

When deemed necessary by the Buyer, a bidder's security may be required. The bidder's security, or “Bid Bond”, in the form of cash, a cashier's or certified check payable to the City of Santa Ana, or a bid bond issued by a corporate surety for an amount not less than ten percent (10%) of the aggregate of the bid is a guarantee that the bidder will enter into the proposed contract if the same is awarded to them. Bidders shall forfeit their bid security upon refusal or failure to execute the contract within the prescribed time.

The Buyer shall have the authority to require a performance bond in such amount as is reasonably necessary to protect the best interests of the City before entering into a contract. The “Performance Bond” shall be for 100 percent (100%) of the contract price to guarantee faithful performance of all work, within the time prescribed, in a manner satisfactory to the City, and that all materials and workmanship will be free from original or developed defects.

Section 2.7 – Contracting for Work Previously Performed by City Staff

Departments proposing to contract out work or contracting out work that was performed by City staff prior to FY 2002-2003 shall prepare a cost/benefit report for the Request For Council Action.

Section 2.8 - Computer Related Purchases

All computer hardware, software, and related purchases shall first be reviewed and approved by the Budget and Information Services departments.

Section 2.9 - Standard Forms

To facilitate Purchasing activities, the following attachments are provided for use at the discretion of Purchasing personnel:

Attachment “A” -Sole Source Justification

For use by Buyers. When the requesting department has identified a “sole source” supplier for a particular purchase and, because of the technical nature of the request or limited available information, the Buyer is unable to independently verify the supplier as such, the Buyer should obtain written confirmation in order to justify awarding a contract that has not been competitively bid.

Attachment “B” - Emergency Authorization

For use by Buyers. When time constraints or limited technical knowledge prevent the Buyer from independently verifying an “emergency”, the Buyer should obtain written justification for awarding a contract that has not been competitively bid.

Glossary

Agreement

Within the City of Santa Ana, the term “agreement” refers to a long form contract, usually written by the using department with the assistance of the City Attorneys office that is signed by the City Manager, City Attorney, Director of the using department, Clerk of the Council, and the vendor.

Competitive Bidding

The offer of prices by individuals or firms competing for a contract, privilege or right to supply specified services or merchandise.

Confirming Purchase Order

A written confirmation of an order originally placed verbally that is needed by the user to meet a field emergency. The user must contact Purchasing for approval prior to issuing the purchase order, and shall provide the name of supplier, description of purchase, and requisition number to authorize the purchase.

Delivery Terms

Conditions in a contract relating to freight charges, place of delivery, time of delivery, and method of transportation.

Emergency Purchase

A purchase made without following normal purchasing procedures in order to obtain critical goods or services.

F.O.B

An abbreviation for “free on board”. The term is usually referred to as “FOB point”. This specifies a location where ownership transfers from seller to buyer.

Glossary (Continued)

Formal Bid

A bid which must be submitted in a sealed envelope and in conformance with a prescribed format, to be opened at a specific time.

Informal Bid

Written or verbal quotations for goods and services less than \$25,000 in value that do not require formal bid procedures. Informal bids may include unsealed written quotes, verbal quotes, and quotes received via fax or e-mail.

Non-Responsive Bid

A bid that does not conform to the requirements of the Invitation For Bid.

Pre-Bid Conference

A meeting scheduled prior to bidding for the purpose of providing clarification as needed and/or touring the work site.

Prepayment

When payment must accompany a purchase order and no invoice will be provided by the vendor.

Protest

A complaint about an action or decision brought by a prospective bidder or other interested party with the intention of achieving a remedial result.

Purchase Order

A Buyer's written offer to a seller stating all terms and conditions of a proposed transaction.

Responsible Bid

A bid submitted by a supplier who has the capability in all respects to perform in full the contract requirements and the integrity and reliability which will assure good faith performance.

Responsive Bid

A bid that conforms in all material respects to the terms and conditions, specifications, and other requirements of the proposal.

Sealed Bid

A bid which has been submitted in a sealed envelope to prevent its contents from being revealed or known before the public opening.

Sole Source

A supplier that provides a product or service for which they are the only known supplier.



CITY OF SANTA ANA
FINANCE & MANAGEMENT SERVICES AGENCY
PURCHASING DIVISION
20 CIVIC CENTER PLAZA M-16
P.O. BOX 1988 • SANTA ANA, CALIFORNIA 92702

Sole Source Declaration

Date: _____

Requisition #:_____ **Project #:**_____ **W/O #:**_____

I, _____, hereby attest that to the best of my knowledge, after
Print name & title
having reviewed all pertinent information available to me at this time, the following vendor is the sole
source of supply for the required product or service indicated:

Vendor:_____

Item Description: _____

Signature

Signature-Department/Division Manager



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Unauthorized Purchase Acknowledgement & Payment Request

INSTRUCTIONS: Complete all information requested below. Obtain Department Director signature. Retain copy and forward original form, invoice, and completed DPV to Bruce Perret, Purchasing Division, mail stop M-16. **Payments will not be processed unless accompanied by this fully completed form.**

Department: _____ Date: _____ DPV Number: _____

Vendor Name: _____ Total: \$ _____

Account Number: _____

Description of Item/Service Provided:

Reason established purchasing procedures were not adhered to:

Signature - Employee placing order

Employee Name Extension

Signature- Executive Director

PURCHASING DIVISION USE ONLY

Request number _____ for _____ quarter Assistant
City Manager report of unauthorized purchase request for
fiscal 200__-200__

DISPOSITION

- ☐ Approved for payment _____
- ☐ Not approved. End user shall return goods to the vendor
OR pay for the goods or services personally
- ☐ Not approved. Returned to department for: _____