



City of Bowling Green

Internal Auditor's Office

Purchasing Office Audit

Project# 2012-15

Issue Date: 12/18/12

Finalized: 01/14/13

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Transmittal Letter

TO: Kevin D. DeFebbo, City Manager, Ex-officio Member
David McKillip, Audit Committee Chair
Cristi Pruitt, Audit Committee Vice-Chair
Tony Witty, Audit Committee Member
Scott Gary, Audit Committee Member
Joe Denning, Commissioner and Audit Committee Member
CC: Katie Schaller, Assistant City Manager/City Clerk

Pursuant to the approved 2011/2012 Internal Audit Plan, I hereby submit the Purchasing Office Audit. The objective of this audit was to identify and evaluate the Purchasing Office to ensure compliance with City and State regulations, policy and procedures for 1.) Purchases from \$5,000-\$20,000 within Purchasing Agent's approval level; 2.) Purchases over \$20,000 which require public bidding; 3.) Sole Source justifications; and 4.) Non-competitive negotiations. This report includes background information to assist the reader in understanding processes at the Purchasing Office. The body of the report consists of observations, recommendations and management's responses to the recommendations.

Results in Brief

The audit identified several areas in which Purchasing Office operations can be improved. Six (6) recommendations are identified within this report to strengthen internal controls within the division. The recommendations are as follows:

- 1. Online bidder listing should be periodically advertised and maintained; the webpage should be updated timely and additional online services should be researched for additional convenience of bidders.**
- 2. The Purchasing Office should monitor Citywide Purchasing Activity.**
- 3. Each Sole Source purchase must contain proper justification, supporting documentation and appropriate approval signatures.**
- 4. Non-Competitive purchases must be based only on the determinations provided in Kentucky Revised Statutes (KRS) and must be completed per requirements in City Policy.**
- 5. Cooperative purchasing through Kentucky State Pricing Contracts or any other "local public agency" must be in compliance with KRS 45A.420 and City policy.**
- 6. The Purchasing Agent should enforce both City and State procurement policies. Any purchases that do not have proper quotes or backup should have a justification memorandum. Items \$20,000 or above must follow Model Procurement Code and bid files should contain essential bid file items.**

The Purchasing Office is in transition with the new Purchasing Agent joining the City in October. I hope that these recommendations will assist her in implementing change and controls to improve the office.

Sincerely,

Deborah Jenkins, CFE, CICA
Internal Auditor

Background

The Purchasing Office is within the City Clerk Division of the City Manager's Department. The Purchasing Agent responsibilities were segregated from the Finance Department in 2006 in an effort to increase internal controls between the approval to purchase and the accounts payable/accounting functions within Finance. The Internal Auditor originally held the responsibility of segregating the appropriate duties from the Finance Department. In 2007 the position of Purchasing Agent was created and took over the procurement duties and responsibilities.

The Purchasing Agent is responsible for overseeing the procurement function of the City (as approved in the City's Purchasing Policy), directly reviewing and approving any purchase order starting at \$5,000. The Purchasing Agent also manages the public bid functions of the City to ensure compliance with the Kentucky Model Procurement Code which the City has adopted.

The City is required to publicly bid items, any capital improvement project and most services which are estimated to cost above \$20,000. The departments identify their needs and then work with the Purchasing Agent to develop specifications for the public bid. The Purchasing Agent works as a compliance officer to review the specifications and ensure they are written to encourage multiple bids as well as compiles the required forms per the Kentucky's Model Procurement Code. The Purchasing Agent releases all bids, is the contact person for any related questions, and is responsible for the reception of and public opening of the bids. Once the bid has been opened, the Purchasing Agent works with the individual departments as they evaluate the bid and prepare the award authorization for approval by the City Manager if the amount is less than \$25,000 or approval by the Board of Commissioners if \$25,000 or above.

The Purchasing Agent directly approves around 280 purchase orders each year, which accounts for 3% of the total purchase orders created citywide; however, this 3% accounts for over 20 million dollars or 76% of the total dollars spent during the past two fiscal years within the purchase order system.

The City utilizes an enterprise financial software system (Logos) that allows for electronic approval and electronic attachment of supporting documentation to purchase orders. The bid process has changed under the Purchasing Agent's responsibility from mailing hard copies of the bids to various known potential bidders to an online bidder registry that notifies bidders when bids of their selected business code are out for bid. The bidder can log into the online registry and download the bid documents at their convenience.

Objective

The objective of this audit was to identify and evaluate the Purchasing Office to ensure compliance with City and State regulations, policy and procedures for 1.) Purchases from \$5,000-\$20,000 within the Purchasing Agent's approval level; 2.) Purchases over \$20,000 which require public bidding; 3.) Sole Source justifications; and 4.) Non-competitive negotiations.

Scope

The scope of this audit included procurement activity from July 1, 2010 through June 30, 2012.

Criteria and Approach

This audit was based on documented policies and procedures, as well as general best business practices. The approach consisted of three phases:

1. Understanding the Process:

During phase one, an entrance conference was held to discuss objectives of the audit work, collect information and documentation, and inform them why the audit was selected. I then conducted interviews with employees and observed processes.

2. Sample Determination and Detailed Testing:

During phase two, risk areas were identified and prioritized based on perceived control techniques, control weaknesses as well as the impact and probability of occurring within the procurement process. A combination of randomized testing, whole population and haphazard selection of samples were tested based on the priority scale of risks identified. In addition, a survey was conducted requesting feedback from all registered bidders on the City's vendor registry system.

3. Reporting:

During phase three, I analyzed and evaluated the results of the tests performed. I then summarized the observations and recommendations into a report format based on the analysis. An exit conference was conducted with management and their responses were incorporated into this report.

Statement of Standards

The audit was performed in accordance with generally accepted government auditing standards. Those standards required that I plan and perform the audit to afford a reasonable basis for judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls, compliance requirements under the law and regulations when necessary to satisfy the audit objectives. I believe this audit provides a reasonable basis for the conclusions.

