



# **Purchasing Manual**

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## I. INTRODUCTION

Purchasing is a critical function for successful delivery of services to our rate-payers. As a government entity, the District has a fiduciary duty to protect public resources by ensuring District funds are expended wisely. The purchasing policies and procedures outlined in this manual ensure the District fulfills this responsibility and complies with applicable laws and regulations, Generally Accepted Accounting Procedures (GAAP), and Internal Controls recommended by the State of California regarding public purchasing.

The purchasing procedures contained herein were developed to fulfill the coequal goals to:

- ensure effective utilization of the public's assets and money;
- ensure compliance with applicable laws and best practices; and
- ensure efficient means to procure goods and services.

The Purchasing Manual focuses on formalizing existing processes and implementing efficiency improvements. The Manual also incorporates recent changes to the Las Virgenes Municipal Water District Administrative Code adopted on April 12, 2016:

- Authorization to issue bids and RFPs without additional Board approval IF the purchase is included in the adopted budget.
- Expands allowable pre-qualification of vendors and establishment of Blanket Purchase Orders for common or frequent purchases.
- Establishes "Contractual Services" for services where the District may desire to consider more than prices in its selection and to better protect the District, such as for landscape and custodial services.

## II. SCOPE

This Purchasing Manual applies to all purchases for goods or services except as noted below.

**The Purchasing Manual does not apply to capital project contracts.** For information on public works contracts, contact Facilities and Operations Department staff. Public works contracts are defined as *"an agreement for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind."*<sup>1</sup>

## III. ORGANIZATION

The Purchasing Manual includes a summary of Roles and Responsibilities, Quick Reference Guide, General Purchasing Requirements, detailed step-by-step instructions to complete each type of purchase, and appendix containing frequently used purchasing forms.

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<sup>1</sup> California Public Contracts Code Section 1101

#### IV. PURCHASING QUICK REFERENCE GUIDE

Determine Purchase Type:  
GOOD or SERVICE

Determine Estimated Value

Less than \$2500

\$2500 to less than \$35,000

\$35,000 and over

**GOOD or SERVICE**

- Verbal approval from supervisor/ manager/ director;
- Purchase made with credit card or check request (open account);
- Competitive bid process not required.

**GOOD**

- Department purchases following purchasing procedures;
- OR required;
- Use competitive bid process with 3+ quotes;
- Process an OR and obtain PO number prior to purchase;
- Purchase made direct by department using a PO;
- Confirming copy of PO sent to vendor.

**SERVICE**

- Department purchases following purchasing procedures using PO, Contractual Services Agreement "CSA" or Professional Service Agreement "PSA";
- OR required;
- Use competitive solicitation process with 3+ quotes;
- Services ordered by department referencing PO number, CSA, or PSA.
- Confirming copy of PO, CSA, or PSA sent to vendor.

**GOOD**

- Processed by Purchasing upon receipt of OR in JDE (OB blanket orders are processed with a hard copy OR);
- OR required with back up material including detailed specifications, budget amount, and brief justification summary;
- Purchasing prepares board communications, bid documents, and completes formal bid process;
- Purchase made by Purchasing after board approval.

**SERVICE**

- Department solicits services following Formal Request for Proposal process. Department prepares request for proposal, board communications, conducts formal proposal process, and completes the purchase using a CSA or PSA.

Verify items are not available under an OB or OX prior to individual purchase; OR=Order Requisition; PO=Purchase Order (OP, OB, OX, OK, OO, & OS); CSA=Contractual Service Agreement; PSA=Professional Service Agreement; Public Works Construction Contracts are generated and managed by Facilities and Operations Department.

## V. GENERAL PURCHASING REQUIREMENTS

The following guidelines apply to all purchases.

- All purchases of goods over \$2,500 and less than \$35,000 require at least three quotes, or a Waiver of Competitive Bidding Form (Appendix B) approved by a Department Director. Exception: emergency and urgent purchases as defined by the District's administrative code.
- All purchases are required to comply with the District's insurance requirements detailed on page 15.
- All purchases for similar goods or services completed in the same fiscal year, or consecutive fiscal years if a continuing purchase, are considered for the purpose of determining the applicable purchasing process. Purchases may not be split to fall under a less restrictive purchasing requirement
- The District considers the total amount of similar purchases with the same vendor in determining the applicable process. For example, if one facility purchases a good or service from Company A and another facility purchases the same or substantially similar good or service from the same company, the total of the combined purchases should be considered. Additionally, if a purchase has options (either time or quantity), the total amount must be considered. For example, if a Division obtains quotes to provide a chemical for one year with four, one-year options to extend, the total dollar amount over the potential five-year period is considered when determining the process to follow.
- Only the General Manager has the authority to sign contracts, regardless of total dollar amount. Purchase orders may be signed based on approval limits established by the General Manager and listed in the most current Purchasing Authorization Limits for District Employees memorandum.
- Purchase orders will not be issued "after the fact," except in the instance of emergency purchases. If a purchase is completed outside of the established purchasing guidelines, a "Check Request" must be completed and approved by the designated staff prior to payment.
- Each employee who completes a purchase is responsible for ensuring that required purchasing processes are followed.

