

ORDINANCE NO. 02-2023
AN ORDINANCE OF THE BOROUGH OF SEA BRIGHT
ADOPTING A PURCHASING MANUAL

WHEREAS, the Borough of Sea Bright finds it prudent to periodically review its policies and procedures; and

WHEREAS, in furtherance of such goals, the Borough previously has from time to time adopted purchasing policies, with the most recent purchasing manual adopted in February, 2007; and

WHEREAS, the Borough has reviewed the provisions of its current manual and finds that modifications are warranted; and

WHEREAS, the Chief Financial Officer of the Borough of Sea Bright has determined that it is in the best interest of the Borough and its residents to amend said Purchasing Manual.

Now, therefore, be it ordained, by the Borough Council of the Borough of Sea Bright in the County of Monmouth and the State of New Jersey as follows:

Section One.

The purpose of this purchasing manual is to describe the purchasing system of the Borough of Sea Bright. The primary focus of this manual is on the purchase of goods and services. A section of the manual is devoted to Statutory and Mandated services. The rules under which the borough's purchasing system functions are governed by the Local Public Contracts Law of the state. In addition, certain township ordinances govern certain aspects of the purchasing system.

This manual is intended to serve as a general guide to the borough's purchasing system. It is not the intent of this manual to address every question. Any questions which may arise and are not covered by this manual may be directed to the Chief Financial Officer.

A key rule to follow is that all purchases must be approved prior to the purchase being made. The process begins with the submission of a requisition form. *Purchases made without following the procedures contained in this manual are the responsibility of the employee making the purchase. The borough has no obligation to make payment for any purchases made outside of these procedures. An employee who fails to comply with these purchasing requirements shall be subject to disciplinary action as may be appropriate.*

FINANCE DEPARTMENT ROLE

The Borough Finance Department administers the purchasing system. All processing of submitted requisitions, purchase orders and vouchers, as well as related record keeping is performed by the Finance Office. Departments are directed to limit their relationship with vendors to contact which is necessary to aid in obtaining quotes and specification information.

The Finance Office has the obligation to coordinate vendors and using department requirements in such a manner as to assure fairness to the vendor and satisfaction of the using department. The CFO or Administrator may, at their discretion, substitute other goods of equal quality for the items requested when it is in the best interest of the borough to do so.

Another function of the Finance Office shall be the administration of a centralized purchasing system which exercises control on purchasing independent of, but in cooperation with all departments. The Finance Office will, through the administration of such a system, control spending within the budget to avoid over expenditures and provide greater financial control.

DEPARTMENTAL REQUISITIONS

By definition, a requisition is a document requesting goods or services with quantity and price, submitted prior to purchase. Departmental requisitions must be utilized by a department to request authorization to purchase from the Finance Office. This document serves two very important functions. It provides a record for the Department Head on requested purchases, and it supplies the necessary information to the Finance Office who will use the completed form to produce a purchase order.

Any department wishing to make a purchase should accurately complete a requisition form by following the instructions outlined in **Appendix A** of this manual. Upon completion of a properly prepared requisition, all should be forwarded to the Finance Office for approval.

Once approved, the Finance Office will utilize the requisition in the preparation of the purchase order. In addition, the Finance Office may obtain price quotations in addition to those collected by the using department to ensure that the lowest possible price is obtained. The CFO and/or designee will review all purchases to ensure compliance with State Law.

Proper planning and preparation of requisitions in ordering goods and services are very useful planning tools. This can assist all Department heads in the overall administration of their budgets.

Requisitions which are denied will be returned to the department which originated the request.

REQUISITIONS NOT MANDATORY

Certain borough expenses do not require a requisition prior to encumbering the borough. These items follow the regular purchasing procedure prior to issuance of payment, however, do not require Council signature and approval prior to placement on a bill list.

They include:

- Debt Service
- Insurance
- Pension, Social Security, and Unemployment
- Tax Payments to County, School, and Fire Dist.
- Public Assistance
- Municipal Escrow Accounts
- Tax Appeals and Refunds
- All Employee Reimbursements and Petty Cash
- Medicare Reimbursements
- Election Board Members and Polling Places
- Contractual Payments
- Other Items as Approved

PURCHASE ORDERS

The purchase order is a numbered form which fulfills many different functions. A general rule in purchasing is not to buy anything without an authorized purchase order and/or purchase order number.

A purchase order is a vendor's authority to sell a particular material or service to the borough. Without this authority, the borough has no obligation to accept or pay for any materials or services rendered. If this situation occurs the obligation to pay would be on the employee who placed the order.

The purchase order contains important information regarding payment procedures for the vendor and is the document used by the vendor to submit his/her claim for payment.

The Borough's Finance Office prepares all purchase orders from approved requisitions submitted by the various departments. It should be noted that it is the responsibility of the department to make sure that items requested are the exact items and quality needed for the purpose intended. Once a purchase order is prepared it shall be immediately encumbered before it is sent to the vendor.

