



DRUMHELLER

COUNCIL POLICY



COUNCIL POLICY # C-03-09

PURCHASING

PURPOSE OF POLICY

1. This purchasing policy is a guide to the Town of Drumheller purchasing methods. The policy will enable the Town to obtain needed materials, equipment, supplies, and services efficiently and economically and provides the foundation for sound purchasing Procedures.
2. The Municipality is bound by the Trade, Investment and Labour Mobility Agreement (TILMA) that requires fair and open tendering of procurement opportunities. Purchases over the thresholds of \$75,000 for goods and services and \$200,000 for construction are subject to the requirements of the Agreement that requires non-discrimination and transparency in procurement policies and practices. Corporate Services will review all tender documents issued on behalf of the municipality to ensure compliance with the Trade, Investment and Labour Mobility Agreement.

POLICY GUIDING PRINCIPLES

3. Ensure a high level of accountability is maintained;
4. Procure the necessary quality and quantity of goods and services in an efficient, timely and cost effective manner, while maintaining the controls necessary for a public institution;
5. Encourage an open non-discriminatory bidding process practicable for the acquisition of goods and services;
6. Recognize the value of supporting local businesses wherever possible, subject to the terms and conditions of this policy;
7. Ensure the maximum value of an acquisition is obtained by determining the total cost of performing the intended function over the lifetime of the task, including, but not be limited to: acquisition cost, training cost, maintenance cost, operating cost, quality of performance and environmental impact;



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8. Be subject to all applicable Town policies and bylaws, any specific provisions of the Municipal Government Act, or other relevant legislation;
9. Promote positive vendor relations, cultivated by informed and fair buying practices and strict maintenance of ethical standards.

DEFINITION OF RESPONSIBILITIES

10. The Chief Administrative Officer is responsible for the overall oversight of all municipal operations and staff under the direction of the Mayor and Council, as per the approved budget, policies and procedures of the Town of Drumheller.
11. The Director of Corporate Services is responsible for all aspects of the financial operations of the Town of Drumheller in accordance with the Municipal Government Act, all applicable laws and agreements, and all related Bylaws. In addition, the Director of Corporate Services is responsible, as follows, to:
 - 11.1 Ensure accounts for authorized expenditures referred to in Section 248 of the Municipal Government Act are paid in accordance with the Municipal Government Act, Town Bylaws, policies and contracts;
 - 11.2 Oversee the formal bid process, including advertising for bids, notifying vendors, accepting bid proposals, opening bids, tabulating bids, and serving as a resource for questions from vendors and staff.
 - 11.3 Will monitor the tender process to ensure compliance with this policy. The Corporate Services Director may review in detail any tender or tender award.
 - 11.4 Corporate Services will directly purchase goods and services where there is a financial advantage to the municipality to purchase in bulk or where several departments are purchasing goods and services that are essentially the same
12. The Director of a Department is responsible to:
 - 12.1 Ensure that all contractual obligations are supported by an appropriation that authorizes the expenditure;



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- 12.2 Comply with all Town purchasing procedures covering procurement and disposal;
 - 12.3 Establish department guidelines for maintaining appropriate levels of inventory supplies;
 - 12.4 Review and finalize all purchases;
 - 12.5 Ensure the maintenance of adequate purchasing records, including a database of vendors established in an accessible vendor file;
 - 12.6 Upon request, assist department staff in locating the best source for supplies, materials, and equipment;
 - 12.7 Assist department staff in conducting negotiations with vendors concerning prices, bids, terms, deliveries, and adjustments;
 - 12.8 Ensure all purchases are made by department personnel in accordance with this policy;
 - 12.9 Review all correspondence to salespersons and vendors, except when technical details can be better written by the department;
 - 12.10 Keep on file vendor information, catalogues, samples, price quotes, etc. to be used by all department employees;
 - 12.11 Conduct the formal bid process, including advertising for bids, notifying vendors, accepting bid proposals and serving as a primary resource for questions from vendors.
13. All Town employees, elected officials are responsible to comply with all the rules and regulations set forth herein and to conduct business with vendors in a professional manner that promotes honesty and fairness:
- 13.1 Requisition goods and services in such a way as to allow time for competitive bidding, ordering, and delivery of materials.
 - 13.2 Obtain these goods based upon competitive bids and to give consideration to product price, value, quality, performance, and delivery.



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PROHIBITIONS

14. No employee shall benefit personally from purchases made on behalf of the Town.
15. Violations of the purchasing policy may result in disciplinary action, up to and including dismissal.