It is the Internal Auditor Office's responsibility to perform the review under generally accepted governmental auditing standards, as well as provide recommendations to improve operations, strengthen internal controls and ensure compliance with the requirements of laws, rules and regulations in matters selected for review. It is management's responsibility to implement recommendations, to maintain an internal control environment conducive to the safeguarding of City assets, to preserve the City's resources, and to comply with applicable laws, regulations and City policies.

Audit Conclusion

The audit identified six (6) areas in which the Purchasing Office can improve the internal controls and administration of the procurement function. Several recommendations are included in this report to assist the Purchasing Office in strengthening controls and complying with regulation and policy.

Observations and Recommendations

1. Online bidder listing should be periodically advertised and maintained; the webpage should be updated timely and additional online services should be researched for additional convenience of bidders.

Observation

The City publicizes invitations for bid by utilizing the City's webpage as well as an online bidder registry service where potential vendors can sign up to receive notification when bids are released to the public. The registered bidders can also log in and download various bid documents directly from the online registry. As part of the audit steps, I conducted a survey of the current bidders listed on the registry in an effort to see if the bidders were able to utilize the site easily, if bidders were satisfied with various aspects of the Purchasing Office as well as ask for other services they wish the City would provide over the online service. An e-mail was sent out to all vendors registered on the online bidder registry with a link to the online version of the survey. A total of 214 of the registered bidders e-mail addresses were rejected and subsequently removed from the registry by IT once the confirmation was received.

In addition to the online e-mail blast, the list of vendors was also reviewed for complete addresses and a letter with a hard copy of the survey was sent to 1,300 vendors who appeared to have valid names and addresses. 113 of the mailed surveys were returned undeliverable and were also removed from the online registry by IT. A total of 251 survey responses were received either via mail or through the online survey. Overall, the survey showed that the vendors were satisfied with the services provided by the Purchasing Office and with the ease of use of the online bidder registry. Less than half (42.7%) of the surveyed vendors stated that they found out about the registry from the City's website. The compilation of the surveys is included within this report as Appendix A.

Comments provided by some surveyed bidders included:

1. Bid statuses were not maintained timely on the City's website.
2. Request for a plan holders list for subcontractors so they know which General Contractors to contact for sub bids.
3. Requested e-mail notification if a recurring bid goes out that the vendor had previously bid on.
4. Requested follow-up to notify bidders when they were not selected and indicate if there was something that removed them from consideration so they can correct it in future bids.
5. Request to re-arrange the vendor codes to business type of organization verses the current listing to make it easier to sign up. Separate professional services from materials and construction bids.

Risk

The online registry can become stagnant without feedback, new services and advertisement. New potential bidders will not be reached and registered bidders will not utilize the site which could decrease the number of submitted bids thus limiting competition.

Recommendation

Even though the City has transitioned to electronic advertisement of each specific bid on the City's webpage, periodic advertisement of the actual registry via other means (newspaper, social media, radio, etc.) should also be utilized so all potential vendors become aware of the registry as time goes on.

The comments or suggestions provided in the survey should be researched and implemented:

1. Update statuses timely on the website.
2. Implement a plan holders listing for subcontractors.
3. Notify companies that have previously bid on a recurring bid that it is out for bid again.
4. Follow-up with bidders when they are not selected and provide feedback especially if they were not considered due to a procedural error such as not including a bid bond, late arrival or an incomplete or missing required form.
5. Evaluate the vendor codes to see if a different type of organization would be easier for vendors to sign-up for separating professional services from materials and construction type work.

Management Response

Management appreciates the responses provided from the survey conducted by the Internal Auditor and will take all suggestions into consideration as we continue to make improvements to the procurement webpage and online registry/bidder system.

Periodic advertisement of the actual registry via other means should be utilized so all potential vendors become aware of the registry as time goes on

The cost of additional advertising in outside publications is a factor to be considered. The use of the City's website/internal methods helps to keep costs to a minimum. From July 1, 2011 to June 30, 2012, the City had 565 new vendor registrations. To date, there have been over 1,800 registered vendors from its short three year history. Although the survey identifies less than half of the registered vendors having heard about the registry from the City's website, it was by far the most selected response. There are several bid services/publication resources that have registered on the City's procurement website, such as Datafax, National Construction News, The Dodge Lead Center, BidNet, Onvia, Kentucky Procurement Assistance Program (KPAP), and Tennessee and Kentucky's Builders Exchange to name a few, which also help to advertise about Bowling Green's online bidder registry process through a third party service. We average over 30 downloads per bid listing on a regular basis. In December, we experienced as many as 70 downloads for one particular bid. We propose to publish periodic reminders of the Bid Process/Website in the local newspaper and send out e-news releases to encourage more competition, as well as advertising in other publications that would reach surrounding areas if costs are reasonable. In addition, we will investigate the possibility of using other resources (Louisville uses Demand Star) to reach as many bidders as possible.

1. Update statuses timely on the website.

The status of the bids/quotes is currently being updated within 24 hours of an action/decision. The problem may exist due to the time lag in the actual process, sometimes two/three months before a bid is awarded. Example: Once bids are opened, the bid is changed to “Pending” on the website and will remain “Pending” throughout the evaluation process, required signature approval, and presentation to the BOC during a regularly scheduled meeting. Since “Pending” has such a broad interpretation, we will request that IT change “Pending” to “Under Evaluation,” which we believe will more accurately explain the bid status.

2. Implement a plan holders listing for subcontractors.

The current system setup does not identify bidders as “plan holders”, so we are not able to provide such a list. We believe it would be pure speculation on the City’s part to make such assumptions without a declaration by the Company itself. Until a bid opening occurs, the list of downloads related to such bid is determined to be preliminary, and therefore, not released in advance of the bid opening. We will look into modifying the system to identify (at the time of registration or bid download) if a Company is considered to be a plan holder. Additionally, when mandatory pre-bid meetings are held and an attendance sign-in sheet is required, we could modify the form to request those in attendance to identify themselves as a plan holder or not. Thereby, obtaining such information directly from the Company.

3. Notify companies that have previously bid on a recurring bid that it is out for bid again.

We believe that this would be a redundant step in the process. Currently, an e-mail is sent to all companies registered on our website if the bid request applies to the codes identified by the Company during registration. So long as a Company maintains its registration status, it should receive the notification. A separate notification process to specific vendors would be time consuming and may not be the best way for that time to be spent, especially since this is a one person office.

4. Follow-up with bidders when they are not selected and provide feedback, especially if they were not considered due to a procedural error such as not including a bid bond, late arrival or an incomplete or missing required form.

A letter is now sent to each bidder not being awarded the project advising of the City’s selected company and amount to be awarded. A note can be added to advise the Company if a procedural error occurred which might have disqualified them from consideration. Unfortunately, because not all bids are evaluated and approved within a week of opening, this letter may not get sent in (what some may consider to be) a “timely” manner.

5. Evaluate the vendor codes to see if a different type of organization would be easier for vendors to sign-up, for separating professional services from materials and construction type work.

Currently, there are a total of 74 codes available for selection, with seven different types for professional services to choose from as well as fifteen different sub types for contractor. In further review of the codes in the registration process, it appears that they are not listed in alphabetical order. This may cause some codes to be missed. We will review this with IT and request assistance to determine the best method of (re)organizing this information. Also, we will contact other cities to determine the information/tools used in their processes.

2. The Purchasing Office should monitor Citywide Purchasing Activity.

Observation

The Purchasing Agent does not routinely analyze citywide purchasing activity. The Departments manage and approve all purchases under \$5,000 without any review by the Purchasing Office. In the past two fiscal years (FY2011-FY2012), the individual departments approved over \$6,000,000 worth of Purchase Orders (PO). As a result, policy violations, split purchases and the opportunity for volume discounts can go undetected or unaddressed by Purchasing.

The Purchasing Agent does not review any purchases processed outside of the PO system including direct payments and procurement card purchases. As a result, a large percentage of expenditures are not subject to oversight and analysis by purchasing. The Department of Finance manages the City's procurement card purchases and payments and issues the majority of the direct payments made by the City; however, the Purchasing Office was created to improve segregation of duties and provide independent purchasing approval.

Risk

Without a routine review and analysis process within the Purchasing Office, the potential for violation of policy, undetected fraud, waste or abuse increases as well as the potential for missed opportunities for volume discounts.

Recommendation

The Purchasing Agent should take a more active role in monitoring and analyzing purchases citywide, including but not limited to the following:

1. Create and regularly review PO reports designed to detect policy violations, errors and/or fraudulent purchases as well as identify opportunities for improvement in efficiency and cost savings.
2. Include reviews of all purchasing activity, regardless of payment method (direct payments and P-Card purchases). This will enable Purchasing to identify errors or irregularities that may go undetected without a broad citywide review.

Management Response

The Purchasing Agent should take a more active role in monitoring and analyzing purchases citywide.

Management agrees with this recommendation. It will take cooperation from both the Finance and IT departments to implement an effective solution.

1. *Create and regularly review PO reports designed to detect policy violations, errors and/or fraudulent purchases as well as identify opportunities for improvement in efficiency and cost savings.*

Access to such information will be required and training will be needed to assist the Purchasing Agent in creating the necessary reports. The use of other software outside of Logos, such as Idea Management Solution, may also be required to assist with obtaining information in a useable format. At a minimum, we propose to 1) establish a

quarterly review process of the purchasing activities of two departments per quarter, 2) create a logical approach (with the assistance of the Internal Auditor) to analyzing reports by vendor, in descending dollar, with products/services purchased, and 3) meet with each department after the analysis is complete to ask questions, gather input, and possibly identify potential areas for cost reductions/savings and efficiencies.

2. *Include reviews of all purchasing activity, regardless of payment method.*

Currently, the Purchasing Agent does not have security access to review or run reports on direct purchases and P-card transactions. In addition, there is no built in notification process in Logos for any purchases exceeding \$5,000 to receive approval by the PA under either of these two methods.

3. Each Sole Source purchase must contain proper justification, supporting documentation and appropriate approval signatures.

Observation

A sole source is defined in KRS 45A.380 as “a single source within a reasonable geographical area of the product or service to be procured.” In addition to the Kentucky Revised Statutes, the City has adopted a policy which states “because of the requirement for justification, all requests for sole source procurement should be supported by a Sole Source Justification Form.” This form is attached in Appendix B and is considered mandatory per the City’s Purchasing Policy.

Each Sole Source Form is given a unique number and a memorandum should be included to justify the sole source. Approval for the sole sources is to be signed off on for approval by the Purchasing Agent, City Manager and City Attorney. There were 47 Sole Source numbers given by the Purchasing Agent in both FY2011 and FY2012. All 94 sole sources were reviewed to verify that KRS and City Policies had been in compliance.

Several compliance issues were found:

- Six (6) of the sole sources had no Sole Source Form or any documentation to support the number given.
- 23 sole sources had a form in file, but listed no pricing information and had no supporting memorandum to justify the purchase.
- Only 13 of the 94 forms contained all approval signatures required by the Sole Source Justification Form. The Sole Source Form requires the signature of the Department Head, Purchasing Agent, City Manager and City Attorney. There is no distinction as to the price level in which these signatures are required. The City Manager approves purchases from \$20,000 and above so is not required to sign off on every sole source per City policy; however without clarifying which signatures are needed at each price level; the appropriate signatures can be missed. There is no policy which states at what dollar amount the City Attorney approval should be obtained which should also be addressed.
- One (1) approved sole source was reviewed specifically with the City Attorney and determined to have NOT been a sole source by the City Attorney.

In addition, sole sources should be reviewed and recertified periodically per City policy. No consistent process is in place to review ongoing sole sources for updated justifications.

Risk

Without proper approval and justification, non-sole source items can be procured and violate not only City policy, but also adopted Kentucky State Statute.

Recommendation

The Sole Source Justification form should be updated to include dollar amounts in which each approval signature must be obtained. All determined signatures must be obtained prior to approval to purchase and maintained in file. Supporting documentation from the department should be attached including purchase price for all sole source purchases. If an item does not comply with approved sole source justifications, it should be denied and the competitive bidding process should begin.

Ongoing sole sources should be periodically reviewed to ensure the purchase is still considered a sole source. This review should be done on a consistent basis and documented.

Management Response

Management agrees and the Sole Source Justification form has been revised as recommended, and now contains the specific signature requirements. Previously, approval may have been given electronically through the PO approval process, but the forms were not updated with the appropriate signatures once approved and reattached to the PO. The process has been modified to require that the form is to be completed, with required memos/documents attached, and submitted for approval prior to a Sole Source number being assigned. Further details are also now specifically required, such as Description of Purchase and Estimated Amount. The signature of the Purchasing Agent and the City Attorney are now required for all Sole Source approvals for transactions over \$2,500 (those requiring at least two or more quotes by Policy). The City Manager's signature is required for all transactions over \$20,000 and BOC approval will be sought for all items with a minimum total of \$25,000. All approved forms with documents are kept on file in the Purchasing Agent's office for a period of three years, after which it can be destroyed per records retention policies, and should be electronically attached to the respective PO. The new form and process has been in place since November 2012, but was formally announced effective January 2, 2013. A copy of the revised form is attached for your reference and review.

On-going Sole Sources should be periodically reviewed to ensure the purchase is still considered a Sole Source.

Management agrees and new Sole Source approvals are required annually.

4. Non-Competitive purchases must be based only on the determinations provided in Kentucky Revised Statutes (KRS) and must be completed per requirements in City Policy.

Observation

KRS 45A.380 allows for a public agency to purchase without a competitive bidding process under certain justified circumstances. A “written determination is made that competition is not feasible and it is further determined in writing” that:

1. An emergency exists which will cause public harm if delayed;
2. There is a single source within a reasonable area;
3. A contract is for a licensed professional with examples listed;
4. It is for a perishable item that is purchased on a weekly or more frequent basis;
5. Contract is for replacement parts that can’t be reasonably anticipated and stockpiling is not feasible;
6. It is for proprietary items for resale;
7. Specific to school districts;
8. For purchases made on authorized trips outside boundaries of agency;
9. For purchase of supplies which are sold at public auction or by receiving sealed bids;
10. Contract is for group life insurance, group health and accident insurance, group professional liability insurance, worker’s compensation insurance, and unemployment insurance; or
11. The contract is for sale of supplies at reduced prices that will afford a purchase at savings to the local public agency.

The Purchasing Agent issues a non-competitive purchase number for each request along with a Non-Competitive Negotiation Determination Form which is shown in Appendix C. The form requires the department to 1.) Select one of the approved reasons to justify the purchase, 2.) Attach a memorandum describing the justification for the requested purchase, and 3.) Obtain applicable Department Head, Purchasing Agent and City Attorney approval signatures. There were 25 non-competitive numbers issued in FY2011 and 26 issued in FY2012. A full review was performed on all 51 in file and several compliance issues were found:

- 30 forms do not have appropriate approval signatures. The forms require a signature from the Department Head, Purchasing Agent and City Attorney. The City Attorney’s signature was missing on most of the forms and there were also instances where either the Department Head or Purchasing Agents signatures were missing. A Department Head and Purchasing Agent signature should be on each form; however, there is no policy which states a dollar amount when the City Attorney signature is required.
- 8 have no supporting documentation to support purchase
- 1 non-compete number was given to two separate purchases. One of the purchases was approved correctly by the Board of Commissioners; however, the second purchase was for \$23,200. There was no documentation found to show City Manager approval, which is required at that price level.
- A five year contract that totaled over \$57,000 did not obtain Board of Commissioners approval. Discussion with City Attorney confirmed that the purchase should have been

presented to Board of Commissioners even though the annual amounts were less than \$25,000.

Risk

Without proper approval and justification, non-competitive negotiations can be procured and violate not only City policy, but also adopted Kentucky Revised Statute.

Recommendation

All required signatures must be obtained prior to approval to purchase and maintained in the Purchasing file. Supporting documentation from the department should be attached including purchase price. If an item does not comply with approved non-competitive negotiation justifications, it should be denied and the competitive bidding process should begin. One number should be provided by the Purchasing Agent for each separate purchase. Multi-year contracts should be approved through Board of Commissioners if the total contract amount is above the \$25,000 threshold in City policy.

The City Manager's signature is not a required signature on the form; however, if the purchase is within his approval level the City Manager approval must be documented.

Management Response

Management agrees and the Noncompetitive Negotiations form has been revised as recommended, and now contains the specific signature requirements. Previously, approval may have been given electronically through the PO approval process, but the forms were not updated with the appropriate signatures once approved and reattached to the PO. The process has been modified to require that the form is to be completed, with required memos/documents attached, and submitted for approval prior to a number being assigned. The signature of the Purchasing Agent and the City Attorney are required for all Non-Competitive Negotiation approvals for transactions over \$2,500 (those requiring at least two or more quotes). The City Manager's signature is required for all transactions over \$20,000 and BOC approval will be sought for all items with a minimum total of \$25,000. All approved forms with documents are kept on file in the Purchasing Agent's office for a period of three years, after which it can be destroyed per records retention policies, and should be electronically attached to the respective PO. The new form and process has been in place since November 2012, but was formally announced effective January 2, 2013. A copy of the revised form is attached for your reference and review.

Auditor Note

All updated forms referenced in management responses are included in Appendix E.

5. Cooperative purchasing through Kentucky State Pricing Contracts or any other “local public agency” must be in compliance with KRS 45A.420 and City policy.

Observation

Cooperative pricing is allowed in KRS 45A.420 which allows local public agencies such as the City to purchase under Kentucky State contracts. We are also allowed to enter into an agreement for cooperative purchasing with any other local public agency. The State defines a local public agency as:

A city, county, urban-county, consolidated local government, school district, special district, or any agency formed by a combination of such agencies under KRS Chapter 79, or any department, board, commission, authority, office, or other sub-unit of political subdivision which shall include the offices of the country clerk, country sheriff, country attorney, coroner, and jailer.

The City Attorney of Bowling Green has determined that this definition of local public agency means we can purchase within Kentucky based contracts or Kentucky contract partnerships which adhere to Kentucky Model Procurement Code. These cooperative purchases are regarded as a non-competitive transaction per City policy. City policy also states that the Purchasing Agent will maintain a master list of State Pricing Contracts and will periodically publish the list for departmental use.

Twenty five (25) of the Non-Competitive Negotiations listed in the previous recommendation were cooperative purchasing items; however, in addition to the standard compliance issues pertaining to non-competitive negotiations, other notable compliance concerns were found specific to cooperative purchasing including:

- 3 purchases utilized federal or other contracts that are not allowed per the City Attorney’s interpretation of local public agency.
- 1 State Pricing Contract obtained backup that did not contain the item purchased. After discussion with the department and calling the State Procurement Office, it was determined that expired contracts could not be found once they were purged from the State’s available contracts.
- 1 State Pricing purchase had no State Pricing Contract or backup to support the purchase.

Risk

Without proper documentation to verify that items purchased are contained within the appropriate State Pricing Contracts or applicable cooperative purchases with other local public agencies, the City will be in violation of adopted Kentucky Revised Statute (KRS).

Recommendation

The Purchasing Agent must verify that any non-competitive purchase that is approved by use of cooperative purchasing contains the correct State Pricing Contract with the item being purchased clearly identified in the supporting documentation. All State Pricing purchases must contain a copy of the current State contract that is being utilized within the supporting documentation, not just the contract number; since all data is deleted from the State site after the contract expires.

Purchases via use of cooperative purchasing with other local agencies should be approved by contracts originating with other local agencies within Kentucky who follow the Kentucky Model Procurement Code adopted by the City. This must be verified by the Purchasing Agent and signed off on by the City Attorney prior to purchase.

The Purchasing Office should meet with the City Attorney and review requirements for local cooperative agreements to ensure that contracts are only approved with appropriate contracting agencies.

Management Response

There have been conflicting interpretations in the past regarding which cooperative agreements the City could appropriately use. This has since been clarified and all cooperative purchasing agreements must be associated with either the Commonwealth of Kentucky or a local public agency therein.

Purchasing Agent must verify that any non-competitive purchase that is approved by use of cooperative purchasing contains the correct State Pricing Contract with the item being purchased clearly identified in the supporting documentation. All State Pricing purchases must contain a copy of the current State contract that is being utilized within the supporting documentation, not just the contract number. The Purchasing Office should meet with the City Attorney and review requirements for local cooperative agreements to ensure that contracts are only approved with appropriate contracting agencies.

Management agrees and a new Determination Form has been developed with the assistance of the City Attorney, titled Cooperative Purchase (KRS 45A.420), to contain the specific signature requirements along with other required information. The form is to be completed, with required memos/documents attached including a copy of the correct State or Local Purchasing Contract identified on the form, and submitted for approval prior to a number being assigned. The signature of the Purchasing Agent and the City Attorney are required for all Cooperative Purchasing approvals for transactions over \$2,500 (those requiring at least two or more quotes). The City Manager's signature is required for all transactions over \$20,000 and BOC approval will be sought for all transactions with a minimum total of \$25,000. All approved forms with documents are kept on file in the Purchasing Agent's office for a period of three years, after which it can be destroyed per records retention policies, and should be electronically attached to the respective PO. The new form and process has been in place since November 2012, but was formally announced effective January 2, 2013. A copy of the new form is attached for your reference and review.

6. The Purchasing Agent should enforce both City and State procurement policies. Any purchases that do not have proper quotes or backup should have a justification memorandum. Items \$20,000 or above must follow Model Procurement Code and bid files should contain essential bid file items.

Observation

The City's Manual of Purchasing Policies and Procedures specifies the number of quotes that each purchase should "attempt" to adhere to. If the recommended number of quotes are not received, a "written justification should be submitted to the Purchasing Agent before the purchase can be authorized." When the cost exceeds \$10,000 "a narrative explanation providing the project description, cost estimate, general ledger account number and budgeted amount is required." Once an item is quoted above \$20,000, the Model Procurement Code must be followed and the item must be publically bid out. The City Manager can administratively approve purchases from \$20,001-\$24,999. Any purchase \$25,000 and above requires the approval of the Board of Commissioners. The following quote levels are listed below in the City's policy:

More Than	Up to	Recommended Contacts	Solicitation Method
\$0	\$2,500	One or more	Telephone form/electronic
\$2,501	\$5,000	Two or more	Telephone form/electronic
\$5,001	\$10,000	Three or more	Written response
\$10,001	\$20,000	Three or more	Written response w/narrative from Department Head

The City has developed a telephone quote form shown in Appendix D for employee's to complete when obtaining phone or electronic quotes for purchases \$5,000 or less. Testing was performed in three separate PO amount categories: \$5,000-\$10,000, \$10,001-\$20,000 and \$20,001 and up during FY2011 and FY2012 for a total sample of 105 purchase orders.

Several instances of non-compliance with procurement policies and/or procedures were found. Below is a summary of the issues:

1. Four of the exceptions are contained within the Non-competitive Negotiations and Sole Source recommendations within this report.
2. \$6,400.00 PO contained no electronic quotes or attachments in the software, but two quotes were found in paper files. However, at that price level three quotes should have been obtained or a written justification should have been attached explaining why the appropriate number of quotes could not be obtained.
3. \$11,000 PO for a grant agreement was electronically attached and signed by the Purchasing Agent as the authorized agent for the City. The City Manager has clarified since this time that he is the only employee with the authority to sign agreements on behalf of the City up to \$24,999. Contracts and agreements \$25,000 and above must be approved by the Board of Commissioners and signed by the Mayor.
4. \$11,133.15 PO for a repair electronically contained the invoice; however no quotes were found in file within the Purchasing Agent's Office or the Department's records.

5. \$12,856.92 PO for a piece of mowing equipment was purchased through a contract which is not allowed per the City Attorney. In addition, there was no non-competitive form completed for approval on this purchase.
6. \$20,000 PO only contained e-mails requesting the amount. There was no contract or backup attached electronically. After contacting the Law Department, appropriate backup was provided by Law; however, the Purchasing Office approved the PO with only e-mail correspondence as the supporting documentation.
7. \$22,800.00 PO was approved administratively by the Purchasing Agent even though all three of the written quotes for material and labor were above \$20,000. The formal bid process should have been performed for this project to have been in compliance with KY Model Procurement Code and the Purchasing Agent does not have the authority to approve a purchase at this level without obtaining documented approval by the City Manager. There is no documentation to show City Manager approval.

Bid files were also reviewed to ensure that essential bid file items were contained within the purchasing office files. Several bid files were considered pending for more than 30 days after the bid was approved by the Board of Commissioners. Most of the pending files were missing the Conflicts of Interest Form which certifies that all individuals involved in specification development, evaluation of bids and management of the contract do not have any conflict of interest. There were also files found that were missing either a department head memorandum or a copy of the municipal order; however were found within the City Clerks official records.

Risk

The Manual of Purchasing Policies and Procedures were created to ensure certain principles listed below:

- 1.) To consider the best interests of the City in all transactions;
- 2.) To be receptive to competent counsel from colleagues and to be guided by such counsel without impairing the dignity and responsibility of the purchasing process;
- 3.) To purchase without prejudice, seeking to obtain the maximum value for each dollar of expenditure;
- 4.) To strive consistently for knowledge of the materials and supplies required for use of the City and to establish practical methods of obtaining same;
- 5.) To subscribe to, and work for, honesty and truth in buying and to denounce all forms of conflict of interest;
- 6.) To avoid all unethical practices and the appearance of the same; and
- 7.) To cooperate with all organizations and individuals engaged in activities designed to enhance the development and standing of public purchasing.

These principals and corresponding policy must be complied with or the City's procurement function will become inconsistent with the practices across departments, unable to ensure that we are providing the best value for the City and increase the potential for fraud, waste or abuse.

Recommendation

The language in the Purchasing Policy should be reviewed and strengthened to remove any vague terms such as the departments "will attempt to adhere" to stated quote levels. Proper approval signatures should be obtained and documented especially for items that require City

Manager's signature for administrative approval. Departmental justifications should be required as stated per policy when the recommended quotes are not obtained.

Any agreement or contract should be taken to the City Manager or Mayor for appropriate signatures. Internal procedures should be strengthened and training performed to enhance both departmental and citywide compliance with procurement policies.

Purchasing should encourage all supporting documentation to be electronically attached to the Purchase Order in the City's financial software. The documentation should be attached by the departments requesting the PO or by the Purchasing Agent if she feels additional information is required to be in compliance with policy. The Assistant City Manager/City Clerk as the supervisor of this division should periodically review larger purchase orders to ensure that the Purchasing Agent is obtaining further approvals when required.

Once a bid has been finalized and approved, all essential bid file documents should be signed off on and placed in the bid file in a timely manner and close out the bid file. This would allow review, open records requests or audits to be conducted in an efficient manner and ensure that essential forms are finalized per City Policy.

Management Response

With regard to the observations/issues noted above, the former Purchasing Agent is no longer available to provide additional insight into the outcome which may have a plausible explanation. It is possible that proper authorization/documentation was obtained through email, phone or in-person communication or other means which were unavailable during the auditing process. All processes have been reviewed and improvements implemented with the hiring of a new Purchasing Agent.

The language in the Purchasing Policy should be reviewed and strengthened to remove any vague terms such as the departments "will attempt to adhere" to stated quote levels. Proper approval signatures should be obtained and documented, especially for items that require City Manager's signature. Departmental justifications should be required as stated per policy when the recommended quotes are not obtained.

Management agrees. Although, we are reluctant to make policies that are too restrictive and unable to accommodate the needs of the departments. We need to determine an appropriate balance between required paper pushing and the ability to offer necessary services to the public, all while being accountable for how taxpayer dollars are spent. The Manual of Purchasing Policies and Procedures was last updated in October 2011. The language in the Purchasing Policy will be reviewed on a regular basis (at least annually), and recommended changes submitted for approval if applicable. In addition, training programs will be established and periodic sessions will be held with each department to reinforce new language and more structured, disciplined processes, such as those related to the new Sole Source, Noncompetitive Negotiations and Cooperative Purchasing forms.

Any agreement or contract should be taken to the City Manager or Mayor for appropriate signatures.

Previous Purchasing Policy interpretation had advised that the Purchasing Agent had the ability to sign documents related to transactions within her authority to approve (\$5,000 to \$20,000). However, during the past year, this process has been clearly communicated to all Department Heads, along with the requirement for the City Attorney to review and approve each contract before being signed by the City Manager, his designee or the Mayor. We agree that this subject matter should be a part of all future training to reinforce the requirement.

Purchasing should encourage all supporting documentation to be electronically attached to the Purchase Order in the City's financial software.

Management agrees and has been encouraging electronic attachment for all departments that have the capability to do so since this past summer. Not all departments had the ability (right equipment) to scan documents that could be attached. However, we have been told by IT that this may no longer be an issue for departments. If that is the case, we would like to take the recommendation further and suggest that this be changed from "encourage" to "require." We believe it is more efficient for all that corresponding documents be electronically attached prior to submitting it for approval in Logos at any level of the approval process. In addition, we believe the Purchasing Agent should have the ability to attach documents to a PO in the system to help reinforce compliance. However, once a PO starts through the approval process at the department level, the PA is not always able to attach documents. This is a software issue that we are not able to control.

The Assistant City Manager/City Clerk should periodically review larger purchase orders to ensure that the Purchasing Agent is obtaining further approvals when required.

Management agrees. When the previous Purchasing Agent left employment with the City, the ACM/CC filled in as interim PA until a replacement could be hired. This gave the ACM/CC more insight into the processes being utilized and the ability to more readily implement needed improvements. The ACM/CC continues to be more involved in the activities of the Purchasing office in an effort to fill in as Acting PA when necessary. The ACM/CC will also need to receive additional training and access to create reports and may need access to other software (such as Idea Management Solution) to assist in executing the recommended review process.



Once a bid has been finalized and approved, all essential bid file documents should be signed off on and placed in the bid file in a timely manner and close out the bid file.

Management agrees. However, this action is considered to be a low priority, and as such, it may be necessary for filing to be delayed in order to address higher priority activities. Currently, bid files are updated within 24 hours of an action/decision. We will strive to maintain this timeframe when feasible. The "Essential Bid File Items" form is also being placed in each new bid file as a




check-off sheet of items required to be in the bid file and a quick reference to note if in full compliance.

Appendix A

1. How did you hear about the City's online bidder registry?

		Response Percent	Response Count
Phone or in person from City Staff		18.5%	46
City website		42.7%	106
E-mail correspondence with Purchasing Office		14.9%	37
Word of mouth		11.7%	29
Newspaper or postcard advertisement from the City		2.8%	7
Data Company or third party subscription service		9.3%	23
answered question			248
skipped question			1





2. The online bidder registration process was:

		Response Percent	Response Count
Extremely easy to navigate and complete		42.9%	106
Satisfactory and average process		55.1%	136
Hard to find and difficult to complete		2.0%	5
answered question			247
skipped question			2





3. The listing of E-Newsletter alerts is:

		Response Percent	Response Count
Very complete with detailed business areas		24.7%	59
Satisfactory		64.9%	155
Limited and does not include my business core service		10.5%	25
answered question			239
skipped question			10

4. In the last year, how many times have you downloaded a bid packet from the City's Website? Your best estimate.

		Response Percent	Response Count
1-3		78.9%	191
4-8		15.7%	38
9-15		2.9%	7
over 15		2.5%	6
answered question			242
skipped question			7

5. Will you participate in future City bid opportunities?

		Response Percent	Response Count
Yes		84.7%	211
No		0.8%	2
Undecided		7.2%	18
Have not submitted bid with the City		7.2%	18
answered question			249
skipped question			0

6. Please rate the following aspects of the Purchasing Office's website:

	Excellent	Satisfactory	Needs Improvement	Response Count
Quality of Information	38.2% (92)	58.1% (140)	3.7% (9)	241
Ease of Navigation	37.6% (91)	58.7% (142)	3.7% (9)	242
Accuracy of Content	39.2% (94)	57.1% (137)	3.8% (9)	240
answered question				242
skipped question				7

7. Please rate the following aspects of the Purchasing Office:

	Excellent	Satisfactory	Needs Improvement	Response Count
Professionalism- Rate the professionalism of the office.	55.6% (130)	41.9% (98)	2.6% (6)	234
Communication- Rate how clearly the office communicated with you during the bid process.	47.4% (110)	44.0% (102)	8.6% (20)	232
Accessibility- Rate the offices accessibility. (in person, by phone or e-mail)	44.0% (102)	48.3% (112)	7.8% (18)	232
Responsiveness- Rate the offices timeliness in responding to questions.	42.5% (99)	50.2% (117)	7.3% (17)	233
Process- Rate the purchasing process as open and fair.	43.7% (101)	50.2% (116)	6.1% (14)	231
Documents- Were the project expectations clear and consistent?	39.5% (92)	54.1% (126)	6.4% (15)	233
Accuracy- Do the bid documents adequately and accurately describe the item or service requested?	39.7% (92)	55.6% (129)	4.7% (11)	232
			answered question	237
			skipped question	12

8. What additional information would you like to see related to Purchasing on the City website?

	Response Count
	38
answered question	38
skipped question	211

9. Do you have any suggestions regarding how the Purchasing Office can improve the bidder registry or bid process?

	Response Count
	41
answered question	41
skipped question	208

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in survey

Q8. What additional information would you like to see related to Purchasing on the City website?

1	Not aware of any	Sep 27, 2012 12:52 PM
2	Satisfied with both process and content	Sep 26, 2012 12:37 PM
3	Nothing at this time.	Sep 26, 2012 7:31 AM
4	not at this time	Sep 25, 2012 12:52 PM
5	status of bids is not kept up to date; no point in having it on there if not maintained weekly	Sep 25, 2012 12:45 PM
6	I usually never have a problem finding the information. If I do, then I usually call and ask for help.	Sep 25, 2012 7:51 AM
7	Have not had a bid in my area yet so cannot answer some questions, but site is easy to navigate.	Sep 25, 2012 7:43 AM
8	I would like to see only invitation to be to be filtered by what we supply which is steel sheet piling, HP beams, wide flange beams and occasionally steel pipe.	Sep 25, 2012 7:34 AM
9	Was not aware of it until I got this survey. If I was notified in any manner and I didn't have record of it nor remember it. We've never used it. Will look into it to see if its meant for contractors job bidding or not.	Sep 25, 2012 7:31 AM
10	Inclusion of radio communication equipment. Two way radios and land radios category under e-Alerts.	Sep 25, 2012 7:27 AM
11	Not Aware of any	Aug 29, 2012 1:44 PM
12	A plan holders list posted with projects or prebid sign in sheets when there is a meeting.	Aug 8, 2012 9:17 AM
13	Planholder list.	Aug 2, 2012 1:56 PM
14	How to get bid notifications	Jul 31, 2012 1:38 PM
15	Would like to have a better understanding of the selection process.	Jul 31, 2012 12:52 PM
16	None at this time	Jul 31, 2012 10:45 AM
17	More budgetary information	Jul 31, 2012 9:49 AM
18	-	Jul 31, 2012 7:21 AM
19	post opening results immediately	Jul 30, 2012 7:51 AM
20	Bid Results	Jul 27, 2012 8:56 AM
21	Please be advised that question actually was from written correspondence. Question for really should be Zero for the last year. 3-C responded to a 2010 Bid.	Jul 27, 2012 6:52 AM
22	It would be nice to be notified electronically when a bid comes out.	Jul 26, 2012 7:31 PM

Q8. What additional information would you like to see related to Purchasing on the City website?

23	I WOULD LIKE TO KNOW I WILL GET AN EMAIL NOTIFICATION WHEN A BID I HAVE BID ON IN NPREVIOUS YEARS COMES OPEN AGAIN.	Jul 26, 2012 12:54 PM
24	complete bid results	Jul 26, 2012 9:19 AM
25	My firm submitted a bid in person that was acknowledged by purchasing, and, despite numerous attempts to follow up with the purchasing department, NEVER received any information regarding which vendor was chosen or any notification that we had not been selected. That was VERY unprofessional and we will not likely seek to do business with the City again, and will make sure that other vendors know of the poor communication and vendor management practices carried out by your department.	Jul 26, 2012 8:18 AM
26	My firm submitted a bid in person that was acknowledged by purchasing, and, despite numerous attempts to follow up with the purchasing department, NEVER received any information regarding which vendor was chosen or any notification that we had not been selected. That was VERY unprofessional and we will not likely seek to do business with the City again, and will make sure that other vendors know of the poor communication and vendor management practices carried out by your department.	Jul 26, 2012 8:18 AM
27	Publish plan holders or bidders list online.	Jul 26, 2012 4:25 AM
28	A follow up contact to tell the vendor who won a project and final results	Jul 26, 2012 4:21 AM
29	I can only rate satisfactory to this point as there have been no opportunities in my area	Jul 25, 2012 2:18 PM
30	None	Jul 25, 2012 2:01 PM
31	I would like to not have to register each time I get an email regarding a project up for bid. I always have to register to be sent a download link.	Jul 25, 2012 1:07 PM
32	Clearer Rules and Accoutability When a site vist is required. No city personel to verify visit!!	Jul 25, 2012 12:52 PM
33	none	Jul 25, 2012 12:35 PM
34	Unless the city never has any electrical work we never receive the notice for bids like I thought we were supposed to.	Jul 25, 2012 12:30 PM
35	everything good	Jul 25, 2012 12:28 PM
36	Better email notification when projects are up for bid	Jul 25, 2012 12:19 PM
37	no	Jul 25, 2012 12:16 PM
38	None, all info is good.	Jul 25, 2012 11:24 AM

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in survey

Q9. Do you have any suggestions regarding how the Purchasing Office can improve the bidder registry or bid process?

1	No suggestions.	Sep 27, 2012 12:52 PM
2	No.	Sep 26, 2012 12:37 PM
3	Not a this time.	Sep 26, 2012 7:31 AM
4	Make more bids strickly for small business.	Sep 25, 2012 12:52 PM
5	the list of types of services is not in any type of order, it is hard to find the ones that apply to my business, and sometimes it is not clear what areas will cover what bids. It could be much better organized	Sep 25, 2012 12:45 PM
6	I think that the procurement of professional services should be saparate from the bidding for materiala and construction.	Sep 25, 2012 12:26 PM
7	None at this time	Sep 25, 2012 11:50 AM
8	The only comment I have is in reference to a project I quoted for seal coating a city parking lot last fall. The specification called for a special kind of sealer that directly affects the price of the project. The coating required was a very good product however there was no "checks and balances" required for the successful bidder showing proof that particular product would be used on the project. I understand the projects got to the low bidder however if I quote a more expensive product per the specifications and the competition doesn't, the bid process may not be to fair. For future projects that require abnormal material it would be nice for the bidder to show proof in the way of material certification to prove that the city will be getting what is asked and paid for.	Sep 25, 2012 8:04 AM
9	1. As an engineer, I suggest that professional services be separate from toilet paper, oil and gas, etc. 2. Is the password really needed?	Sep 25, 2012 7:49 AM
10	Quite frankly, this follow-up survey is so far from when we got on the City website that we can't recall our experience with it enough to complete the survey.	Sep 25, 2012 7:46 AM
11	Email bid opportunities.	Sep 25, 2012 7:37 AM
12	Just send invitations that relates to the vendors company which means if the project involves steel, please send the information.	Sep 25, 2012 7:34 AM
13	Publish the planholder list. Subs cannot submit pricing to bidders if you don't offer that information.	Aug 2, 2012 1:56 PM
14	It has been several years since we did one bid/job and details have been forgotten. #3&4 are -0-	Aug 2, 2012 7:21 AM
15	status of projects is not updated in a timely manner	Aug 1, 2012 1:15 PM
16	railr o ad	Aug 1, 2012 11:01 AM
17	no	Jul 31, 2012 1:38 PM
18	None at this time	Jul 31, 2012 10:45 AM

Q9. Do you have any suggestions regarding how the Purchasing Office can improve the bidder registry or bid process?

19	NO	Jul 31, 2012 7:21 AM
20	No	Jul 30, 2012 1:09 PM
21	None at this time.	Jul 27, 2012 8:56 AM
22	None at this time.	Jul 27, 2012 6:52 AM
23	SEND EMAIL NOTIFICATION WHEN A NEW VERSION OF A PREVIOUS BID IS RELEASED NEW VERSION.	Jul 26, 2012 12:54 PM
24	Follow up with EVERY SINGLE vendor that submits a bid for a project or service, regardless of the decision to advise them of the City' final decision. It's the profesional thing to do.	Jul 26, 2012 8:18 AM
25	Follow up with EVERY SINGLE vendor that submits a bid for a project or service, regardless of the decision to advise them of the City' final decision. It's the profesional thing to do.	Jul 26, 2012 8:18 AM
26	Publish unit bid tabulations on applicable projects.	Jul 26, 2012 4:25 AM
27	no	Jul 26, 2012 4:21 AM
28	My company should have been awarded a recent bid. