City of Chicopee

# Review of Procurement Procedures

Division of Local Services / Technical Assistance Section

May 2015

May 29, 2015

The Honorable Richard J. Kos

City Hall

17 Springfield Street

Chicopee, MA 01013

Dear Mayor Kos,

It is with pleasure that I transmit to you the enclosed "Review of Procurement Procedures" for the City of Chicopee. I truly believe that if the city follows the recommendations presented here, Chicopee will realize improvements in how it administers procurement and be better positioned for the future.

As a routine practice, we will post the report on the Division's website, www.mass.gov/dls, and forward a copy to the city's state senators and representatives.

If you have any questions regarding the report, please feel free to contact Rick Kingsley, Bureau Chief of the Division's Municipal Data Management and Technical Assistance Bureau, at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

Sean R. Cronin

Senior Deputy Commissioner

cc:     Senators
        Donald F. Humason, Jr
        James T. Welch
        Eric P. Lesser

        Representatives
        Joseph F. Wagner
        Thomas M. Petrolati
        Michael J. Finn
        Jose F. Tosada

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## Introduction

At the request of the mayor, the Division of Local Services (DLS) reviewed the City of Chicopee's purchasing department and procurement process. This report's objective is to provide guidance on strengthening the department's administrative operations within the context of the city's overall financial management. To complete this analysis, we interviewed the mayor's chief of staff, the city auditor, associate city solicitor, IT Director, purchasing agent, assistant purchasing agent, and public works principal clerk. We also reviewed city ordinances as they relate to procurement, staff job descriptions, and other assorted budget, purchasing, and financial documents.

Based on our observations, Chicopee's purchasing process is not functioning as intended. The city's most basic requirement—that all purchases require a purchase order—is often circumvented and its enforcement lax. It appears routine for departments to make purchases without first submitting a requisition. Additionally, while some departments make good use of technology, there is a lack of city wide staff buy-in and sufficient training that further compounds existing inefficiencies. The lengthy signature process for contracts is another point of concern, as is accurate contract recordkeeping and proper review of expiring contracts.

Our report offers a series of recommendations designed to address these points. First, we recommend altering the reporting relationship of the purchasing department in order to strengthen the city's overall financial oversight. Our other primary recommendations are to distribute a clear set of purchasing policies and procedures and establish a control structure for enforcement. This includes developing a comprehensive manual and establishing routine training for new and existing employees. Other recommendations include taking steps to further centralize city purchasing, setting up a system to track contracts, and making better use of available technology.

## Overview

The City of Chicopee is located in Hampden County, sharing a border with the City of Holyoke to the west and the City of Springfield to the south.  It has a population of 55,500 and an FY2015 budget of approximately $185 million. Chicopee operates under a mayor-council form of government, with two-year terms. The mayor functions as the city's CEO, along with a legislative body that consists of a thirteen-member city council (nine from districts and four at-large). Residents also elect the city clerk, treasurer, collector, and a three-member board of assessors. The city auditor is appointed by the city council but reports to the mayor on a day-to-day basis. The auditor is also the city's chief financial officer for the purposes of budget planning.

The purchasing department is made up of the purchasing agent, the assistant purchasing agent, and a vacant (but currently funded) department clerk. The purchasing agent is appointed by the mayor and serves as the city's chief procurement officer. In general, the agent's duties include reviewing and approving contracts and purchase orders (POs), adjusting PO amounts when necessary, preparing and reviewing nontechnical contract language, and ensuring that departments include the necessary backup for requisitions in accordance with Massachusetts procurement law. The agent's duties also include overseeing the contract renewal process, preparing invitations for bids (IFBs) and requests for proposals (RFPs), overseeing the bid opening and awarding process, and providing final review for POs, change orders, and related processing.

The assistant purchasing agent is responsible for reviewing accounts payable (AP) batches submitted by departments. She reviews both city and school AP to ensure that invoices have associated POs when required. She is also responsible for routine office work, including processing W9 forms to add vendors, and processing and reviewing requisitions through Munis. The city also uses Munis for its general ledger, accounting, payroll, vendor maintenance, and other bookkeeping. Purchasing in Chicopee is not centralized; departments make purchases independently and submit invoices, which are then paid through the AP process. According to the assistant agent, the majority of her daily work is reviewing AP batches, which is reflective of Chicopee's policy to require a purchase order for all expenditures. Her Munis permissions are the same as the purchasing agent's; she can approve, print, and sign purchase orders.

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                              Voters

   City Council      Mayor      Assessors (3)    Treasurer      Collector
   (13 members)

              Auditor        Purchasing Agent
                                  (CPO)

           Asst. Auditor       Asst. Purchasing
                                   Agent

            Budget Analyst      PT Clerk (vacant)

            Staff Accountant

             AP Clerk (2)