PURCHASING REQUIREMENTS

16. No expenditure or total of such expenditures shall exceed the approved line item budget, or adversely affect other budgetary items.
17. Where a required expenditure exceeds the budget the individual requesting approval must identify available funds for the required expenditure and submit a budget change form to reallocate budget dollars to the Director of Corporate Services and remains within the overall budget, prior to purchasing.
18. Expenditures must be coded to the budget line item to which it belongs.
19. Award of Orders for Purchase or Contracts shall be made for equipment, supplies and services that will give the greatest value based on quality, specifications, service, price, and timely delivery.
20. Local suppliers may be granted preference provided all things are considered equal once quotes and specifications have been reviewed. Local suppliers will not be given preference on the sole basis that they are local.
21. Obtaining annual fixed pricing for goods and services up to a maximum determined quantity can be arranged, subject to the terms and conditions of the purchasing policy.

No Tender Required

22. Purchases up to \$5,000 may be made by authorized personnel subject to the purchasing limits in Appendix "A". A review of suppliers and pricing should be done and documented on a periodic basis.

Informal Tender

23. Purchases between \$5,000 and \$50,000 must obtain written quotes (letter, faxed or email) for goods or services. Purchases will be awarded based on these written quotes by authorized personnel subject to the purchasing limits in Appendix "A".



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Formal Tender

24. Purchases in excess of \$50,000 require a formal bid by tender or proposal process awarded by the Chief Administrative Officer or Council.
25. Departments will analyze all bids received utilizing the evaluation criteria and weighting factors established in the tender documents. The criteria and weighting cannot be changed once the tender call has been issued.
26. Providing the successful bid is the lowest cost bid; meets all of the terms and conditions of the tender; the purchase or project has been approved by the Council and sufficient funds are available in the departmental budget, CAO can award tenders up to \$250,000.
27. Any tender which exceeds \$250,000., is not the lowest tender received, or exceeds the budgeted figure must receive prior approval of Council before being awarded.
28. In a situation for purchases over \$5,000, where it is not possible to obtain three bids or quotes, reasons for the lack of sufficient bids have to be documented prior to purchasing and submitted to the Director of Corporate Services for approval

EMERGENCY PURCHASES

29. Occasionally purchases need to be made on an emergency basis.
Emergency purchases means the purchase of goods, materials, supplies or services which are required to remedy a situation where the health, safety, welfare or quality of welfare of the public or public property is endangered or severely reduced if immediate corrective or preventive action is not taken. The appropriate Director shall be notified of an emergency at the earliest opportunity.
30. Where an emergency condition exists and there is an immediate need to purchase goods, services or equipment exceeding purchasing limits and/or budget, the procurement procedure for such commodities shall be as follows:
 - 30.1 The Director of the requesting department shall first identify those supplies or services necessary to meet the emergency.
 - 30.2 The Director shall obtain at least three (3) written quotes/proposals from prospective vendors.



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- 30.3 Upon determining the quote/proposal most favourable to the Town and prior to making the emergency purchase, the Director shall submit to the Chief Administrative Officer, in writing with a copy to the Director of Corporate Services, the following information:
- 30.3.1 Description of the goods/services necessary to meet the emergency.
 - 30.3.2 A full explanation of the circumstances of the emergency.
 - 30.3.3 A list of vendors solicited and the quotes/proposals received.
 - 30.3.4 The reason for selection of a particular firm.
 - 30.3.5 The total costs required for the emergency procurement.
 - 30.3.6 The account codes(s) from which funds are to be expended.
31. If the Chief Administrative Officer determines an emergency exists the competitive bidding requirements for purchases may be waived.
32. Immediately following the procurement, the Director shall prepare and submit a Request for Decision together with supporting documentation to the Council for ratification at its next Council meeting.
33. Council approval and a record of all such purchases must be maintained for audit purposes.

Information Technology

34. The municipality will purchase information technology that is compatible with the current environment and strategic plans for information technology.
35. Corporate Services will approve purchases of information technology (both hardware and software).
36. Department Directors will involve the Corporate Services Department in the early stages of specifications of information technology so that Corporate Services can advise on standards, compatibility, project feasibility, and cost and manpower estimates.

CREDIT CARDS

Purpose:

37. The card system is designed for, but not restricted to, high volume but low value transactions and to assist staff members who travel on behalf of the Town.



