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How to Write a Purchasing Manual

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Why have a Purchasing Manual?

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§ 104 PUBLIC CONTRACTS Art. S-A

§ 104-b. Procurement policies and procedures

1. Goods and services which are not required by law to be procured by political subdivisions or any districts therein pursuant to competitive bidding must be procured in a manner so as to assure the prudent and economical use of public moneys in the best interests of the taxpayers of the political subdivision or district, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances, and to guard against favoritism, improvidence, extravagance, fraud and corruption. To further these objectives, the governing board of every political subdivision and any district therein, by resolution, shall adopt internal policies and procedures governing all Procurements of goods and services which are not required to be made pursuant to the competitive bidding requirements of section one hundred three of this article or of any other general, special or local law. In cities with a population of one million or more, the procurement policy board shall develop and promulgate such policies and procedures by rule.
2. Such policies and procedures shall contain provisions which, among other things:
 - a. prescribe a procedure for determining whether a procurement of goods and services is subject to competitive bidding and documenting the basis for any determination that competitive bidding is not required by law;
 - b. provide that, except for procurements made pursuant to subdivision three of section one hundred three or section one hundred four of this article, section one hundred seventy-five-b of the state finance law, section one hundred eighty-six of the correction law, or the policies and procedures adopted pursuant to paragraph f of this subdivision, alternative proposals or quotations for goods and services shall be secured by use of written requests for proposals, written quotations, verbal quotations or any other method of procurement which furthers the purposes of this section;
 - c. set forth when each such method of procurement will be utilized, taking into account which method will best further the purposes of this section and the cost-effectiveness of the method;
 - d. require adequate documentation of actions taken in connection with each such method of procurement;



§ 104 PUBLIC CONTRACTS Art. S-A

§ 104-b. Procurement policies and procedures (continued)

- e. require justification and documentation of any contract awarded to other than the lowest responsible dollar offerer, setting forth the reasons such an award furthers the purpose of this section; and
 - f. identify the individual or individuals responsible for purchasing and their respective titles. Such information shall be updated biennially.
 - g. set forth any circumstances when, or types of procurements for which, in the sole discretion of the governing body (or in the case of cities with a population of one million or more, the procurement policy board), the solicitation of alternative proposals or quotations will not be in the best interest of the political subdivision or district therein.
3. Comments concerning the policies and procedures shall be solicited from officers of the political subdivision or district therein involved in the procurement process prior to the enactment of the policies and procedures, and from time to time thereafter.
 4. The governing board shall annually review its policies and procedures. In the case of a city with a population of one million or more, the annual review shall be the duty and responsibility of the procurement policy board.
 5. The unintentional failure to fully comply with the provisions of this section shall not be grounds to void action taken or give rise to a cause of action against the political subdivision or district or any officer or employee thereof.
 6. Notwithstanding any other provisions of this section or any provision of law, boards of education shall have the authority to include in the internal policies and procedures governing procurement of apparel or sports equipment, where such procurement is not required to be made pursuant to the competitive bidding requirements of section one hundred three of this article, a prohibition against the purchase of apparel or sports equipment from any vendor based upon either or both of the following considerations: (a) the labor standards applicable to the manufacture of the apparel or sports equipment, including but not limited to employee compensation, working conditions, employee rights to form unions, and the use of child labor; or (b) the bidder's failure to provide information sufficient for boards of education to determine the labor standards applicable to the manufacture of the apparel or sports equipment.



Because it makes sense!

Any purchasing professional wants to procure all of the goods and services necessary for their organization to run smoothly and for the least cost to the taxpayer.

In order to do that everyone involved in requesting, specifying, awarding, handling or otherwise acquiring anything needed to operate your organization needs to know the rules.

Unless everyone does things in the same way and goes by the same rules you end up with chaos. That chaos costs you time, money and frequently ends up with someone getting the wrong thing at the wrong time. And guess who gets the phone call!?





Because it makes sense! (continued)

Having standard policies in place allows you to hold people accountable for doing things the right way. “I didn’t know” is no longer a legitimate excuse.

This all ends up in a more professionally run operation. That not only makes your operation look good but helps you do a better job.



What should I put into my Purchasing Manual?

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EVERYTHING!

If it involves any aspect of purchasing that your department is responsible for, it should be covered in your Purchasing Manual.

This is your internal version of GML. A properly written purchasing manual allows everyone to know what the rules are, how to accomplish them AND what the ramifications are if they don't.

This can include both your internal or external customers.