             Payroll Clerk
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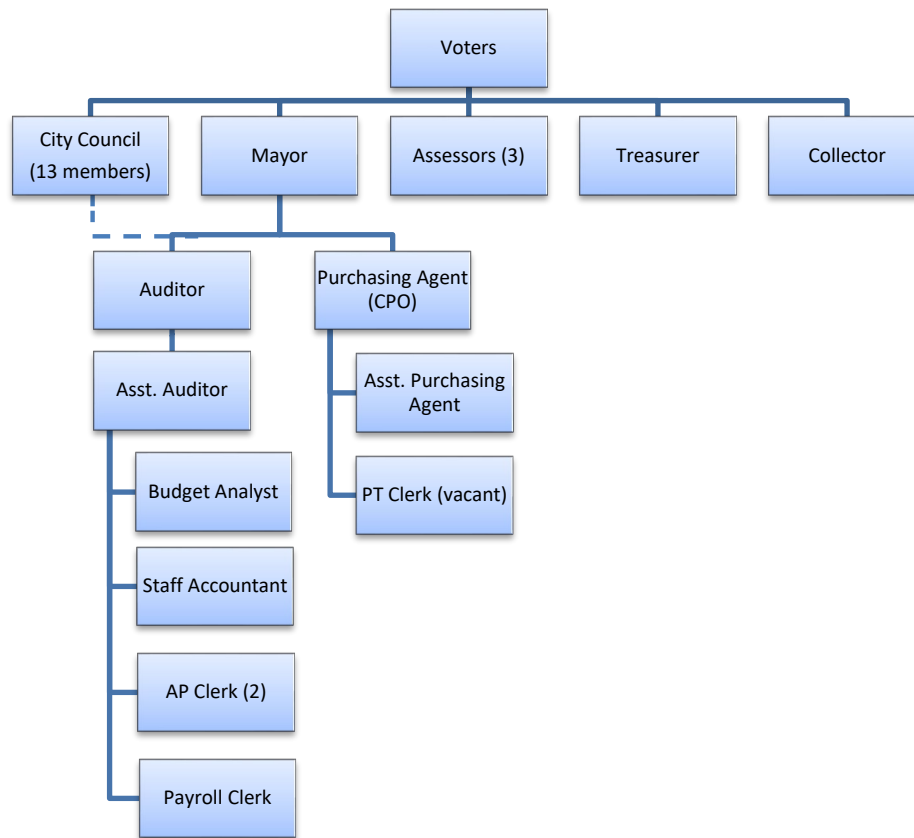
The intended PO process starts when a department employee submits a request through the Munis requisition workflow. The IT department administers access rights in Munis based on an employee's role, and these rights grant the user certain approval permissions in Munis. The workflow also includes an attachment function for users to upload any necessary information directly to a requisition. This means that workflow users can review backup documentation and approve requisitions electronically. To add a user or change permissions, an employee must submit a written request and justification to the IT department.

Once an employee submits a requisition, the department head (or designee) approves and releases it to the purchasing agent. Purchasing's role is to check the requisition against Massachusetts procurement thresholds and to verify that appropriate backup documentation exists when those thresholds are reached. Munis is programmed to automatically disallow requisitions that would overdraw their associated line item. After approving a requisition, the purchasing agent converts it to a PO and prints five paper copies on carbon paper: a white one is mailed to the vendor, a gold one is retained by purchasing, and a yellow one sent to auditing. Both the gold and the yellow are for record keeping. A blue copy and a pink copy are sent to the department; the blue copy is for records retention and the pink copy is for invoices. The department employee then makes a purchase, receives the invoice, attaches the pink PO to the invoice, and submits it to the purchasing department as part of the AP process.

In the current process, all AP bills are submitted to the purchasing department and processed by the assistant purchasing agent. A department clerk attaches invoices to the batches along with a cover sheet and calculator tape showing the total for the bills. The assistant purchasing agent reviews the batches to ensure invoices have a corresponding PO and that the information is accurate. Those with incorrect details, such as missing or wrong vendor or contract numbers, or wrong remit addresses, are sent back to departments to be revised. If there are no other problems, the assistant purchasing agent submits the batch to the city auditor for review and subsequent inclusion in the warrant.

Of particular concern is that Chicopee's official process for generating a PO is often bypassed. Department staff make a purchase, acquire the item or service, and receive an invoice. The department then submits a requisition request through Munis and the purchasing department converts it into a PO. The department will then attach this PO to the invoice it includes in the AP batch submitted to purchasing—with the invoice dated prior to the PO. Sometimes this happens because while departments typically have a designated clerk responsible for submitting requisitions, other staff make purchases independently. When the AP batch comes to purchasing for review, the purchasing agent does not reject invoices with POs approved after the fact—they are processed and sent to the city auditor to be paid. This lack of enforcement creates a situation where departments are continually violating the PO requirement and compromises the fiscal controls of the purchasing process.

Indeed, the city auditor has found the need to periodically distribute memoranda to departments demonstrating the correct set of steps (i.e. submitting a requisition prior to receiving an invoice and not after) and imploring them to follow it. The last memo was issued during the summer of 2013. Strong, consistent pushback will be required from the purchasing department going forward, along with a set of comprehensive, documented procurement policies and procedures—something Chicopee currently lacks.

Likewise, there is no standardized process or form to ensure departmental compliance with the Chapter 30B requirement for soliciting three quotes from competing vendors. In instances where a department employee attaches insufficient backup information to their requisition request, the assistant purchasing agent flags it and tells the employee to research quotes. The absence of clear, written procedures for the departments creates the risk that backup information will be lacking in required detail.

While the city's requisition process is handled through Munis, the process for tracking contracts is manual. The city's Munis package includes a contract module, but only a handful of departments use it. The only departments that use the contract module consistently are the public works, water,

and sewer departments. Remaining departments keep track of their contracts manually, with physical copies kept by purchasing and the city auditor. Despite the city using Munis for about 12 years and the contract module for five, many employees are reportedly still not comfortable using the contract module.

General discomfort with Munis has led to inconsistent usage and the inability of some departments to produce required reports. Instead, department personnel often rely on the city auditor to pull basic reports. This is inefficient and does not make proper use of Munis' core functionality. It also leaves less time for the auditing department to conduct a thorough review of the transactions they process.

While Munis integrates the city's budget, vendor, and other financial data, the efficiencies gained from this integration can only be realized if the system is universally adopted.  Being able to easily compare contract terms and expenditures to the full range of data in Munis is a key feature, but it is made onerous by the lack of departmental participation; what Munis has the capability to produce electronically as one report, the auditor must piece together manually from various printed reports. This unnecessarily hampers her ability to monitor contract-related expenditures.