The department is sent a copy of the purchase order and is responsible for forwarding it to the vendor to place the order. The PO also supplies the department with a record of what exactly was ordered and from whom. Department heads should use this form to keep track of materials not yet received.

The PO must be signed by the vendor and the Department Head certifying receipt of the materials or services prior to payment. After the PO is signed by the department personnel, it is sent back to the Finance Office. Upon receipt, the Finance Office will process the PO for payment. The Finance Department compiles a bill list from the posted PO's and prepares the checks which are then submitted to the Borough Council for approval. After the Borough Council approves the bill list, the checks can be released to the vendors. All pertinent information such as check number and date paid is entered on each PO and kept on file in the Finance Department as the permanent record of all purchases borough wide.

SIGNATURES

There are three signatures on the purchase order all of which are extremely important and required to complete the purchasing process. The first signature required certifies that sufficient funds are available in the budget to pay for the purchase. The vendor's signature on the voucher is indication that services have been rendered and the bill is correct. This is called the claimant's certification and declaration. Next is the departmental certification which is proof that the materials and/or services have been received at the specified amount on the invoice.

ESTIMATES

There are occasions when the total price for services will not be known until the work has been completed. In order to accommodate these situations, a procedure for dealing with estimates has been developed.

When a situation as described above develops, a requisition should be prepared and processed as normal. The requisition should include the estimated price for the work. Once the purchase order is prepared and processed, the department will be supplied with the purchase order number. This number shall be provided to the vendor as his authorization to complete the work. Once the work is completed, the total price and invoices shall be given to the Finance Office. This information will be used to complete the purchase order. When the purchase order is completed, it will be sent to the vendor as a confirmation purchase order. Any increase in an estimate must be made by requisition with the appropriate documentation at the time of the increase.

BLANKET PURCHASE ORDERS

In certain circumstances, when a vendor is to be paid on a regular basis or several purchases will be made over a period, one blanket purchase order may be issued.

Under this system a single purchase order is issued to the vendor, when purchases are made, the Borough will apply invoices submitted for payment against the previously issued purchase order. Each PO shall be identified by indicating how many payments have been made. The numbering of all PO's is handled by the Finance Office. Under no circumstances shall any other department number the vouchers.

The purchase order amount can be increased. However, the request for an increase must be made by requisition or resolution and processed through the normal procedures. In the case of bids, the amount may be increased only by the amount as provided by State Law. Requests for an increase must be processed prior to the end of the month and before any additional purchases are made.

EMERGENCY PURCHASES

There are times when emergencies do arise which require the need for the immediate purchase of materials and supplies. Emergencies are situations where there exists the need to protect the safety, health and welfare of the general public.

It is the responsibility of every department to utilize proper planning in ordering materials and supplies. Emergency buying can be very costly and time consuming. Requisitions should be prepared far enough in advance of need to minimize emergency situations. The key to avoiding emergency situations is utilization of proper planning procedures.

The following procedures are to be followed when making emergency purchases:

Emergency purchases under \$500.00 must be submitted to the Finance Office by the next working day, accompanied by a memorandum to the CFO and Borough Administrator indicating the nature of the emergency purchase.

Emergency purchases over \$500.00 require the approval of the CFO or Treasurer. If they can not be reached, the Administrator, Mayor or Council President must approve the purchase. If neither can be reached, the department head must document the attempts to make contact. If the purchase exceeds \$10,000.00 the Chief Financial Officer must be notified.

In all the above cases, the Department Head must, within 24 hours of the purchase, process a requisition through the normal procedures. Attached to the requisition, in addition to the invoices, there should be a statement indicating what the nature of the emergency was and why a purchase had to be made. Once a purchase order is prepared, it will be sent to the vendor as a confirmation purchase order.

Under no circumstances are these procedures to be utilized to circumvent the normal purchasing system.

EXPEDITED PURCHASE ORDER

The processing of requisitions may take several days. Recognizing that there are times when materials and supplies are needed immediately, an expedited procedure has been developed.

Under this procedure, a requisition is accelerated through the approval process. A requisition is entered into Edmunds and the Department Head will then notify the Finance Office, who will take immediate action to secure proper approval. A purchase order is promptly processed in order that the department obtain the needed material and supplies.

PAYMENT PROCEDURE

It is important for departments to understand the Borough's payment procedure and its relationship to the encumbrance system. The key to the system is that funds must be encumbered prior to the issuance of a purchase order to a vendor. Only PO's which have had funds encumbered will be paid.

The Borough of Sea Bright pays bills the day following each scheduled meeting of the Governing Body. Therefore, it is important that all paperwork needed for payment be handled in a timely manner. All PO's must be signed by a Department Head and the vendor prior to being placed on the bill list.

