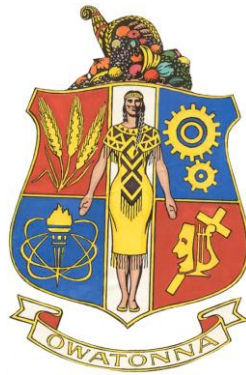


THE CITY OF

Office of Finance Director
Rhonda Moen



OWATONNA

540 West Hills Circle
Owatonna, MN 55060-4794
Ph. (507) 774-7350
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DATE: January 13, 2021
TO: Honorable Mayor and City Council
FROM: Rhonda Moen
SUBJECT: Amend personnel Policy and Procedure Manual

Purpose:

Minor amendments are being made to Chapter 19 of the Policy and Procedure Manual which covers the city's purchasing policies.

Background:

There were several hyperlinks included in the policy which are being eliminated to avoid the policy ever containing outdated hyperlinks. General references to documents that were previously linked are considered adequate. Additionally, three positions which had previously been omitted are being added to the list of staff authorized to approve purchases up to \$5,000.

Budget Impact:

None.

Staff Recommendation:

Approve the aforementioned amendment.

CHAPTER 19: PURCHASING

19.1 PURCHASING POLICY AND PROCEDURES

The purpose of a purchasing policy is to encourage the efficient purchasing of appropriate goods or services at appropriate prices.

A. **Purchasing Authority**

All purchases must meet the following authorization guidelines. Payment on any invoice will not be processed without the appropriate level of authorization. The three levels of authorization will be designated staff, city administrator, and city council.

Any employee making purchases on behalf of the City, must have signed an Acknowledgment Agreement stating they have read the purchasing policies and understand that they are responsible for abiding by them.

All designated staff are authorized to make purchases up to \$5,000. Any purchase over \$5,000 must be approved by the City administrator prior to the purchase being made. See Exhibit A for a listing of designated staff.

The City Administrator is authorized to sign contracts and/or authorize purchases up to \$100,000 without council approval, per Minnesota State Statute. For any purchase in excess of \$100,000, council action will be required.

B. **Purchasing Guidelines**

Minnesota Statutes 471.345, the Uniform Municipal Contracting Law, was established to provide dollar limits for all municipalities upon contracts which shall or may be entered into on the basis of competitive bids, quotations, or purchase or sale in the open market. A municipality entering into an agreement for the **sale or purchase** of supplies, materials, equipment or the rental thereof, or the construction, alteration repair or maintenance of real or personal property must abide by the statutes relating to contracting and bidding. Generally, the following rules apply:

1. Contracts less than \$25,000 - The contract may be made either upon quotation or in the open market. If the contract is made upon quotation it shall be based on at least two quotations which shall be kept on file for a period of at least one year.
2. Contracts from \$25,000 to \$175,000 - The contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale, and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations received shall be kept on file for a period of at least one year. Minnesota law now **requires** municipalities to consider the Cooperative Purchasing Venture (CPV) for contracts estimated to exceed \$25,000. For these contracts, a municipality **must** "consider the availability, price and quantity of supplies, materials, or equipment available through the state's CPV before purchasing through another source."

3. To sign into the state's CPV: <http://www.mmd.admin.state.mn.us/process/contract/>. Contact the finance department if you need the secure sign-on information.
4. Contracts over \$175,000 - Contracts must be made by sealed bids, solicited by public notice, and awarded to the lowest bidder. Bids should be retained for a period of ten years. Purchasing through the Cooperative Purchasing Venture (CPV) satisfies these requirements.

C. **Competitive Bidding**

- Read the LMNC handbook Chapter 22 pages 22-30 for more detailed information on the competitive bidding process (<http://www.lmnc.org/media/document/1/-expenditurespurchasingandcontracts.pdf>).
- LMC also has an information memo titled "Competitive Bidding Requirements in Cities" at (<http://www.lmc.org/media/document/1/competitivebidding.pdf>).
- The notice that bids are being solicited must be published once in the city's official newspaper at least ten days before the last day for the submission for bids. As the number of people or firms receiving notification increases, so will the chance of receiving more favorable contract terms. Therefore, advertising in magazines and trade journals is encouraged. In addition, you may personally contact merchants or contractors who might be interested in submitting a bid.
- Purchasing through the state contract or another cooperative purchasing entity meets the competitive bidding requirements. If sealed bids are required, you are not allowed to consider the pricing available through the cooperative purchasing venture, but make the purchase through a vendor not authorized under the cooperative purchasing venture.
- Bid bonds in the amount of 5% of the bid are required for local improvement project bids.
- Performance and payment bonds are required for contracts that exceed \$100,000. The performance bond is to guarantee that the contractor will complete the contract according to its terms and conditions and to protect the city from all costs and charges that may accrue in the course of completing the work. The payment bond is to ensure that all workers, subcontractors, and persons furnishing materials are paid.

D. **Tips for Writing Specifications**

Properly designed and used specifications are absolutely necessary. A good specification should 1) identify all requirements; 2) be measurable and verifiable; 3) provide for an equitable award; and 4) allow for competitive responses. Keep the language simple, but exact. Specifications must be sufficiently definite and precise to afford a basis for comparable bids. Be fair to all vendors. For the sake of competition, the specification should be able to be met by more than one vendor. Have someone else review your specification for completeness.

E. **Purchasing Procedures**

The purchasing policy applies to all purchases made through the following means:

- Purchases made on account (to be invoiced)
 - Purchases made with direct payment
 - Employee reimbursement (Chapter 19 Purchasing, Section 19.2)
 - Use of a city credit card (Chapter 19 Purchasing, Section 19.3)
 - Petty cash (Chapter 19 Purchasing, Section 19.4)
1. There will be **NO** purchases of personal items, even if the employee intends to reimburse.
 2. Purchases must meet the public purpose criteria. ~~For more information on public purpose see: (<http://www.lmnc.org/media/document/1/expenditures.purchasingandcontracts.pdf/inline&true>) and a LMC information memo at (<http://www.lmc.org/media/document/1/publicpurposeexpenditures.pdf>).~~ See Exhibit B
 3. Payment will only be made from an itemized receipt or invoice. No summary statements will be accepted. Any exceptions must be approved by the finance director based on reasonableness.
 4. Determine approval requirements (**Purchase price includes installation, shipping, handling and sales tax. Purchase price is also before any trade-in reductions.**)
 - a. Items less than \$5,000 – only approval requirement is to stay within your budget.
 - b. Items greater than \$5,000
 - If the item was already specifically approved during the budget process, proceed with the appropriate guidelines in the purchasing policy, providing communication of your actions to the City Administrator as you go.
 - If the item is an unbudgeted item over \$5,000, you will need pre-approval from the City Administrator before you may proceed.
 - Items greater than \$100,000 must have council approval before you may proceed, including items purchased under state contract.
 5. Determine applicable purchasing guidelines to follow based on the estimated dollar amount of the purchase and follow those guidelines.
 6. Check the state's website to see if the item is available under state contract (<http://www.mmd.admin.state.mn.us/>).
 7. If item is available under state contract, you may also try to obtain local quotes (for items less than \$175,000).
 8. Prepare a reasonable specification, if necessary.
 9. Meet public notification requirements, if necessary.
 10. Communicate your actions with the City Administrator throughout the entire purchasing process.

11. Follow appropriate procedures for sale/disposal of items replaced. The same guidelines apply for sales that apply for purchases. This applies to trade-ins also (even under the state contract).
12. Maintain copies of sealed bids and competitive quotes for the appropriate required amount of time.
13. Use the LMNC's handbook, ~~Chapter 23~~ (<http://www.lmnc.org/handbook/chapter23.pdf>).
14. Remember, the goal is to always get the best value for the city.

F. **Authorization Procedures**

1. Each invoice should contain the initials of an authorizing party.
2. Each invoice should contain the account distribution and project number if applicable.
3. Designated authorizing parties may only authorize charges to their own department. If the account distribution is to another individual's department, that individual will need to authorize the purchase as well.
4. See Exhibit A for a listing of designated authorized staff.
5. The finance department will not process any disbursements, including petty cash disbursements without the appropriate authorizations.
6. For any purchases over \$100,000, please reference council resolution number authorizing the purchase.

19.2 EMPLOYEE REIMBURSEMENT POLICY AND PROCEDURE

The Employee Reimbursement process is one means of purchasing goods and services necessary for conducting City business.