EVERYTHING! (continued)

- A complete list of all internal policies describing how all goods and services that do not require competitive bidding are procured.
- Included in your internal policies should be a list of who is responsible for what portions of supplying specifications, to whom and at what point in the process.
- How to start — Include a list from your day-to-day work for about two months.



What is Required?

- A copy or reference to the resolution that has been adopted by your governing Board accepting the Purchasing Manual. (check with your Business official)
- This resolution must be done on an annual basis. WHY?
- A complete list of all internal policies describing how all goods and services not covered under GML 103 are to be acquired.
- A description of the process to determine if a particular purchase or service is required to be competitively bid.
- A copy of GML 104b explaining all of its requirements.



What Should be in there?

All of those previously mentioned requirements, plus we'll go into the following in more detail:

1. All necessary Telephone numbers and addresses required for contacting your Purchasing Department.
2. A description of your mission.
3. A section informing your entity to purchase all goods and services by any means legally available within New York State.
(Piggybacking, OGS, Cooperatives, etc.)
4. A description of the difference between quotes, sealed bids, RFPs, how each works and when each should be used.



What Should be in there? (continued)

5. A schedule indicating what type of solicitation is used, when and who does it.
6. A complete description of the bidding process from request of goods or services to the completion of the resulting Purchase Order.
7. A timeline for how long people need to allow for bids, quotes, etc.
8. A description of emergencies, requisitions, purchase orders, blankets, sole sources, standardization, preferred sources and prevailing wages, etc., what each is, when it applies and when it doesn't.



Sample Resolution accepting your Purchasing Manual (if applicable)

WHEREAS, [name of municipality] policy calls for an annual review and update of the Purchasing Policies and Procedures; and

WHEREAS, The State of New York now requires municipalities using procurement cards to review and revise these policies as necessary on an annual basis; and

WHEREAS, The Purchasing Administrator and the Director of Business have done this review and incorporated changes necessary for compliance with General Municipal Law, Sections 103 and 104-b; now,

therefore, be it

RESOLVED, That the [municipality] Purchasing Procedures and Policy Manual, as revised, and on file with the Clerk of this Board, be adopted and implemented immediately; and further

RESOLVED, That a certified copy of this resolution be sent by the Clerk of this Board to the [Management Services Department]





A description of your mission

Something like:

The [name municipality] Purchasing Department dedicates itself to the procurement of the right goods and services at the right price for the various departments in a timely manner assuring the prudent and economical use of public monies. We will facilitate the acquisition of goods and services at the lowest possible cost and at the same time guard against favoritism, extravagance and fraud.





A section informing your entity to purchase all goods and services by any means legally available within New York State

Typically the following should cover any opportunities that may come up.

Purchases should be in accordance with the thresholds set forth by your own policy and regulations and GML §103, which allows the purchase of materials, equipment or supplies, or to contract for services, other than services subject to article eight or nine of the labor law, through any entity within or outside of the state, whenever such purchases are deemed by the Purchasing Director to be in the best interest of the [name municipality] and when such contracts are solicited and awarded in compliance with NYS laws.

The [name municipality] is also authorized to purchase goods under GML §104b not covered by GML §103 from ANY approved source duly quoted/bid by any local, state or federal governmental agency to [name municipality] at the exact price quoted (or lower) and meeting the exact specifications offered in the original solicitation.



A schedule indicating what type of solicitation is used, when and who does it

- We add this as an easy way for the departments to know how they have to go about getting whatever it is they need.
- The following slide is just the way we do it. There is no right or wrong way. It all depends on whatever your agency is comfortable with.



Purchase Contracts	Verbal Quote (I)	Written Quote (1)	Written Quote (3)	Bid Required
Under \$4,000 agency wide Product and Services		X		
\$4,000 - 7,999 agency wide Product and Services			X Program and/or with help from Purchasing	
\$8,000 - \$20,000 agency wide Product only			X- Formal Quotes secured by The Department or Purchasing	
\$8,000 - \$35,00 agency wide For Labor and Materials			X- Formal Quotes secured by The Department or Purchasing	
\$20,000 — UP agency wide Product Only				X
Public Works Projects over \$35,000 agency wide				X
Sole Source Purchase -		X-Verified by Purchasing Letter from Manuf. Dated within six (6) months		



A complete description of the bidding process from request of goods or services to the completion of the resulting Purchase Order

- What you are looking for is a description of how ***your*** municipality handles the bidding process.
- Included is the way ESBOCES defines the bidding process. Your municipality should define your own process.