## VI. PURCHASING PROCESSES AND PROCEDURES

This portion of the Manual provides step-by-step guidelines for purchasing goods or services and provides information on what types of documentation needs to be maintained in support of the purchase.

### Good or Service

Whether you are purchasing a good or a service determines which process you need to follow.

- A “Good” is the purchase of a commodity or an item for the District’s use or consumption; supplies or purchases other than real property or services. Typical examples are those items found in the District’s warehouse, office supplies, or chemicals used in District operations.
- A “Service” is a technical, professional, or other work where the District is procuring the labor or the development of a work product (e.g. a study or custodial) and requires the use of a Professional Services Agreement (e.g. landscape architect design) or Contractual Services Agreement (e.g. landscape maintenance service).

It is important to ensure that you follow the proper process based on whether you are purchasing a good or a service. Contact either your Division Manager, Department Director, Purchasing Supervisor, or Finance Manager if you are unsure whether your purchase is a good or a service.

## PURCHASES OF GOODS

### Goods less than \$2,500

#### Methods of Purchasing

- District Credit Card (purchasing card)
- Check Request
- Petty Cash (for purchases under \$50)

Purchases under \$2,500 do not require a Requisition or a Purchase Order unless required by the vendor prior to delivery of the good or service.

#### Procedures for Purchasing

- 1) Employee identifies need.
- 2) Employee receives approval from a Supervisor or Manager for the purchase following Department established procedure.
- 3) Employee secures the good using a purchasing card, open account with a vendor, or petty cash. Although bids or quotes are not required, employees are encouraged to compare prices if more than one vendor is known.
  - a. Purchasing Card— Employee purchases good and charges a District Purchasing Card following the Business Expense Administrative Policy and Procedure.

- b. Open Account—Employee purchases good or service and obtains an invoice from an established District vendor.
  - i. Employee completes a Check Request Form and submits the form with the invoice to Supervisor or Manager for approval. Approved Check Request Form and invoice is submitted to Finance for payment.  
-----or-----
  - ii. Employee processes invoice for payment, face of the invoice must prominently display an “Approved for Payment” with proper authorizing signature, account number, and date before direct submittal to the Finance Division in Administrative Services,
- c. Petty Cash—Employee purchases good under \$50 following the Business Expense Administrative Policy and Procedure.

Documentation to Retain

Small purchases under \$2,500 do not require a competitive process; the Department is not required to retain any documentation. The Finance Division will retain a copy of the invoice or receipt that was approved for payment.

**Goods of at least \$2,500 and less than \$35,000**

Purchases that are at least \$2,500 but less than \$35,000 represent the majority of all purchases completed by Departments. The method of purchase will depend on whether it is a routine purchase, if there is a Blanket Purchase Order already in place, if the purchase is urgent, or if an emergency exist. Most purchases will be a Purchase Order (OP). Departments typically have the lead in all purchases under \$35,000.

Methods of Purchasing

There are four types of Purchase Orders used to purchase goods expected to cost at least \$2,500 and less than \$35,000. The OK purchase order, used for low risk/low value services, is defined in the Purchase of Services section.

- OP - Purchase Order: used for all purchases not covered by another method in this list.
- OB and OX - Blanket Purchase Order: used to purchase goods that the District needs to procure on an on-going basis throughout the Fiscal Year, such as chemicals, wood chips, and office supplies. Also used to purchase goods from a specific vendor at favorable pricing when the exact goods needed cannot be forecasted such as automotive parts. OB/OX designation to be determined collaboratively by Purchasing and Department Purchasing Contact, based on frequency of orders and ease of determining final quantity and price.
- OO - Urgent Purchase Order: used when an item under \$35,000 is needed quickly to prevent potential interruption of service, restore required redundancy or avoid additional damages. Examples of Urgent Purchases include those for repair of a failed

pump at a sewer lift station, or replacement of a faulty control gate for an active treatment process at Tapia.

## Procedures for all purchase

All types of Purchase Orders are generated from a Requisition "OR". An OR may be generated in hard copy format or entered directly into the financial system and submitted to approving supervisor. ORs completed in hard copy format must be entered into the financial system by a department purchasing contact, typically the department secretary. OR numbers are for internal District use only and are not given to vendors when ordering.