- A. Expenditure Limits for an Individual Purchase
No individual purchases allowed for over \$500 without pre-approval by the employee's department head or direct supervisor.
- B. Funding Authorization
 - The Employee Reimbursement Authorization Form (see Exhibit C) must include the appropriate funding codes.
 - It is the responsibility of both the employee and approver to verify available funding levels prior to submitting to Finance for reimbursement.
- C. Supporting Documentation

Employees must submit a completed signed Employee Reimbursement Authorization Form and the supporting documentation for the allowable business expenditures *within 30 days* of purchase to his/her supervisor for approval (prior to submission for payment). Each expenditure shall be substantiated by the following supporting documentation:

- Reason and purpose of the purchase, as well as why the item was not purchased via the normal purchase process (charges made on account – to be invoiced).
- Original receipts, which include vendor name, date of purchase, individually itemized with exact dollar amounts – no copies.
- Additional supporting documentation (packing slips, etc.) must also be original – no copies. This would include documentation of any pre-approval for expenditures over \$500.
- Employee signature which also acknowledges the business appropriateness of the expenditure.
- A copy of seminar registration materials for all travel related to conferences and training must be included indicating dates, times, location and if meals are included.

If original receipts and/or supporting documentation is unavailable (one occurrence per calendar year), the employee must provide written explanation and signed certification stating the reason the original is unavailable. Reimbursements requested without the required supporting documentation will not be processed. Unsubstantiated charges will be the employee's responsibility.

D. Review and Approval

Approval of an Employee Reimbursement Authorization request is required from the employee's supervisor and/or department head prior to reimbursement.

- The Approver's signature must be original – copies/stamped approvals are not acceptable, nor is delegation of the review.
- Approvers cannot approve own expenditures. If an Approver is part of a combined group expenditure, the highest-ranking employee in the group will submit the expenditure for approval to his/her supervisor.
- Expenditures of department heads are to be reviewed by the City Administrator, with original signatures. Approval authority cannot be delegated.
- Expenditures of the City Administrator are to reviewed/approved by the Council President with original signatures. Approval authority cannot be delegated.
- Finance department will also review for completeness, supporting documentation, expenses in accordance with City policy and Minnesota state statute, and proper level of approvals prior to processing for payment.
- It is the responsibility of the Approver to ensure that the Employee Reimbursement Authorization Form is completed and that adequate documentation has been provided to support that the expenditure is a valid City expense. The Approver needs to review for:
 - Timely submission of reimbursement request (within 30 days from purchase); requests not submitted in a timely fashion will be the employee's responsibility;
 - Proper forms/documentation and reasons for purchase;
 - Mathematical accuracy;
 - Original detailed receipts;

- Documentation of the pre-approval for expenditures over \$500, if applicable;
- Signed Reimbursement Form;
- Compliance with the City's policies (i.e. travel policy, if travel related)
- Proper allocation of expense according to budget procedures and to the proper budget category; and
- Escalation to the City Administrator of any expense that appears to be out of the ordinary (i.e. abnormally large expenses, poorly documented expenses, purchases not generally required for normal City business) for a more focused review.

When the approval is complete, the Approver submits the reimbursement request and documentation to the Finance Department for processing. This process needs to be completed *within ten days* from the time that the employee submits the Employee Reimbursement Authorization Form to their supervisor.

E. Reimbursement/Payment Process

- The expenditure is processed for payment after the supporting documentation has been properly reviewed, approved, and received by the Finance Department as indicated in Section D above. The Finance Department will verify that the Employee Reimbursement Authorization Form has been completed and that original supporting documentation matches the reimbursement amount before processing the payment.
- Payments will be processed as part of the City's normal claims processing. All claims received prior to 10 a.m. of the Wednesday prior to each council meeting will be processed for payment the following week.

F. Acknowledgement Agreement

Employees are required to sign an Acknowledgement Agreement (Exhibit D) indicating that they accept the terms of this Employee Reimbursement Policy. Failure to comply with this Policy and related procedures may make the employee accountable for any questionable expenditures and subject to disciplinary action up to termination of employment.

G. Unallowable Types of Expenditures:

Below is a listing of expenditures that are not considered appropriate when conducting City business. This list is intended to reduce the risk of inappropriate expenditures being paid with taxpayer dollars. This listing is in accordance with the Minnesota State Statute on public purpose expenditures. This listing is not intended to be an exhaustive listing of all unallowable expenditures. If in doubt about a potential expenditure, the employee should discuss with the City Administrator or Finance Director.