Some of these issues may be the result of a prior institutional culture that did little to support vigorous procurement review. Therefore, it is especially important for this vital function to receive the full backing of the current administration. However, while these challenges are significant, they are not insurmountable. Dealing with them will require renewed energy in the enforcement of existing rules, a careful examination of current practices, and a commitment to transition staff away from old habits. Key to this process is a reconsideration of the city's decentralized approach to procurement. Chicopee's issues largely stem from the lack of centralized enforcement and control from the purchasing department, and allowing the purchasing agent to take a direct role in the acquisition of goods and services will help bridge that gap. The following recommendations are intended to provide Chicopee with guidance to address these issues.

## Recommendations

**1.  Shift Purchasing Department Reporting Relationship to City Auditor**

In Appendix 1, we include a proposed reporting structure that would offer a better framework for accountability and financial rule enforcement. Under the current structure, the purchasing agent heads a standalone department that reports directly to the mayor.  We recommend modifying the city ordinance that establishes the purchasing department (82-3, "City Purchasing Agent") and shifting the purchasing agent's day-to-day reporting relationship to the city auditor. This responsibility would fall under the auditor's designation as chief financial officer and consolidates review of AP under that umbrella. This would place procurement within the auditor's responsibility for overall financial review, which would streamline the process and improve coordination between the two departments. Since the auditor has the ultimate financial authority for approving or rejecting departmental expenditures, shifting the purchasing agent to the auditor's oversight bolsters his ability to push back when departments don't follow procedure.

**2.  Establish and Distribute Purchasing Policies and Procedures**

At present, weaknesses exist in enforcing PO requirements, keeping track of contract dates and renewals, and tracking vendor receipt of documents during the bidding process. The purchasing agent should therefore establish some clear policies and procedures clarifying these issues and should hold departments accountable to them.

Set clear expectations for PO requirements and reject those that do not conform: As the chief procurement officer for the city, the purchasing agent has the authority and the responsibility to reject departmental expenditures that have been acquired improperly or illegally. Furthermore M.G.L Chapter 30B, §17(b) prohibits municipalities from making payments to an improper or illegal contract (a PO being a contract). This means that the city is not liable to pay a vendor for invoices associated with one such contract. When circumstances require that department staff make acquisitions before a PO can be generated, purchasing must ensure that the department has provided sufficient justification for this occurrence (such as an unanticipated weekend or overnight purchase) but if not, should reject the requisition request as invalid. Doing otherwise contributes to a culture where the PO requirement is merely an administrative nuisance, rather than a valuable financial control. More significantly, it risks a situation where violations of Chapter 30B procurement requirements become routine. A flowchart of the recommended PO process can be found in Appendix 2.

Additionally, the purchasing department should take a proactive stance in eliminating paper-based inefficiencies associated with the PO process. As mentioned above, the purchasing agent currently prints five and mails four separate, physical copies of every PO. We recommend that the purchasing department work with the Munis specialist in the IT department to determine how best to apply Munis' electronic workflow to PO distribution. To start, the purchasing department should produce one physical, signed PO to keep for its records, scan it, and email electronic copies to vendors and departments whenever possible.

Develop a standardized process for soliciting vendor quotes: The purchasing department should create a standardized form for departmental personnel to use when obtaining price quotes from vendors. According to the purchasing agent, this used to be standard procedure, but the practice has faltered in recent years. We also recommend that the purchasing department, working with the auditor, draft guidelines for required information that constitutes an acceptable, good-faith effort in obtaining a price quote. The purchasing agent should then distribute this set of criteria to all departmental staff who make requisitions, and he should use the materials when training new employees. Please see Appendix 3 for a flowchart with a recommended quote process.

The purchasing department should be proactive when determining if departments should exercise contract renewal options: When a contract nears its end date, a discussion should take place on whether the city should renew the contract, renegotiate it for a more favorable price, or rebid entirely (see the flowchart in Appendix 4). The Munis contract module has the capability to set up alerts for key dates and milestones, and the purchasing department should take advantage of this functionality.

Tracking renewals is important because Chapter 30B requires that a municipality not enter into a contract for a term exceeding three years (inclusive of any renewal options) except as approved by a majority vote of the city council.  As a matter of best practice, and absent a vote of the city council, it is especially important to guard against a situation where departments are rolling contracts over year after year—for periods well exceeding the three-year limit—without ever rebidding them. Moreover, the competitive bidding process increases the likelihood of acquiring the best value for the city. While the mayor has instituted a policy to rebid contracts after two years, this has been a concern in the past and so continued vigilance is required.

Refine bidding procedures: The purchasing agent should develop a system to keep track of all the required bid documents that he sends to vendors. He should also scan and attach copies of these documents to the associated contract entry in Munis. The only bids the purchasing agent currently tracks in a spreadsheet are large construction bids. Even then, this typically takes the form of either a copy of an email sent to the vendor or a fax receipt. It was unclear exactly how purchasing

differentiated between large and small, but as a best practice the purchasing agent should track all bid documents he distributes. In fact, there did not seem to be a process for securing a positive acknowledgement from the vendor, such as a signed receipt of the paperwork.

Lacking such a safeguard, there is little to stop a vendor from trying to protest a bid by claiming that the purchasing department failed to send a necessary document. Regardless of the size of the bid, such an accusation could lead to a protracted legal dispute, exposing the city to financial liability and occupying substantial staff time.

In addition, the purchasing department should work with the law department to develop a standard procedure for responding to bid protests. Historically, the purchasing agent has dealt with protests on his own, but lacks a standard written process for doing so. According to the Attorney General's website, Chicopee has had eight bid protests since 2000, though all but one were denied outright. A written standard practice is a key part of ensuring a swift, accurate, and comprehensive response to any future disputes.

### 3. Revise the Purchasing Policy Manual

The purchasing department should work with the city auditor and legal department to revise the current purchasing manual. The city's existing policy manual was created over a decade ago in order to facilitate the city's transition from a manual PO system to an electronic one. As such, it is less a policy manual and more a set of instructions on how to use the various parts of the Munis requisition system. A revised manual should cover the specific points in Recommendation 2 by explaining Chicopee's purchasing rules and processes in plain language; it should serve both as a reference to staff for proper procedures and as a tool to educate them on policy. Once completed, the purchasing department should make it available to every incoming employee and post it to the website.