- 1) OR is completed in hard copy format and submitted to approving supervisor, if department/division procedure requires hard copy OR;
- 2) OR is routed to department purchasing contact for entry into the financial system. Hard copy format listed above is optional, at discretion of Department Director. OR can be entered directly into the financial system by approved users without the use of a hard copy;
- 3) After reviewing OR for accuracy and completeness department purchasing contact processes OR and a PO is generated in the Enterprise Resource Planning "ERP" financial system (JD Edwards).

## Procedures for an OP Purchase Order:

The issuance of an OP Purchase Order is the most common method for the District's purchasing procedure and is the default for all purchases of goods of at least \$2,500 and less than \$35,000. OP Purchase Orders are issued by designated department staff following the procedure below and documentation of the process followed is maintained in the centralized purchasing files.

- 1) Employee identifies need for good and verifies it is not available for purchase under an existing Blanket Purchase order;
- 2) Employee receives approval from a Supervisor or Manager for the purchase following Department established procedure;
- 3) Employee receives and documents at least three quotes for good;
- 4) Employee processes an OR. Order is not placed until after receipt of an approved OR in the financial system and an OP Purchase Order is generated;
- 5) OR is completed in hard copy format and submitted to approving supervisor, if hard copy is required;
- 6) OR is routed to department purchasing contact for entry into the financial system. Hard copy format listed above is optional, at discretion of department manager. OR can be entered directly into the financial system by approved users without the use of a hard copy (copies of hard copy format and/or back-up should be attached to electronic OR in pdf format);
- 7) Upon reviewing OR for accuracy and completeness; department purchasing contact processes OR and creates OP Purchase order in ERP system, providing PO number to employee who will be placing the order;
- 8) Order is placed by employee or department purchasing contact referencing the PO number and a confirming copy is sent to vendor;



- 9) Printed PO with any hard copy format and/or back-up not electronically attached in the ERP system, is routed to Purchasing for final review and filing in centralized file;
- 10) Good received by department, department routes packing list and/or invoice to accounting for payment.

## Procedures for OB and OX Blanket Purchase Order:

The OB and OX Blanket Purchase Order is an annual order used for repetitive purchases to one vendor in one fiscal year period and is generated by Purchasing. OB/OX designation to be determined collaboratively by Purchasing and Department Purchasing Contact, based on frequency of orders and ease of determining final quantity and price. The OB and OX Purchase Order is issued to a specific vendor, with a not to exceed amount, which typically lists set pricing or a discount/mark-up and annual purchase cap. The OB or OX number is generated annually by Purchasing, after receipt of a hard copy OR from the department, and allows department purchasing contacts to generate individual OP releases from the OB to be used as needed throughout the fiscal year without further bids or quotes; OX purchases do not require individual OP releases. OBs and OXs can be issued continuously for up to five years without a new competitive process. Note: The entire expected amount over the life of the purchase must not exceed \$35,000 to complete with an informal process. For example, an annual \$10,000 purchase of a chemical over a five-year period is \$50,000 and requires a formal process.

- 1) Employee identifies need for a good listed on OB or OX;
- 2) Employee requests purchase approval using process set up by the department;
  - a. OB purchase requires OP release:
    - i. Employee requests release number from department purchasing contact using the approval process set up by the department;
    - ii. Department purchasing contact creates OP Purchase order in ERP system using the OB blanket purchase order and provides corresponding release number to employee who will be placing the;
  - b. OX purchase does not require OP release;
- 3) Order is placed by employee or department purchasing contact referencing the OP release number or OX number;
- 4) Printed PO (OP release) with any hard copy format and/or back-up not electronically attached in the ERP system, is routed to Purchasing for final review and filing in centralized file;
- 5) Good received by department, department routes packing list and/or invoice to accounting for payment referencing OP release number.

Note: OP release should be completed prior to purchase, however, in some instances the release may occur after order and/or invoice dependent upon the urgency and type of purchase. Department purchasing contact to assess and evaluate on a case by case basis.

## Procedures for an OO Urgent Purchase Order:

The OO Purchase Order is used when an item under \$35,000 is needed quickly to prevent potential interruption of service, restore required redundancy or avoid additional damages. All Urgent Purchase Orders require Department Director approval.

- 1) Employee identifies need for a good that is needed quickly;
- 2) Employee requests approval from Department Director prior to purchase;
- 3) Employee processes an OR in hard copy format and submits to approving supervisor for Department Director signature;
- 4) Approved OR is routed to department purchasing contact for entry into the financial system using hard copy. (copies of hard copy format and/or back-up should be attached to electronic OR in pdf format);
- 5) Upon reviewing OR for accuracy and completeness, department purchasing contact processes OR and creates OO Purchase order in ERP system, providing PO number to employee who will be placing the order;
- 6) Order is placed by employee or department purchasing contact, referencing the PO number and a confirming copy is sent to vendor;
- 7) Printed PO with approval signature and any hard copy format and/or back-up not electronically attached in the ERP system, is routed to Purchasing for final review and filing in centralized file;
- 8) Good received by department, department routes packing list and/or invoice to accounting for payment.