Unallowable/Restricted Expenditure Types

- Refreshments/Food (for routine staff meetings)
- Food, supplies or other costs (for employee events/holiday parties/birthdays)
- Gifts/Flowers/Gift Cards
- Alcoholic Beverages/Tobacco Products/Controlled Substances
- Personal Items
- Sponsorship/Donations
- Entertainment/Recreational Activities
- Appliances (e.g. microwaves, dishwashers, refrigerators, coffee makers)

- Kitchen Textiles (e.g. napkins, cups, utensils used in break rooms)
- Office Décor Items
- Traffic Citations/Parking Violations/Fines and Penalties
- Car Washes
- Supplies and materials (for which the City has a more economical purchasing option)
- Any other item deemed inappropriate/unnecessary for conducting City business.

19.3 EMPLOYEE CITY CREDIT CARD USE POLICY AND PROCEDURES

A City of Owatonna credit card is one means of purchasing goods and services necessary for conducting City business. The City of Owatonna authorizes the use of a credit card in limited circumstances. They are not to be used as a regular vehicle with which to conduct City business. With the exception of expenditure limits, this policy also applies to charges made on account by any of the City's employees.

A. Expenditure Limits for Credit Card Use

The standard limits put in place shall be \$1,500 for a single purchase maximum and \$5,000 for the monthly spending maximum. Actual limits may be set by a department head as they deem necessary. Any exceptions in excess of the standard maximums must be approved by the City Administrator.

B. Funding Authorization

- The supporting documentation provided for each charge must include the appropriate funding codes.
- It is the responsibility of both the employee and approver to verify available funding levels prior to submitting to Finance for payment.

C. Supporting Documentation

Employees must submit supporting documentation for the allowable business expenditures within 5 days of receiving the monthly statement to his/her supervisor for approval (prior to submission for payment). Each expenditure shall be substantiated by the following supporting documentation:

- Reason and purpose of the purchase, as well as why the item was not purchased via the normal purchase process (charges made on account – to be invoiced).
- Original receipts, which include vendor name, date of purchase, individual itemized with exact dollar amounts – no copies.
- Additional supporting documentation (packing slips, etc.) must also be original – no copies.

If original receipts and/or supporting documentation is unavailable (one occurrence per calendar year), the employee must provide written explanation and signed certification stating the reason the original is unavailable. Any charges that are not supported by detailed receipts will be the cardholder's responsibility.

D. Purchases

- Credit cards will only be used by those individuals otherwise authorized to make purchases on behalf of the City.
- Credit cards will only be used for City business purposes; personal expenditures of any type are strictly prohibited.
- Cash advances are prohibited.
- Purchases of any meals with the credit card is prohibited. These should be handled through employee reimbursement.
- All credit card purchases must be in compliance with the existing City purchasing policy and procedures.
- Use by anyone other than the cardholder is not recommended. The only person entitled to use a credit card is the person whose name appears on the face of the card. If the cardholder delegates that right, they are still ultimately responsible for any charges made with the card.

E. Disputed Charges

Billing discrepancies can result from, but are not limited to, failure to receive goods or services that were charged, duplicative or altered charges, defective merchandise, error, misuse, and fraud. The cardholder is responsible for following up with the vendor and/or bank on any disputed charges. The cardholder will be held accountable for all charges unless the charges have been properly disputed.

F. Lost or Stolen Card

Lost or stolen cards must be reported immediately to the credit card company and also the Finance Department.

G. Acknowledgement Agreement

Employees are required to sign an Acknowledgement Agreement (Exhibit D) indicating that they accept the terms of this Credit Card Use Policy. Failure to comply with this Policy and related procedures may make the employee accountable for any questionable expenditures and subject to disciplinary action up to termination of employment.

H. Credit Card User's Agreement

Employees that are issued credit cards in their name are required to sign a User's Agreement (Exhibit E) indicating that they accept the terms of the User's Agreement. Failure to comply with this agreement may make the employee accountable for any questionable expenditures and subject to disciplinary action up to termination of employment.