A timeline for how long people need to allow for bids, quotes, etc.

We need to make people aware of what is required as far as time is concerned.

We need to communicate where we start and when we need to have something Purchased or completed and not the other way around.

The following is a case scenario:





The timeline is done in reverse order for a reason. To know when you need to start the bid process, you need to begin with the Board meeting deadline: (This could be a 12- to 16-week process)

1. Determine date of Board Meeting at which you would like the Bid/RFP approved
2. Determine when your Recommendation is due to your supervisor/Board
3. Allow three (3) – ten (10) days from receipt of bid/RFP submissions to input and analyze bid
4. Allow two (2) to three (3) weeks from the date of advertisement to the bid opening (The law tells us five (5) days from advertisement to opening; however, you should determine what is in the best interest for the commodity (considering complexity) for public solicitation to promote competitive bidding)
5. Know lead time for publication of bid advertisement
6. In the event the bid/RFP needs attorney review — allow an additional two to three weeks accordingly
7. Allow sufficient time to prepare the specifications with the requesting department (two to four weeks is not out of the question)
8. Build in any time you may need in your municipality that is not listed above



What Is An Emergency?

According to General Municipal Law 103 section 4, an emergency is defined as follows:

4. Notwithstanding the provisions of subdivision one of this section, in the case of a public emergency arising out of an accident or other unforeseen occurrence or condition whereby circumstances affecting public buildings, public property or the life, health, safety or property of the inhabitants of a political subdivision or district therein, require immediate action which cannot await competitive bidding, contracts for public work or the purchase of supplies, material or equipment may be let by the appropriate officer, board or agency of a political subdivision or district therein.

Repeat after me:

“Failure to plan on your part does not constitute an emergency on my part.”

YOU CANNOT CREATE AN EMERGENCY!!





Things to remember about an emergency

An emergency must be "declared" and reported to your Board by the Department head in which the emergency occurred and/or a designated person within your municipality.

The Purchasing manual is the perfect place to indicate this for a couple of reasons

1. To follow proper procedures.
2. To assure that your departments are aware so that when we are audited, we can show that we have informed our user departments of the proper procedure.

An emergency does not exempt you from the rules of GML 104b.

A part of your Purchasing Manual needs to be about how you go about acquiring goods and services in case of an emergency. How this is done is totally up to your agency but needs to be documented.





Requisitions

Program Role:

- Program determines what item(s) / services are needed.
- Attach backup documentation — Bid contract, Professional Service Contract, RFP – verify valid term; vendor information and pricing; sole source letter; quotes, catalog pages; conference details or any other information supporting the requisition.
- Have clear description, item number, quantity, unit price, contract number, etc., on the requisition.
- If Rush or Pre Pay – program is to provide clear instructions.
- Include shipping and handling if required.
- Determine appropriate budget code for purchasing.

- The Purchasing Department will make the final decision as to price and vendor after reviewing the items on the requisition for lowest price.



Requisitions

Purchasing Role:

- Review requisition for key points: correct vendor, clear description, contract/bid numbers, budget code, reviews each line item for item number, quantity, unit price, authorized users, daily transaction limit, correct pricing, review each line to determine whether item in on bid or contract and verify shipping and handling if allowed.
- Compare backup documentation to the requisition.
- Purchasing may need to assist with obtaining quote or bid.
- If a bid is required, Purchasing can start the process once a requisition and detail specification are provided.



Purchase Orders – multiple types

- Standard Purchase Orders – Itemized, supporting documentation attached.
- Open Purchase Orders – Blanket purchase for incidental items, not a bid or formal quot
- Anticipated Purchase Orders – Blanket purchase for items on bid or formal quote.
- Estimated Expenses – Estimated cost that will be paid throughout the year.
- Annual Expenses – Fixed amounts, such as lease of networked copiers, monthly utilities. There is not always a bid involved.
- Emergency Purchase Orders – GML 103 (4) defines it as “a public emergency arising out of an accident or other unforeseen occurrence or condition, whereby circumstances affecting public buildings, public property or the life, safety or property of the inhabitants requires immediate action.”
- Confirming Purchase Orders – An item or service received from a vendor prior to the issuance of authorized purchase order.