SURPLUS EQUIPMENT

Surplus or outdated equipment may be disposed of in any of the following ways:

1. Transfer to another Borough Department.
2. Trade-in on new equipment.

3. Sale at public auction.

4. Sale as scrap.

In disposing of any equipment, all spare parts for the equipment should be disposed of at the same time.

All surplus equipment and/or materials shall be reported to the Borough Clerk's Office.

If surplus equipment is sold it will be done through the Clerk's Office. Sale of said equipment will be conducted in accordance with State Law.

The Finance Office must be notified of any surplus items that have been disposed of in order to update the Fixed Asset records.

CANCELLED ORDERS

If, after an order is placed, it is decided that the materials and/or services are no longer needed, the Finance Office should be notified as quickly as possible. The Department Head and/or Finance Office will notify the vendor to cancel the order. A delay in notifying the vendor may result in an unnecessary expense to the Borough.

Adequate thought and planning given to purchases prior to making out requisitions will prevent orders they need from being cancelled.

PERSONAL EXPENSES

Employees can submit vouchers for personal expenses. However, under no circumstances may an employee receiving reimbursement sign the Borough certification on the voucher. (These expenses may also be handled through the normal requisition process.)

CONFERENCES AND SEMINARS

Expenses in connection with attendance at seminars and conferences will be handled as described below.

A requisition should be prepared prior to the event with an estimate of the cost indicating the maximum an employee may spend. All claims for reimbursement of expenses must be submitted on a voucher or requisition. All receipts and documentation must be submitted with the voucher. Only the Borough employee authorized to attend the seminar or conference can be reimbursed for expenses incurred.

Reimbursable expenses may include meals, tolls, room, registration fees and transportation costs outlined by the Borough policy.

PETTY CASH

There are times when it is more economical and efficient to pay cash for an item when the total amount of a purchase does not exceed \$20.00.

To eliminate this extra work, a cash payment may be authorized by the Department Head. A signed cash receipt must be obtained prior to any reimbursement from the petty cash fund. Any petty cash drawn from the fund will be charged back to the using department's budget.

All purchases must be approved by the Finance Office prior to the actual purchase being made.

The use of the petty cash fund is not to be used to circumvent the regular purchasing procedures. Such expenditures are limited to personal expenses, travel expenses and small emergency purchases.

SPECIFICATION WRITING

Specification writing is a very important part of the purchasing system. A detailed description of the equipment or its purpose must be stated.

There are specifications available which should be reviewed when bid documents are prepared. When prepared, the specifications should be detailed enough to permit the bidder to offer exactly the right product. If the specifications are too ambiguous, the bidder will most likely offer the cheapest product. However, specifications should not be written so tightly to unnecessarily restrict vendors from bidding as a guideline, specification should be written to promote competition without bias.

All specifications written for the Borough shall be prepared by a designated department, or individual, on a case-to-case basis. Departments may be requested to submit sample specifications from time to time. It is the responsibility of each department to meet with the Finance Office to ensure that the quantity and quality of the items being ordered are the required materials and/or services for the work that is to be undertaken.

Section Two.

All Ordinances or parts of Ordinances inconsistent with this Ordinance, to the extent of such inconsistencies only, be and the same hereby are repealed.

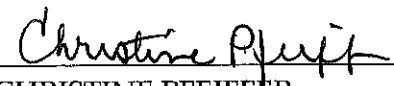
Section Three.

This Ordinance shall take effective immediately upon final passage and publication as provided by law.


I HEREBY CERTIFY this to be a true and correct Ordinance of the Mayor and Borough Council of the Borough of Sea Bright, introduced on February 21, 2023 and will be further considered after a Public Hearing held on March 7, 2023.

INTRODUCED: February 21, 2023
PUBLIC HEARING: March 7, 2023
ADOPTED: March 7, 2023

Witness


CHRISTINE PFEIFFER
Borough Clerk

BOROUGH OF SEA BRIGHT,


BRIAN P. KELLY
Mayor

APPENDIX B

PURCHASING PROCEDURE

REQUISITIONING

- 1). DEPARTMENT HEAD
 - a. Obtains quotes from vendors
 - b. Obtains approvals from CFO or Administrator if required
 - c. Enters requisition in Edmunds as 1st Approval
- 2). FINANCE
 - a. Reviews requisitions for accuracy and content
 - b. Certifies availability of funds
 - c. Approves requisition
 - d. Generates and encumbers Purchase order
 - e. Provides Department Head with Purchase Order within ten business days
- 3). DEPARTMENT HEAD
 - a. Forwards original purchase order to vendor
 - b. Places order for goods/services

RECEIPT AND PAYMENT

- 1). FINANCE
 - a. Receives all original purchase orders and invoices from vendor
 - b. Submits above to department for certification of receipt
- 2). DEPARTMENT
 - a. Certifies receipt of goods/services
 - b. Returns PO to Finance
- 3). FINANCE
 - a. Verifies documentation
 - b. Prepares bill list for Governing Body payment approval
 - c. Generates check and forwards payment to vendor