19.4 PETTY CASH POLICY AND PROCEDURES

Petty Cash is available for small, non-recurring purchases. It shall only be used for the payment of a claim if it is impractical to pay the claim in any other manner.

A. Expenditure Limits for an Individual Purchase

No individual purchases allowed for over \$50.

B. Funding Authorization

The Petty Cash Voucher Form (see Exhibit F) must include the appropriate funding codes and approvals.

C. Supporting Documentation

Employees must submit a completed signed Petty Cash Voucher Form and the supporting documentation for the allowable business expenditures to the custodian of the petty cash. Each expenditure shall be substantiated by the following supporting documentation:

- Reason and purpose of the purchase, as well as why the item was not purchased via the normal purchase process (charges made on account – to be invoiced).
- Original receipts, which include vendor name, date of purchase, individual itemized with exact dollar amounts – no copies.
- Additional supporting documentation (packing slips, etc.) must also be original – no copies.
- Employee signature which also acknowledges the business appropriateness of the expenditure.

D. Review and Approval

Any petty cash purchase must be approved according to the City's purchasing procedures.

- The Approver's signature must be original – copies/stamped approvals are not acceptable, nor is delegation of the review.
- Approvers cannot approve own expenditures. If an Approver is part of a combined group expenditure, the highest-ranking employee in the group will submit the expenditure for approval to his/her supervisor.
- Expenditures of department heads are to be reviewed by the City Administrator, with original signatures. Approval authority cannot be delegated.

It is the responsibility of the Approver to ensure that the Petty Cash Voucher Form is complete and that adequate documentation has been provided to support that the expenditure is a valid City expense. The Approver needs to review for:

- Proper forms/documentation and reasons for purchase;
- Mathematical accuracy;
- Original receipts;
- Proper allocation of expense according to budget procedures and to the proper budget category; and
- Escalation to the City Administrator of any expense that appears to be out of the ordinary (i.e. abnormally large expenses, poorly documented expenses, purchases not generally required for normal City business) for a more focused review.

E. Ineligible Petty Cash Purchases

- If the purchase is for something that could be purchased through the normal procurement process (charges made on account – to be invoiced), petty cash is not to be used.

Chapter 19: Purchasing

- If the purchase is for an item that should be handled through the employee reimbursement, petty cash is not to be used (i.e. meals, postage, travel expenses).
- State statute prohibits the use of petty cash for salaries or personal expenses of an employee.

F. Custody of Petty Cash

The custodian of petty cash must keep the petty cash in a locked desk, safe, or file cabinet to which access is limited.

G. Unannounced Audits of Petty Cash









The custodian must be prepared for unannounced audits of petty cash. At any time, the amount of cash on hand plus any petty cash vouchers, should equal the amount of the approved petty cash.

Designated Staff Authorized to Approve Purchases \$5,000 or Less

Finance Director
Director of Human Resources
Police Chief
Police Captains
Fire Chief
Community Development Director
Community Development Manager
Airport Manager
Housing Manager
Building Official
City Engineer
Assistant City Engineer
Wastewater Manager
Director of P&R and Govt Bldgs
Recreation Manager
Maintenance Manager
Maintenance Foreman
Director of Library Services
Asst Library Director
Librarian (3)
Director of Information Technology

Public purpose expenditure chart

This chart provides a summary of tests a public expenditure should meet in order to be valid. If an expenditure does not pass all of the following questions, the expenditure may be doubtful. In this case, a city should consult its city attorney before making the expenditure.

Test	Answer	Public expenditure NOT authorized	Public expenditure authorized
Does a statute or charter provision specifically or implicitly authorize the specific expenditure?	Yes		
	No		
Does the expenditure benefit the community as a whole?	Yes		
	No		
Is the expenditure directly related to the functions of government?	Yes		
	No		
Does the expenditure have as its primary objective the benefit of a private interest?	Yes		
	No		

**CITY OF OWATONNA
EMPLOYEE REIMBURSEMENT AUTHORIZATION FORM**

EMPLOYEE: _____ TITLE: _____

DESTINATION: _____ FUND DISTRIBUTION: _____

PURPOSE: _____

MILEAGE FOR PERSONAL CAR: _____ MILEAGE @ \$0.00 PER MILE = _____

DO YOU RECEIVE AUTO ALLOWANCE (Y or N) _____ IF CITY VEHICLE USED, UNIT # _____
(Enter amount below also)