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Issuing and Withdrawing a Card:

38. The Town may issue a Corporate Credit Card to employees that meet all the following criteria.

The employee must:

- 38.1 occupy a position that has a regular and demonstrated need to purchase goods/services or is required to travel on a regular basis on behalf of the Town;
- 38.2 be approved by the Chief Administrative Officer;
- 38.3 abide by the terms and conditions of use as stated in the Town's policy; and
- 38.4 may be an elected official for the purposes of this section.

39. Credit card limits shall be established by the Director in consultation with the Director of Corporate Services by analyzing the anticipated monthly expenditure required by the position and the Town's operational limits.

40. Corporate Credit Cards may be withdrawn for any of the following reasons:

- 40.1 misuse of card by the employee including unacceptable or inappropriate expenditure;
- 40.2 non-compliance with statement processing time limits;
- 40.3 the position held no longer requires the use of a credit card or the card has not been used in 12 months.

Use of Card:

41. Corporate Credit Cards shall only be used for business expenditure.

Examples of appropriate uses for Corporate Credit Cards include:

- 41.1 Payment for goods/services in full or part supply;
- 41.2 Deposits;
- 41.3 Subscriptions;
- 41.4 Conference fees (Travel must be approved prior to expenses being incurred);
- 41.5 General consumables other than stationery and office supplies;
- 41.6 Official entertainment;



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42. Notwithstanding the above, no expense is to be incurred on a credit card until requirements of other relevant policies and procedures (i.e. such as the attainment of quotes) have been fulfilled and authorized approval given.

Requests for New Cards:

43. Requests for a new card should only be submitted once the need for a new corporate credit card has been established. Where there is a need for a new card, the Director shall make a request to Corporate Services to issue a card to the employee.

Employee's Responsibility:

44. When using the credit card, the employee must:
- 44.1 obtain an invoice/receipt displaying the name of the supplier;
 - 44.2 ensure suppliers record full and proper descriptions of items or services on invoices/receipts;
 - 44.3 confirm the supplier site is secure when placing an order via the internet;
 - 44.4 ensure goods and services are received in good order and condition;
 - 44.5 ensure a credit is received for any returns or refunds;
 - 44.6 ensure expenditures does not exceed monthly credit limits;
 - 44.7 report lost, stolen, or damaged cards immediately to the credit provider and notify the Director of Corporate Services as soon as possible.
45. The employee shall keep all invoices/receipts from purchases in a safe place until the monthly statement arrives.
46. check each transaction for accuracy, enter the appropriate account codes against each item and include a full description of the goods/services;
47. Note invoices/receipts for entertainment expenses with the names of the staff and non staff attending and the purpose of the event;
48. Submit a signed declaration of authenticity of the transaction when an invoice/receipt has been lost and cannot be replaced by the supplier;
49. Attach all invoices/receipts and other necessary documentation to the statement;
50. Sign the statement for authenticity and forward to their Director for expenditure approval within 5 days after receipt of statement.



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51. Where an employee is intending on going on leave and believes that statement reconciliation may fall during the period of their leave, they should provide all the necessary documentation to their Director prior to going on leave.

Director's Responsibility:

52. Within 5 days of the receipt of the completed reconciled statement from the employee, the Director shall:
- 52.1 check all documents are attached to the statement;
 - 52.2 check all expenditures are in accordance with the Town's Policies and Procedures;
 - 52.3 sign the statement as approved when satisfied all expenditures are in order;
 - 52.4 forward to the Accounts Payable for payment.



Appendix A

Financial Authority

1. A delegated system of financial authority is an essential element of effective financial management for the municipality. Financial authority will be delegated to support operational effectiveness wherever managers feel necessary and practical, but supported by appropriate, efficient and modern financial controls. The system of delegated financial authority will recognize different needs for authority for purchases of goods and purchases of services. At the same time, the municipality need not accept financial responsible if an employee enters into a financial transaction without the proper authority.
2. Employees need to have authority commensurate with their responsibilities in the organization to efficiently carry out their responsibilities. The financial authority structure must be flexible to meet changing demands without having to rewrite policy with every organizational change. Council authorizes the CAO to maintain the financial affairs of the municipality with defined limits. The CAO has the authority to delegate duties and powers under the Municipal Government Act, and may place limits and conditions on any delegation of CAO powers or duties. Similarly, Department Directors may further delegate their authority to other positions within a department.
3. However authority delegated by Department Heads cannot be further delegated by any other position without express approval to do so by the Department Head.