Some core components could include a statement of objectives for the purchasing department, the agent's duties and responsibilities, and clearly stated expectations for department staff when submitting requisitions—including specific criteria for requisition approval. It should also lay out consequences for submitting purchases that do not conform to the rules by describing the purchasing agent's process and criteria for rejecting a request. Additionally, the manual should describe the step-by-step process of making a purchase, starting with the departmental requisition request and ending with an invoice being paid through AP. The manual should describe the roles of all staff involved in the process. It should also include detailed receiving procedures for departments to follow upon delivery of goods.

An effective purchasing manual can also serve as a valuable reference guide to help departments understand when procurement laws apply to a given good, service, or construction project. For instance, the manual should include the various dollar thresholds and differences between goods and services (under Chapter 30B) and construction and renovation projects (under Chapter 30 §39M; Chapter 149). In addition, the manual should include a formalized, detailed procedure for how to process and document any emergency purchases, as well as the proper criteria and process for sole source procurements. For an example, please see [the City of Westfield's Purchasing Business Manual](). Although Westfield's manual is currently being updated, the version available on the city's website is a good model in terms of structure and content.

### 4.  Investigate Opportunities for Centralized Purchasing

Local officials should investigate opportunities to further centralize city purchasing. Currently, Chicopee purchases fuel as part of the Lower Pioneer Valley Collaborative and orders office supplies through a state contract. They also have about 105 blanket purchase orders for various items across departments. The purchasing agent could use this as a starting point for finding areas to further centralize acquisitions. Next, the agent would take a lead role by coordinating with department heads on their procurement needs.

In this way, the purchasing department could serve as the central point of contact with vendors and make bulk purchases of common items, leveraging the buying power of the city as a whole rather than leaving it to individual departments to negotiate prices. Likewise, the purchasing agent would work with department heads to understand the technical details and contact vendors to solicit quotes for purchases exceeding the $10,000 30B thresholds. Taking these steps will ensure city-wide consistency in attaining the best prices for goods and services. Likewise, centralizing responsibility for procurement research to the purchasing agent mitigates the risk that departments might cherry-pick quotes from favored vendors.

### 5.  Develop Routine Training for New and Existing Departmental Staff

We recommend that the city routinely train new hires in relevant Munis and procurement concepts. At present, there is a lack of routine Munis training for new and current employees. As a result, there is a variance in basic Munis ability where there should be a stable foundation. However, personnel from the auditing department have on occasion sat one-on-one with line staff to train them in relevant Munis functions. The auditor has expressed a willingness to expand this practice and make it routine for new employees, and we recommend that she do so.

To start, department heads should draw up a list of employees they believe would benefit from focused Munis training and determine a schedule for training with the city auditor. Completing these sessions should be made mandatory and part of an employee's annual evaluation criteria. Embracing a more focused, structured training approach will increase staff efficiency and decrease unnecessary strain on the auditing department. Auditing staff could also offer refresher sessions to employees as needed. A mentoring system for departmental staff may also be helpful, whereby the auditor would assign a staff member to help them through the process.

Similar to the one-on-one Munis training recommended above, new hires with purchasing responsibilities should meet with the purchasing agent to learn some basic procurement guidelines. This will foster a culture where new hires understand the importance of following procurement requirements by opening a dialogue between line staff and the purchasing department.

A purchasing error from last year illustrates the confusion that can arise from a lack of procurement training. IT staff ordered Microsoft Server licenses from a company that was an approved state vendor for other products but not on the approved vendor list for that particular item. Routine training will educate employees on these types of distinctions and help prevent issues before they occur.

## 6.  Establish a Training Line Item for Purchasing

We recommend that the city council approve funding for training and professional development in the purchasing department. The purchasing agent received his general MCPPO designation in 1999, but it has lapsed from time to time since then, partly because money was not made available to pay for the courses. This year however, the city council granted approval for the purchasing agent to use funds from the vacant clerk's position to pay for his designation coursework. The purchasing agent has since enrolled in MCPPO courses to renew his three-year certification. Additionally, the assistant purchasing agent does not have an MCPPO designation and has not had any formal procurement training. Since she is the front line for the bulk of the department's daily review, we recommend that the city council also approve funding for the assistant agent to receive the general Associate MCPPO designation.

It is important that local purchasing officials maintain current knowledge of procurement rules and trends in Massachusetts. MCPPO certification courses are a way to stay informed and up to date, and the Inspector General's office strongly recommends that all purchasing officials become certified.

**7.  Enforce Universal Adoption of the Munis Contract Module**

We recommend that all city departments use the Munis contract module. Instruction on the contract module should be integrated into the basic Munis training recommended above. Furthermore, the purchasing department should make better use of Munis, setting an example for the other city departments. Presently, the only time purchasing interacts with the contract module is to make a change or adjustment, as it is left up to individual departments to input a contract or not. However, most relevant details of a contract (for instance budget line items and start and end dates) are available on the contract screen in the module, as well as an attachment with the text of the contract itself.

Working with city departments, the city auditor and purchasing agent should draw up a schedule and implement it as soon as possible, starting with active current-year contracts where practical. The city auditor has already developed step-by-step directions for contract input, complete with screenshots and explanations for each relevant screen in Munis, which could be featured in the training.

**8.  Establish a Central Database to Track Contract Approvals**

The consensus amongst interviewed personnel was that acquiring the necessary signatures for contracts takes far too long. Compounding this problem, there is also no way to reliably track contracts through the signature process. While the purchasing department developed its own internal spreadsheet to track contracts and POs, currently no formal solution seems to exist to keep other departments informed. The IT department is in the process of setting up a Sharepoint drive to help meet this and other needs, and we leave it to the city to determine its precise technical implementation.