Although not required, quotations are recommended for OO Purchase Orders.

Note: Steps 3-5 may occur after purchase depending on the severity of the incident and time-sensitivity of response; urgent purchases may be authorized by the department director prior to creation of the OO Purchase Order.

### Documentation Required

All Purchases of at least \$2,500 and less than \$35,000 require an informal competitive process; the Department is required to provide documentation of at least three quotes or proposals with Purchase Order to the Purchasing Section of the Finance Division or as an attachment in the ERP system. The Finance Division will retain a copy of the quotes received, purchase order, and invoice or packing list that was approved for payment in a centralized file. If the good or service is only available from one source when using the OP process, a "Waiver of Competitive Bidding" form must be approved by the General Manager or Department Director. If quotes or proposals are requested by multiple firms and only one quote or proposal is received, documentation supporting the solicitation of quotes or proposals must be maintained.

### Goods of \$35,000 or more

Purchases of goods over \$35,000 require a formal bid process, including advertising and posting on the District's website. Purchasing generally has the lead in all purchases of goods over \$35,000.

## Methods of Purchasing

There are four types of Purchase Orders used to purchase goods expected to cost at least \$35,000.

- OP - Purchase Order: used for all purchases not covered by another method in this list.
- OB and OX - Blanket Purchase Order: used to purchase goods that the District needs to procure on an on-going basis throughout the Fiscal Year, such as chemicals, wood chips, and office supplies. Also used to purchase goods from a specific vendor at favorable pricing when the exact goods needed cannot be forecasted such as automotive parts. OB/OX designation to be determined collaboratively by Purchasing and Department Purchasing Contact, based on frequency of orders and ease of determining final quantity and price.
- OS - Emergency Purchase Order: used when an item \$35,000 or more is needed quickly to prevent potential interruption of service, restore required redundancy or avoid additional damages.

## Procedures for an OP Purchase Order and OB or OX Blanket Order

- 1) Employee identifies need for good anticipated to cost \$35,000 and over;
- 2) Employee receives approval from a Supervisor and Manager for the purchase following Department established procedure;
- 3) Employee processes an OR;
- 4) OR is completed in hard copy format and submitted to approving supervisor, if hard copy is required;
- 5) OR is routed to department purchasing contact for entry into the financial system. Hard copy format listed above is optional, at discretion of department manager. OR can be entered directly into the financial system by approved users without the use of a hard copy (copies of hard copy format and/or back-up should be attached to electronic OR in pdf format);
- 6) OR is routed to Purchasing electronically through approval process and hard copy format with back up is attached to electronic OR in PDF format. Department is responsible for providing detailed specifications, amount budgeted for purchase, and brief summary of why the purchase is necessary as back up with the OR;
- 7) Purchasing prepares formal bid documents;
- 8) Purchasing prepares board memos for Invitation for Bids (IFB) if requested item is not listed in current fiscal year budget;
- 9) Purchasing conducts the formal bid process including board memos advertisements, site walks and public bid openings;
- 10) Upon formal award by Board, Purchasing will generate PO and place order with vendor;
- 11) PO with bids and all related back-up not electronically attached in the ERP system is filed by Purchasing in the centralized file;
- 12) Good received by department, department routes packing list and/or invoice to accounting for payment.

## Documentation to Retain:

The OR, bid preparation documents, Board communications, bids, and resulting Purchase Order will be maintained in a centralized file. The Finance Division will retain a copy of the invoice or packing list that was approved for payment with the PO in the centralized file.

## Procedures for an OS Emergency Purchase Order:

An OS is used when an item over \$35,000 needs to be procured immediately because life or property is at risk or service is interrupted. Examples of Emergency Purchases include those for repair of a water main break that disrupts service to surrounding customers, or replacement of a collapsed vault within the roadway.

The OS Purchase Order is for emergencies only and is used to alleviate a situation where life or property is at immediate risk, or service is disrupted, and requires approval by the General Manager.

- 1) Employee identifies need for a good needed immediately to protect life and property, or to restore service;
- 2) Employee request approval from General Manager or Department Director prior to purchase;
- 3) Department purchasing contact creates OS Purchase order in ERP system. Depending on the emergency, this may be done after the purchase;
- 4) Employee purchases goods referencing the OS number;
- 5) Printed PO with approval signature and any hard copy format and/or back-up not electronically attached in the ERP system, is routed to Purchasing for final review and filing in centralized file;
- 6) Department routes packing list and/or invoice to accounting for payment.