*****A DETAILED RECEIPT IS REQUIRED FOR ALL ITEMS LISTED BELOW EXCEPT MILEAGE*****

DATE							Amount Charged to City Credit Card	Amount Due to (from) Employee
TRANSPORT /MILEAGE								
HOTEL/MOTEL								
BREAKFAST - \$8+								
LUNCH - \$15+								
DINNER - \$25+								
PARKING								
TAXI								
REGISTRATION								
OTHER (EXPLAIN)								
TOTALS								

* Exception for certain metropolitan areas

TOTAL AMOUNT DUE TO (FROM) EMPLOYEE _____

I HEREBY CERTIFY THAT THE EXPENSES INDICATED HEREON ACCOMPLISHED CITY BUSINESS AND THAT INFORMATION SHOWN HEREON IS CORRECT, AND THAT NO PART OF THE AMOUNT WAS FOR AN EXPENDITURE OF A PERSONAL NATURE.

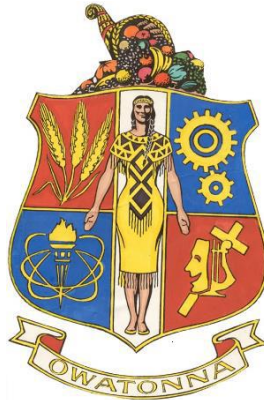
DATED: _____ EMPLOYEE SIGNATURE: _____

REMARKS: _____

DATED: _____ APPROVED BY DEPARTMENT HEAD: _____

** THE CITY WILL REIMBURSE FOR THE LOWEST COST OF TRANSPORTATION **

YOU MUST ATTACH A COPY OF SEMINAR REGISTRATION MATERIALS FOR ALL TRAVEL RELATED TO CONFERENCES AND TRAINING (INDICATING DATES, TIMES, LOCATION, AND IF MEALS ARE INCLUDED)



PURCHASING POLICIES ACKNOWLEDGEMENT AGREEMENT

I have read and understand the intent and contents of the Purchasing Policies including employee reimbursement, credit card, petty cash, and making charges on account. I understand that I am responsible for abiding by the City of Owatonna Policies.

Failure to comply with these Policies and the related procedures may make me as an employee accountable for any questionable expenditure(s) and subject to disciplinary action up to termination of employment.

Signature: _____ Date: _____

Print Name: _____

Department: _____

Credit Card User's Agreement

This credit card represents the City's trust in you. You are empowered as a responsible agent to safeguard city assets. Your signature below is verification that you have read the credit card policy and agree to comply with it as well as the following responsibilities.

1. I understand the card is for city-approved purchases only and I agree not to charge personal purchases.
2. Improper use of this card can be considered misappropriation of city funds. This may result in disciplinary action up to and including termination of employment.
3. If the card is lost or stolen, I will immediately notify the credit card company by telephone. I will confirm the telephone call by mail or facsimile with a copy of the notification to the finance department.
4. I agree to surrender the card immediately upon termination of employment, whether for retirement, voluntary or involuntary reasons.
5. The card is issued in my name. It is recommended that I not allow any other person to use the card. I am considered responsible for any and all charges against the card whether made by me or my designee.
6. All charges will be billed directly to and paid by the City. The bank cannot accept any monies from me directly; therefore any personal charges billed to the City could be considered misappropriation of funds.
7. As the card is city property, I understand that I may be periodically required to comply with internal control procedures designed to protect city assets. This may include being asked to produce the card to validate its existence and account number. I may also be asked to produce receipts and statements to audit its use.
8. I will receive a monthly statement, which will report all activity during the statement period. Since I am responsible for all charges (but not for payment) on the card, I will resolve any discrepancies by either contacting the supplier or the bank.
9. I understand a credit card is not necessarily provided to all employees. Assignment is based on my need to purchase materials for the city and/or to provide for city training/travel. My card may be revoked based on change of employment status. I understand that the card is not an entitlement nor reflective of title or position.
10. I understand that all charges to my card must be supported by detailed receipts. Any charges that I can not provide substantiation for will be my responsibility.
11. Your single purchase maximum is \$_____. Your monthly spending total is \$_____.

Employee Signature

Date

Department Head/Supervisor Signature

Date

Issuing Company: _____

Card Number: _____