Basic Principles Underlying Delegation of Financial Authority

4. While the financial authority can be delegated, accountability cannot. The CAO remains accountable at all times to Council for the exercise of financial authorities. Department Directors remain accountable to the CAO for the effective and efficient use of the resources provided to Directors, including the resources over which Directors exercise delegated financial authority.
5. The Corporate Services Department has overall responsibility for financial management practices and standards organization wide. In this role, the Director of Corporate Services has authority to specify conditions for the delegation of financial authority below the Director level to ensure there is an effective control framework in place.
6. Financial authority will be delegated to the necessary position commensurate with job requirements, good financial management and internal control



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practices. An internal control framework includes: segregation of duties (where appropriate); complete, current and accessible policies; clearly documented procedures; and properly trained staff.

7. Financial authority is delegated to positions based upon job responsibilities. As a result, an individual who changes positions will not carry with them the authority of the previous position except where required by and authorized for the new position.
8. Financial authority will be exercised within the approved budget of the departments. Delegation of financial authority does not allow staff to authorize transactions that would exceed the approved budget.

Approval

9. The CAO may delegate financial authority to the Department Directors. Department Directors may further delegate financial authority within departments to meet changing position requirements, projects and staff, but this need must be tempered by the overall responsibility of the Director of Corporate Services for financial management and internal control. Changes in delegated authority below the Department Director level will require the approval of both the Department Director and the Director of Corporate Services. Delegation of financial authority must be accompanied by clear policies and procedures to guide and control the use of the delegated authority and staff must be properly trained.

Financial Authority Details

10. The appropriate delegation of financial authority can improve internal control, empower employees and make operations more effective. Financial authority will be segregated into the following types:
11. **Purchasing Authority** – (Authorization to expend money within an approved budget in order to perform duties, including entering into purchase contracts that commit the Town in a financial way.)
 - 11.1 Individual purchase orders, contracts with vendors and Standing Offer Agreements are examples of where purchasing authority would be exercised. Purchasing authority differs between goods and services as follows:
 - 11.1.1 Purchasing authority for goods must be made in accordance with the Purchasing Policy, and is supported by a purchase order (PO) as



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documentation. The PO defines the terms of the contractual obligations that the municipality sets out for whatever the goods are. Upon receipt of the goods, the municipality has a legal liability to pay for the goods. Corporate Services is responsible for providing departments with standard form purchase orders that meet the municipality's standards for contracting.

11.1.2 Purchasing authority for services, must be made in accordance with the Purchasing Policy including construction, and is supported by a contract that usually will differ in legal wording from a PO. The terms and conditions of contracts will vary, but must be developed with appropriate legal expertise to address the various requirements of service contracts.

12. **Receiving Authority** – (Authorization to receive goods or to attest to the provision of services received on behalf of the organization.)

12.1 This authorization carries with it the responsibility to ensure there is a purchase order authorizing the purchase of the goods, the goods are in good condition and the quantity and type corresponds to the purchase order.

12.2 Receiving Authority also includes certifying that progress claims against contracts for service are in accordance with the contract and the services have been supplied satisfactorily.

13. **Payment Authority** - (Authorization to release funds from the municipality in satisfaction of an obligation.)

13.1 Payment Authority is only delegated to the CAO and to the Director of Corporate Services, who may further delegate the authority to other positions with the approval of Council.

Forms of delegated payment authority

14. Forms of delegated payment authority include cheque signatures; bank transfers; petty cash account disbursements; and credit card transactions

15. Delegation of authority will be evidenced by the approval of both the Department on the Delegation of Authority form attached as Schedule 1 to this policy. The delegation does not become effective until the form is co-signed by the Director of Corporate Services.



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16. In making the delegation, Department Directors shall ensure that the limits on the delegated authority are only those necessary for the employee to carry out duties and responsibilities; that any transactions that have significant impact on the department or the municipality are reviewed and approved by the Department Director.
17. The Director of Corporate Services will maintain an up-to-date listing of all financial authority to verify that the proper purchasing and receiving authorization has been given prior to releasing payment. If the proper authority has not approved the transaction, the transaction will be rejected and returned to the department.
18. A record will be kept of all returned transactions and if significant policy violations occur the violations shall be reviewed by the Director of Corporate Services and the Department Director and may cause the reduction or removal of an employee's authority. Any violations by a Department Director shall be reported to the CAO.

Annual Audit

19. The Town's appointed external auditor shall review the functioning of this policy and confirm application is being followed.