However this tracking system is implemented, we recommend that each department designate one employee to keep track of all contracts that come through the department for signature.  We suggest making this individual responsible for documenting the following four actions as part of a "check-in" system, available for all parties to view on the Sharepoint drive (please see Appendix 5 for a sample format):

1) The date and time a contract arrives at a department

2) The date and time the clerk forwards the contract to the appropriate approval authority (likely the department head) for signature

3) The date and time the signed contract was returned to the clerk

4) The date and time the clerk transfers the contract to the next signatory by interoffice mail or hand delivery, indicating the contract has successfully passed through the department

In addition, the purchasing department should maintain a summary document that tracks the progress of a contract through the departments. The summary should draw its data from the departmental tracking sheets and could be more simplified, indicating the date and time the contract was received, whether it was signed or not, and when it was sent to the next recipient. With such a system in place, it would be possible for staff to track the location of a contract with increased accuracy. Furthermore, maintaining an active record in this way would make it possible to identify and address bottlenecks in the approval process.

**9. Conduct Routine Purges of the Munis Vendor List**

We recommend that the purchasing agent review the master vendor list at least annually for duplicate and erroneous entries. Additionally, temporary vendor numbers created for employee expense reimbursements should be purged as soon as possible, ideally right after the employee has been reimbursed. Purchasing should coordinate this effort with the Munis specialist in the IT department and the city auditor.

Currently, there are 58,498 vendor numbers on the list. Of those, 26,309 or 45% are active, while the remaining 55% are made up of 32,189 temporary vendor numbers. This makes it more difficult to track whether separate payments to a specific vendor during the fiscal year, when considered in aggregate, would meet procurement law thresholds.

A bloated list also leads to confusion when adding vendor numbers to requisitions. This has caused errors such as multiple spellings (or misspellings) of vendor names filed under separate numbers and entries for vendors no longer in use. The purchasing department typically checks for duplicate vendors by searching for the Federal Identification (FID) number in the Munis list, but there are many old entries that do not have FID numbers. Some duplicate vendor numbers are missed because of this, so a systematic, detailed purge is necessary.

**FY2014 Vendor List**

55%

45%

■ Active
■ Temporary
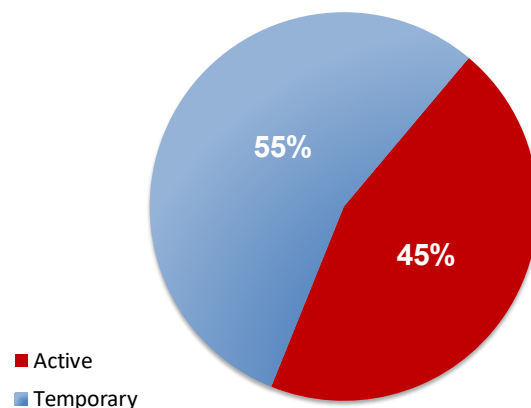
Maintaining the vendor file is also an important process for mitigating fraud, as an employee with access to temporary vendor numbers could use them to create fraudulent charges. In fact, vendor

numbers created for employee reimbursements have been problematic for Chicopee in the past. A recent IRS audit of the treasurer's office discovered that these temporary vendor numbers were being used improperly to compensate public works employees who were officiating local athletic events. In this case, the reimbursements had been for the employees' purchase of work boots. In the reimbursement process, an employee makes a purchase, submits a receipt for reimbursement, and is assigned a temporary vendor number in Munis. The employee's reimbursement request is then paid as part of an AP batch as if it were an invoice from this "vendor." The employee is then issued a manual check.

What the IRS discovered was that these employees were compensated for athletic officiating in the same manner that they were reimbursed for their work boots; employees were issued manual checks through the temporary vendor number that had been created for their expense reimbursement. This meant the employees were improperly paid through the AP process, rather than by creating a separate pay code in Munis for processing through the payroll. Thus, payroll deductions such as income tax and Medicare were not applied. Had the temporary number been purged as soon as the work boot reimbursement was paid, then there would not have been an opportunity to misuse it in this manner.

## 10. Expand Use of the Purchasing Website for Bid Information

We recommend that the purchasing department make greater use of its website to list information on bids and RFPs. While the website does currently list upcoming bids, other information is limited. The purchasing department should work with the IT department to determine how best to present and maintain a more robust web presence for purchasing. The website currently includes the name, bid number, date and time of upcoming bids. This is presented as an upcoming event on the city's general events calendar.

However, there are several areas where we feel use of the website should be expanded. A more comprehensive approach might be to create a new page for each bid or RFP, with all relevant information accessible on that page. This would include the text of the RFP or IFB and any relevant documents (such as addenda) presented either as part of the website content, or as downloadable PDFs. The bid page should also include the bid due date, the date of the opening, and whether the current status is open or closed. Furthermore, the website could list standard bidding procedures and required forms, making them available for download. For good examples, please see the City of Westfield's and the Town of Brookline's purchasing websites.

**11. Review and Update Confidential Information Policy**

We recommend updating the city's current "Personal Information Policy" by drafting a set of procedures specific to the purchasing department. The policy will apply primarily to confidential information that is a part of contract language. The city's contract approval process requires that the documents travel through the offices of the department securing the contract, the purchasing department, city auditor, legal department, and the mayor. There have been issues in the past with social security numbers included on contract forms being vulnerable during this process. While the city may be improving in this regard, we recommend making this addition to the current policy as a matter of best practice.