Depending on the severity of the incident and time-sensitivity of response, emergency purchases may be authorized by the General Manager prior to creation of the OS Purchase Order.

## Documentation to Retain:

The OR, Board communications, and resulting Purchase Order will be maintained in a centralized file. The Finance Division will retain a copy of the invoice or packing list that was approved for payment with the PO in the centralized file.

## PURCHASES OF LOW RISK/LOW VALUE SERVICES

For services that are low risk and/or low value, a Services Purchase Order (OK) may be used. Each Department Director is delegated authority to determine which services are low risk and/or low value and eligible for a Services Purchase Order. In these cases, the approval authority follows the purchasing thresholds established by the General Manager following guidelines propagated by the Department Director. For these purchases, the Services Purchase Order (OK) serves as the contract and no other contractual document is to be signed or

executed. If a vendor desires to have its standard contract executed, an OJ will be issued following review by the District's attorney and execution of the contract by the General Manager. As a reminder, only the General Manager has authority to sign and execute contracts unless otherwise specifically delegated in writing.

## Procedures for an OK Purchase Order:

The issuance of an OK Purchase Order is used for low risk/low value services of at least \$2,500. The OK Purchase Order is issued by designated department staff following the procedure below and documentation of the process followed is maintained in the centralized purchasing files.

- 1) Employee identifies need for service and verifies it is not available for purchase under an existing Blanket Purchase order, CSA or PSA;
- 2) Employee receives approval from a Supervisor or Manager and Department Director for the purchase following Department established procedure;
- 3) Employee receives and documents at least three quotes for service;
- 4) Employee processes an OR. Order is not placed until after receipt of an approved OR in the financial system and an OK Purchase Order is generated;
- 5) OR is completed in hard copy format and submitted to approving supervisor, if hard copy is required;
- 6) OR is routed to department purchasing contact for entry into the financial system. Hard copy format listed above is optional, at discretion of department manager. OR can be entered directly into the financial system by approved users without the use of a hard copy (copies of hard copy format and/or back-up should be attached to electronic OR in pdf format);
- 7) Upon reviewing OR for accuracy and completeness; department purchasing contact verifies Department Director has approved the service, processes OR, and creates OK Purchase order in ERP system, providing PO number to employee who will be placing the order;
- 8) Order is placed by employee or department purchasing contact referencing the PO number and a confirming copy is sent to vendor;
- 9) Hard copy of printed PO is signed by department director;
- 10) Printed PO with any hard copy format and/or back-up not electronically attached in the ERP system, is routed to Purchasing for final review and filing in centralized file;
- 11) Service received by department, department routes packing list and/or invoice to accounting for payment.

## **PURCHASES OF CONTRACTUAL SERVICES**

Contractual services are used to perform work where specialized experience, capabilities or skill are required to provide a service to the District that is predominately or significantly manual labor and often performed on District property. In such cases, quality of work, experience, warranty and ability to meet specified District needs are considered in addition to price.

Examples of contractual services are maintenance of buildings, custodial, landscape, and meter reading services.

## **Purchases of Contractual Services less than \$2,500**

### Methods of Purchasing

- District Credit Card
- Check Request
- Petty Cash (for purchases under \$50)

Purchases under \$2,500 do not require an agreement or contract unless the Department has identified a particular risk that a contract would mitigate.

### Procedures for Purchasing

- 1) Employee identifies need.
- 2) Employee receives approval from a Supervisor or Manager for the purchase following Department established procedure.
- 3) Employee secures the service. Although bids or quotes are not required, employees are encouraged to compare prices if more than one vendor is known.
  - d. Purchasing Card— Employee purchases good and charges a District Purchasing Card following the Business Expense Administrative Policy and Procedure.
  - e. Open Account—Employee purchases good or service and obtains an invoice from an established District vendor.
    - i. Employee completes a Check Request Form and submits the form with the invoice to Supervisor or Manager for approval. Approved Check Request Form and invoice is submitted to Finance for payment.
  - OR
  - ii. Employee processes invoice for payment, face of the invoice must prominently display an “Approved for Payment” with proper authorizing signature, account number, and date before direct submittal to the Finance Division in Administrative Services,
  - f. Petty Cash—Employee purchases good following the Business Expense Administrative Policy and Procedure.

### Documentation to Retain

Small purchases under \$2,500 do not require a competitive process; the Department is not required to retain any documentation. The Finance Division will retain a copy of the invoice or receipt that was approved for payment.

## **General Requirements for Purchasing Contractual Services of \$2,500 or more**

### Contractual Services Agreements

Agreements are required for all contractual services \$2,500 and over. The agreements may be generated under direction of the department director or their department purchasing contact and must adhere to District purchasing policies and procedures. Only the General Manager has signing authority for agreements and contracts.

## General Request for Proposals Guidelines

Written proposals must be used for selecting contractual services of at least \$2,500 and less than \$35,000 to allow for consideration of the services offered in conjunction with cost. Any selection made without a competitive process must have a "Waiver of Competitive Bidding" form approved by the Department Director.

Proposals are handled similar to the competitive bid process, by the requesting department; however, they are evaluated and awarded on a point system or other rating system, not overall cost. For informal proposal, no advertising is necessary. Informal RFPs often don't have the same level of detail as formal RFPs but should have sufficient written scope of work to ensure comparable responses are received. Some general guidelines for all RFPs, regardless of value include:

- i) All potential proposers must receive the same information.
- ii) An Evaluation team shall be established;
- iii) Evaluation criteria shall be in place prior to release of the RFP;
- iv) A proposal submittal deadline is set; however, the proposals are not publicly opened.

## Procedures for Purchasing a Contractual Service of at least \$2,500 and less than \$35,000

- 1) Employee identifies the need for a service;
- 2) Employee requests approval from a Manager and Department Director, following Department established procedures.
- 3) Employee identifies companies that can provide the service and receives a proposal in writing that provides sufficient information regarding the Scope of Work and a proposed price for completing the service. At least three proposals are desirable to ensure the District receives the most competitive service;
- 4) If only one company will be considered, a Waiver of Competitive Bidding form must be approved by the Department Director;
- 5) At least two employees are required to review proposals for services;
- 6) Once a company is selected, employee may negotiate price and other terms with the selected company;
- 7) A Contractual Services Contract is executed between the District and the selected company;
- 8) An original of the executed contract is sent to the Finance Division, which will provide an OJ Contract Number to the Department for reference on all payments. The OJ Number is for internal tracking and accounting purposes only. OJs do not require approval. The executed Agreement is the contractual mechanism to obligate the District and company.



**Procedures for purchasing Contractual Services over \$35,000**

- 1) Employee identifies need for service anticipated to cost \$35,000 and over;
- 2) Employee receives approval from a Supervisor and Manager for the purchase following Department established procedure;
- 3) Employee prepares a Request for Proposals (RFP) or a Request for Qualifications (RFQ). If circumstances justify a non-competitive award of a contract, a Waiver of Competitive Bidding form must be approved by the Department Director;
- 4) A competitive RFP or RFQ should be posted on the District's website, website that advertises similar services, and/or provided to pre-qualified companies.
- 5) An evaluation committee of at least two employees or other knowledgeable persons (e.g. employee of another local agency) reviews proposals and recommends award based on criteria established in the RFP or RFQ document;
- 6) Employee prepares Board report for award of contract.
- 7) A Services Contract is executed between the District and the selected company.
- 8) An original of the executed contract is sent to the Finance Division or designated Department staff person which will provide an OJ Contract Number to the Department for reference on all payments.

**Documentation to Retain**

A copy of the RFP, RFQ or other solicitation of proposals, all proposals received, and any evaluation sheets used are retained by the Department. A copy of the Board report, contract and all invoices and payments will be retained by the Finance Division.

**PURCHASES OF PROFESSIONAL SERVICES**

Professional services are used to perform work where specialized, knowledge, experience, or capabilities are required to provide a service that results in a study, document, or plans that often require a specified license or specialized knowledge to complete and the majority of work is usually performed at a consultant's office. Examples of professional services are legal, insurance, architects, engineers, and audits.

*JPA projects may have different limits than those in this section. Please review JPA projects with your Manager to ensure proper limits are followed.*

**Purchases Professional Services less than \$35,000**

Purchases of Professional Services less than \$35,000 may be let without a formal process or Request for Proposals (RFP).

- 1) Employee identifies the need for a service;
- 2) Employee requests approval from a Manager and Department Director, following Department established procedures.
- 3) Employee identifies firms that can provide the service and receives a proposal in writing that provides sufficient information regarding the Scope of Work and a



proposed price for completing the service. At least three proposals are desirable to ensure the District receives the most competitive service;

- 4) Once a firm is selected, employee may negotiate price and other terms with the selected firm;
- 5) A Professional Services Agreement is executed between the District and the selected firm;
- 6) An original of the executed contract is sent to the Finance Division, which will provide an OJ Contract Number to the Department for reference on all payments. The OJ Number is for internal tracking and accounting purposes only. OJs do not require approval. The executed Agreement is the contractual mechanism to obligate the District and firm.

**Purchases Professional Services \$35,000 or more**

- 1) Employee identifies need for service anticipated to cost \$35,000 and over;
- 2) Employee receives approval from a Supervisor and Manager for the service following Department established procedure;
- 3) Employee prepares a Request for Proposals (RFP) or a Request for Qualifications (RFQ).
- 4) A competitive RFP or RFQ must be posted on the District’s website for a minimum of two weeks or sent to prequalified firms.
- 5) Employee prepares Board report for award of contract.
- 6) A Professional Services Agreement is executed between the District and the selected firm.
- 7) An original of the executed Agreement is sent to the Finance Division or designated Department staff person which will provide an OJ Contract Number to the Department for reference on all payments.

**Documentation to Retain**

A copy of the RFP, RFQ or other solicitation of proposals, all proposals received, and any evaluation sheets used are retained by the Department. A copy of the Board report, contract and all invoices and payments will be retained by the Finance Division.

**VII. PURCHASING TERMINOLOGY AND ADDITIONAL GUIDELINES**

**Accounting** is the Accounting Section of the Finance Department.

**Change Orders.** The General Manager, or original approving authorized staff for purchases and contracts governed by this manual under \$35,000, may approve change orders following the guidelines set forth in LVMWD administrative code 2-5.507.

- a) The cumulative total of all change orders may not exceed 10% of the original contract/Purchase Order amount for purchases and contracts;
- b) Change orders must be signed off by approving official of original contract/Purchase Order;

- c) Only the General Manager may approve change orders or modifications to contracts of \$35,000 and over.

**Cooperative Purchasing Agreements.** Purchases may be made from other public agencies (special districts, municipalities, county or state) existing competitively bid contracts, Joint Powers Agreements, Cooperative Purchasing Programs, Pooling Agreements, and other recognized types of agreements used by government to combine agency requirements for purchases. “Piggyback” contracts for products, equipment, and services entered into by another public agency through a competitive bid process are allowed.

- a) The prices paid must be competitive, with comparable products offered in the market place;
- b) Cooperative purchasing agreements may be used without soliciting further quotes or bids;
- c) All other District purchasing procedures must be followed;
- d) Purchases of \$35,000 and over require formal Board approval;
- e) Documentation to verify the contract and bid process from the original solicitation must be obtained and retained with resulting Purchase Order or contract;
- f) All products, equipment, or services purchased under this provision must substantially meet the technical specifications of the original solicitation. Major deviations from the product specification will not be allowed; however minor modifications that do not materially alter the price of the originally bid equipment or products are authorized;
- g) A Waiver of Competitive Bidding Form, Appendix B, must be completed for all cooperative purchases.

**Department.** Where used within this manual “Department” refers to the Department of the employee.

**Department Purchasing Contact.** Department employee, designated by department director, who processes purchase orders in the ERP system, assists others with purchasing related questions, and works closely with purchasing and accounting divisions to ensure District Purchasing Policy and Procedures are followed.

**ERP Financial System.** Enterprise Resource Planning “ERP” Financial System (JD Edwards 7/2015). In order to generate an OP or OK Purchase Order, an approved OR must be received and approved in the ERP system. In order for Purchasing to generate an OB or OX Purchase Order, an approved OR must be received in hard copy format. Purchasing does not enter ORs for the department or generate OO or OS purchase orders.

**Insurance.** All vendors performing a service on District property or a District job site are required to have insurance, regardless of the contract amount. Additional insurance may be required subject to the nature of the work and calculated risk. The District’s minimum standard insurance requirements are as follows:

- i) General Liability with \$1 million per occurrence and \$2 million aggregate

- ii) Insured Autos \$1 million
- iii) Worker's Compensation CA State Statutory Requirements

Any deviation from these standard insurance minimums must be reviewed and approved by Department Director and explicitly stated on the Purchase Order or Contract.

All Insurance certificates must include an ISO CG 20 10 04 13, CG 20 37 07 04, or District approved equal endorsement specifically naming "Las Virgenes Municipal Water District, its officers, employees and agents" as additional insured (Appendix C).

Verifying vendor insurance is the responsibility of the employee issuing the Purchase Order and must be done prior to any work being performed. Original insurance certificates for ALL projects (including Public Works) will be maintained by Purchasing. Copies may be kept with project and contract file. Refer to Appendix C for example of properly endorsed insurance certificate.

**Invoices and Payment.** Invoices and payments are processed through Accounting. Refer to District accounting procedures for detailed information. Each department is responsible for verifying invoiced goods and services have been received prior to approving payment for said goods and services.

**Multi-Year Contracts.** Multi-year contracts of up to 5 years, or with an initial term of one year and up to four annual renewal options, are encouraged for on-going services and repetitive purchases, whenever possible. All multi-year contracts, including items purchased using a Blanket Purchase Order, must be competitively bid at least once every five years. The bid threshold for determining correct purchasing process for multi-year contracts is based on the entire expected amount over the possible life of the contract. Any contract with an expected purchase amount less than \$35,000 within a five year period may be completed with an informal process while contracts with an expected purchase amount of \$35,000 or more requires a formal process. For example, an annual \$10,000 purchase of a chemical over a five-year period is \$50,000 and therefore requires the formal process.

**Prevailing Wage and Contract Registration.** In order to comply with Public Contract Code and CA DLS/DIR Labor Code, prevailing wage is required for most work over \$1,000. All "public works projects" over \$1,000 must be registered with the DIR. Request for quotes or proposals must state applicable prevailing wage requirements. Departments are responsible for ensuring work is quoted using prevailing wage and registered contractors. Construction, improvement, or maintenance to public property is considered a public works project. Maintenance includes:

- a) Routine, recurring and usual work for the preservation, protection and keeping of any publicly owned or publicly operated facility (plant, building, structure, ground facility, utility system or any real property) for its intended purposes in a safe and continually usable condition for which it has been designed, improved, constructed, altered or repaired.

- b) Carpentry, electrical, plumbing, glazing, touch-up painting, and other craft work designed to preserve the publicly owned or publicly operated facility in a safe, efficient and continuously usable condition for which it was intended, including repairs, cleaning and other operations on machinery and other equipment permanently attached to the building or realty as fixtures. Refer to <https://www.dir.ca.gov/t8/16000.html> for details.

The District is required to register all public works projects over \$1,000 to comply with PWC 100 and SB854. The department issuing the Purchase Order is responsible for compliance with these regulations. Register at DIR web site <https://www.dir.ca.gov/pwc100ext/>.

**Public Works Construction Contracts.** Public works construction contracts are generated and managed by the Facilities and Operations Department. Please consult Facilities and Operations staff for Public Works Contract policies and procedures.

**Receiving.** Receiving is handled by the storekeeper and the requesting department. Orders are shipped to the District warehouse and the storekeeper routes the orders to the appropriate department. If delivery is required at a different location it must be specified on the OR and front of the Purchase Order. It is the department's responsibility to retrieve orders from the warehouse and check for accuracy when the order is received to ensure returns, exchanges, shortages, or damage claims are made in a timely fashion. Items listed on packing list or invoice received with the order should be physically verified by the department when the items are received. Discrepancies should be reported to Purchasing or the purchase order generator immediately.

**Record Retention.** Refer to the District's record retention policy for complete details. A printed hard copy of Purchase Order, along with back-up information (OR requisition, associated quotes, packing list, all required authorization signatures, etc.) must be routed to Purchasing. Purchasing will verify the Purchase Order was processed in accordance with District Purchasing Policy and Procedures. The completed Purchase Order and any back-up not electronically attached in JDE will then be filed in a centralized file location with any related invoices.

**Sole Source and Proprietary Vendors.** Sole source and proprietary items are strongly discouraged. When a sole source or proprietary vendor is deemed necessary requesting department must provide justification as to why it is necessary.

- a) An item is deemed a sole source item when only one vendor possesses the unique and singularly available capability to meet the desired technical specifications;
- b) All sole source items must receive approval from the General Manager or Department Director prior to purchase using a Waiver of Competitive Bidding Form, Appendix B;
- c) Sole source items exceeding the bid threshold must be approved by the Board of Directors prior to purchase.

**Surplus Property Disposal.** Departments are responsible for proper disposal of property deemed no longer useful to the District “surplus”. Departments may contact purchasing for assistance arranging disposal of surplus property if necessary. Typically an auction service will be used to dispose of surplus property. Certain exceptions apply for specialized items, trade-in value, and items past their useful life.

- a) Once an item has been properly disposed of the department must complete an Asset Disposal Form, Appendix D, and route to Finance and Administration Secretary;
- b) Items deemed past their useful life with little or no value by a department manager may be disposed of in the refuse or recycle bin in order to avoid the expense of sending the items to auction;
- c) District employees are not allowed to take surplus property for personal use regardless of the perceived value. Any removal of District property for employee’s personal use or gain will be considered theft of District property;
- d) In the event the Department Manager or Purchasing determines an item’s value may be useful in substantially reducing the cost of the replacement item said item may be traded-in in lieu of being sent to auction.

**Tax.** Tax should be listed on Purchase Order however, the bid thresholds are to be applied using the pre-tax amount, i.e. pre-tax purchase amount of \$2,499 would not require three quotes while final purchase would require a PO and approval of manager level or higher as the Purchase Order total including tax exceeds the supervisor approval amount of \$2,500.

**VIII. APPENDICES:**

A—OR Order Requisition

D—Asset Disposal Form

B—Waiver of Competitive Bidding Form

E—Purchasing Authorization Limits Memo

C—Insurance Certificate with endorsement

A copy of this manual, the various purchasing related documents, forms, and contract templates are available on LVMWD’s intranet purchasing page at <http://lv-intranet/index.aspx?page=216>.