Blanket Purchase Orders

Example of how ESBOCES handles blankets:

- Blanket Purchase Orders are normally associated with Open or Anticipated Purchase Orders
- Not a one-time purchase
- Open Purchase Order – For ongoing repairs, incentives, etc., that cannot be itemized; perishable items, items frequently purchased from the same vendor that cannot be obtained through an itemized formal quote or bid and when there are no provisions to maintain an inventory of a commodity. An open Purchase Order cannot exceed the aggregate threshold set forth by the agency.
- Anticipated Purchase Order – Similar to an Open but the supplies and/or services must be included on a formal quote, Bid, RFP, Contract, NYS Contract or other municipal contracts. There is no threshold other than budgetary.



What is a "Sole Source"

"Bob says he is the only one that can supply me with that part."

- Nice try, Bob, but no cigar. Whatever "Bob" says is irrelevant. A sole source can only be declared after you have received confirmation from the "Manufacturer" on their letterhead or your standard form and signed by an authorized representative of the manufacturer that there is only one source for this item in the marketplace. In other words, no distributors at all OR that there is a protected distribution area for the product and other distributors may not sell this product in your area.

What does establishing a sole source do for you?

- Not much. Unless you have a current standardization resolution on file you must accept equals. Therefore, without that standardization resolution you must still bid or quote the item and you must accept equals that are substantially similar.



What is a Standardization Resolution?

According to GML §103 section 5 a Standardization Resolution is as follows:

“5. Upon the adoption of a resolution by a vote of at least three-fifths of all the members of the governing body of a political subdivision or district therein stating that, for reasons of efficiency or economy, there is need for standardization, purchase contracts for a particular type or kind of equipment, material, supplies or services in excess of the monetary threshold fixed for purchase contracts in this section may be awarded by the appropriate officer, board or agency of such political subdivision or any such district therein, to the lowest responsible bidder or responsible offerer furnishing the required security after advertisement for sealed bids or sealed offers therefor in the manner provided in this section. Such resolution shall contain a full explanation of the reasons for its adoption.”





What does a Standardization Resolution do for you?

Does a Standardization Resolution exempt you from bidding and quoting?

- **No.** Standardization only means you will not accept equals for the product. You are still required to solicit competitive bids for the product

Does a Standardization Resolution last forever?

- **No.** You must revisit each standardization periodically to determine if it is still in your best interest.





Preferred Sources

- Preferred Sources were established by State Finance Law §162
- Basically, the legislation goes as follows:

§ 162. Preferred sources. 1. Purpose. To advance special social and economic goals, selected providers shall have preferred source status for the purposes of procurement in accordance with the provisions of this section. Procurement from these providers shall be exempted from the competitive procurement provisions of section one hundred sixty-three of this article and other competitive procurement statutes. Such exemption shall apply to commodities produced, manufactured or assembled, including those repackaged to meet the form, function and utility required by state agencies, in New York state and, where so designated, services provided by those sources in accordance with this section.





What are the Preferred Sources?

At the moment the Preferred Sources consist of the following:

- Corcraft – NYS Dept. of Corrections and Community Supervision www.corcraft.org
- NYS Preferred Program for People who are Blind (NYSPSP) www.nyspsp.org
- Industries for the Disabled (NYSID) www.nysid.org





Prevailing Wages

Prevailing wage is needed to be in compliance with Article 8 and Article 9 of the Labor Law.

Good Rule: “If you pick up a screwdriver, you need Prevailing Wage.”

- Contact your local Department of Labor if you are unsure if you need prevailing wage.
- Remember – With prevailing wage comes certified payroll to be collected.



Article 8 of the Labor Law

1. Covers New Construction, Re-Construction, Repair and Maintenance
2. Agency/Owner must request wage schedule prior to offering
3. No dollar limit on the work to be done
4. Collection of “certified payrolls” is mandatory by law
5. Review of payrolls mandatory by law
6. Payroll collections is tied to payment “no certified payrolls, DON’T PAY”
7. Agency/Owner must name person in charge of collection of certified payrolls



Article 9 of the Labor Law

1. Covers Building Services: “NOTE” Only certain work is covered
2. Agency/Owner must request wage schedule prior to offering
3. \$1,500.00 or more on each offering
4. No collection of certified payroll is required
5. Wage schedule is now updated every July 1 as is Article #8



Other topics for Group Discussion

- Blanket vs. regular purchase orders – which one when
- Professional Services – What are they, who gets them, when and how
- Insurance – when, what type and how much
- Short Term contract/Quote forms
- Explanation of your financial system,
- Travel requirements/reimbursements
- Change orders – allow or not, if so, what is your procedure?
- Others?



Thank you for attending!

Any questions contact:

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