## Appendix 1: Proposed Reporting Structure

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  │City Council│ │  Mayor  │ │Assessors(3)│ │ Treasurer│ │ Collector│
  │(13 members)│ └────┬────┘ └───────────┘ └──────────┘ └──────────┘
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    ┌─────────────┐         ┌──────────────┐
    │Asst. Auditor│         │  Purchasing  │
    └──────┬──────┘         │ Agent (CPO)  │
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     ┌──────────────┐              │
  ┌─│Budget Analyst│        ┌──────────────────┐
  │  └──────────────┘     ┌─│ Asst. Purchasing │
  │                       │ │      Agent       │
  │  ┌──────────────┐     │ └──────────────────┘
  ├─│Staff Accountant│    │
  │  └──────────────┘     │ ┌──────────────────┐
  │                       └─│ PT Clerk (vacant)│
  │  ┌──────────────┐       └──────────────────┘
  ├─│  AP Clerk (2) │
  │  └──────────────┘
  │  ┌──────────────┐
  └─│ Payroll Clerk │
     └──────────────┘
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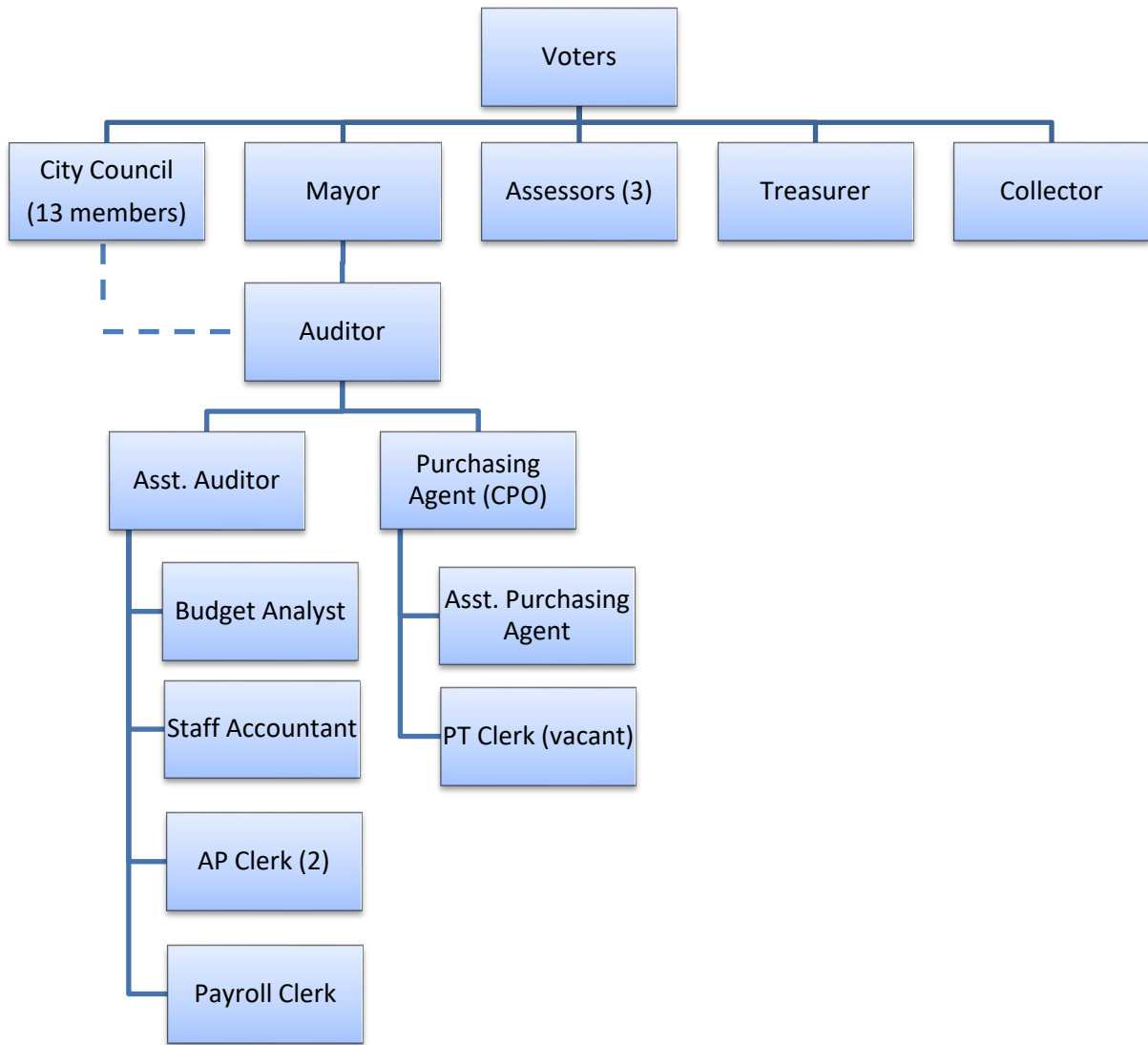
## **Appendix 2: Recommended PO Process**

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                    ┌─────────────────┐
                    │   Department    │
                    │identifies need  │
                    │  for purchase   │
                    └────────┬────────┘
                             │
                    ┌────────┴────────┐
                    │  Dept Clerk     │
                    │  creates        │
                    │ requisition in  │
                    │     Munis       │
                    └────────┬────────┘
                             │
  ┌──────────────┐          ◇
  │     Dept     │  ◀─YES─ Backup
  │  Researches  │        needed?
  │    backup    │          │
  └──────┬───────┘          NO
         │                   │
  ┌──────┴───────┐   ┌───────┴──────┐   ┌──────────────┐
  │Attaches backup│  │Department Head│ ◀─│Clerk addresses│
  │to requisition │─▶│   Reviews    │   │    issues     │
  │  in Munis    │   └───────┬──────┘   └──────────────┘
  └──────────────┘          │
                            ◇
                     Department  ─NO─▶ Return to
                    Head Approval      Department with
                            │          comments
                           YES
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                    ┌───────┴──────┐
                    │  Purchasing  │
                    │  Department  │
                    │   Approval   │
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  ┌──────────┐  ◇           ◇
  │Return to │◀NO Backup ◀YES Backup
  │department│  attached?    needed?
  └──────────┘  │            │
               YES           NO
                │            │
                │            ◇
                └──────────▶ PO details ◀─NO
                            correct?
                            │
                           Yes
                            │
                    ┌───────┴──────┐
                    │ Purchasing   │
                    │  converts    │
                    │requisition to│
                    │purchase order│
                    └──────────────┘
```

## **Appendix 3: Recommended Quote Process**

```
        ┌──────────────────┐
        │    Department    │
        │ identifies need  │
        │   for purchase   │
        └────────┬─────────┘
                 │
                 ▼
        ┌──────────────────┐
        │     Creates      │
        │   Requisition    │
        │ request in Munis │
        └────────┬─────────┘
                 │
                 ▼
              ◇ Over $10,000? ◇──NO──►┌────────────────────┐
                 │                     │  Follow PO Process │
                YES                    └──────────▲─────────┘
                 │                                │
                 ▼                                │
        ┌──────────────────┐                      │
        │    Department    │                      │
        │   researches 3   │                      │
        │      quotes      │                      │
        └────────┬─────────┘                      │
                 │                                │
                 ▼                                │
        ┌──────────────────┐                      │
        │  Chooses vendor  │                      │
        │ with lowest quote│                      │
        └────────┬─────────┘                      │
                 │                                │
                 ▼                                │
        ┌──────────────────┐                      │
        │ Attaches 3 quotes│                      │
        │    to Munis      │──────────────────────┘
        │   requisition    │
        └──────────────────┘
```
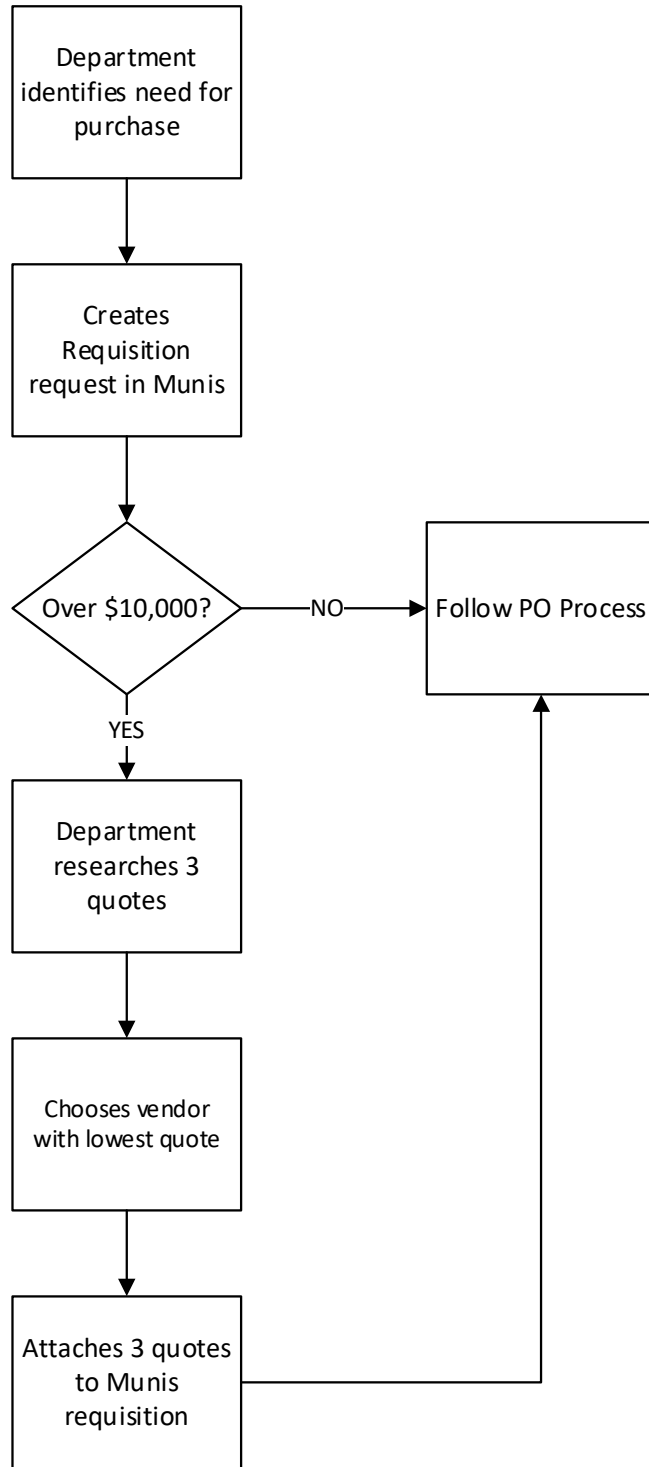
## Appendix 4: Recommended Contract Renewal Process

```
                    ┌─────────────────┐
                    │ Purchasing      │
                    │ notifies        │
                    │ Department that │
                    │ contract is set │
                    │ to expire       │
                    └────────┬────────┘
                             │
                             ▼
┌──────────────┐          ◇ Over 2 years
│ Re-bid       │◄──YES──  ◇ since bid?
│ Contract     │          ◇
└──────────────┘             │
       ▲                     NO
       │                     ▼
       │             ┌─────────────────┐
       │             │ Purchasing &    │
       │             │ Dept review     │
       │             │ contract        │
       │             └────────┬────────┘
       │                      ▼
       │             ┌─────────────────┐
       │             │ Purchasing      │
       │             │ researches      │
       │             │ comparative     │
       │             │ contract terms  │
       │             └────────┬────────┘
       │                      ▼
       │                    ◇ Compare
       └──────NO──────      ◇ favorably to
                            ◇ existing?
                               │
                               YES
                               ▼
                      ┌─────────────────┐
                      │ Consider        │
                      │ renewal         │
                      └─────────────────┘
```
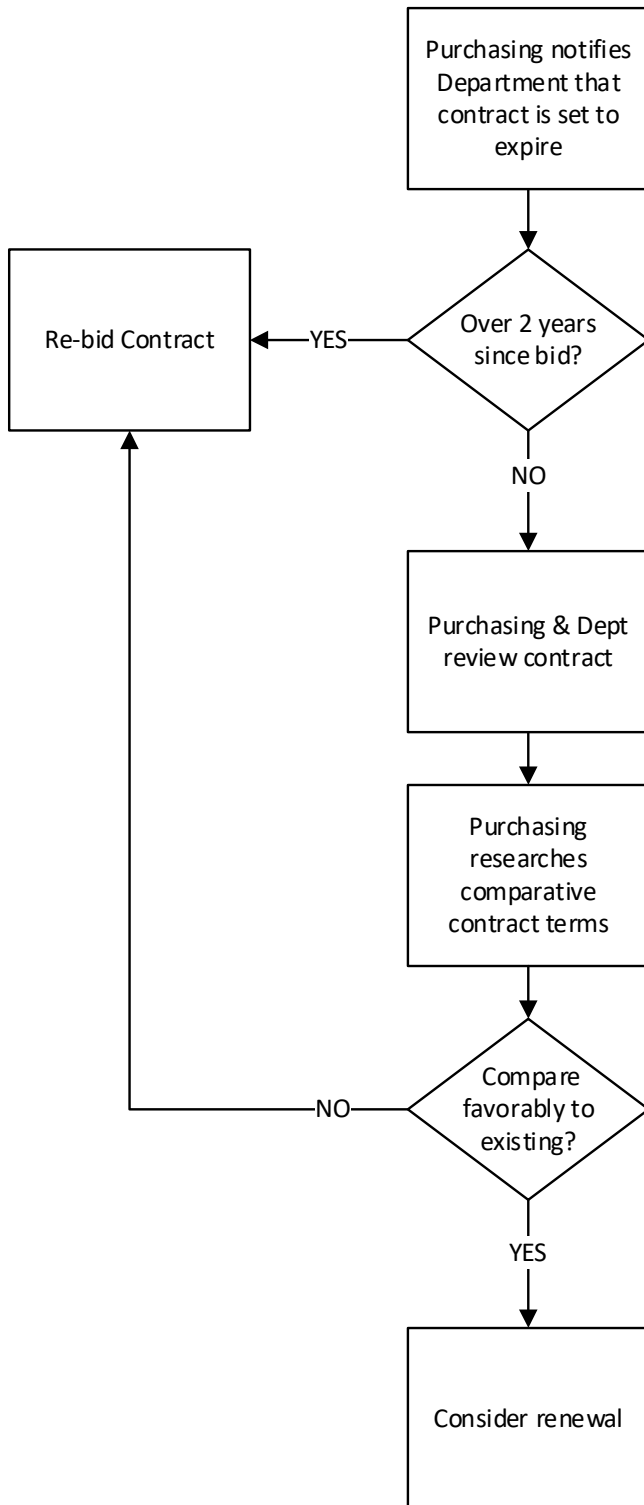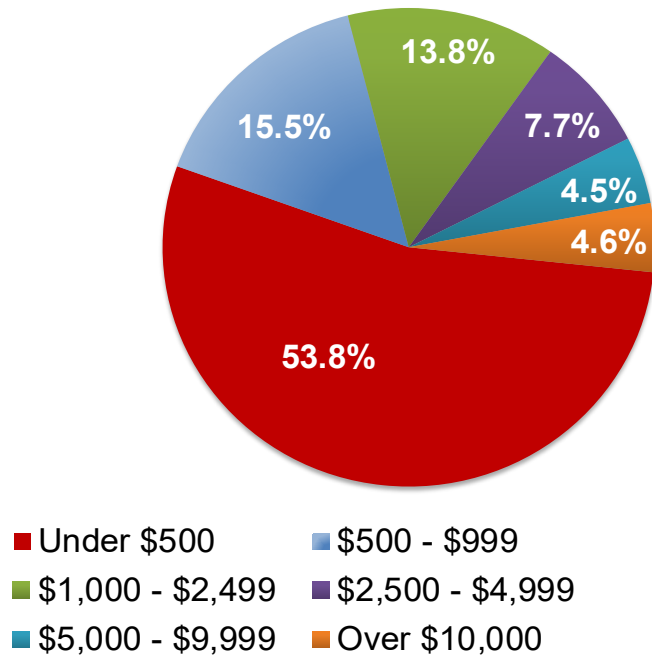
# Appendix 5: Sample Contract Tracking Worksheet

| FY2015<br>[department] | [Contract Title]<br>[contract number] | [Contract Title]<br>[contract number] | [Contract Title]<br>[contract number] | [Contract Title]<br>[contract number] |
|---|---|---|---|---|
| | | | | |
| **Received by department** | **Yes** | | | |
| Date: | 03/06/2015 | | | |
| Time: | 9:30 AM | | | |
| Name: | [employee name] | | | |
| | | | | |
| **Received by department head** | **Yes** | | | |
| Date: | 03/06/2015 | | | |
| Time: | 9:45 AM | | | |
| Name: | [department head name] | | | |
| | | | | |
| **Returned to clerk with signature** | **No** | | | |
| Date: | | | | |
| Time: | | | | |
| | | | | |
| **Sent out to next department** | **No** | | | |
| Date: | | | | |
| Time: | | | | |
| Destination: | | | | |
| **Notes:** | [department head] still reviewing, verifying specs are updated. | | | |

## Appendix 6: Purchase Order Volume by Dollar Range

### FY2014 Purchase Orders

| Dollar Range | Number | % of total |
|---|---|---|
| Under $500 | 5,587 | 53.8% |
| $500 - $999 | 1,611 | 15.5% |
| $1,000 - $2,499 | 1,432 | 13.8% |
| $2,500 - $4,999 | 802 | 7.7% |
| $5,000 - $9,999 | 470 | 4.5% |
| Over $10,000 | 480 | 4.6% |
| Total | 10,382 | -- |

# Acknowledgments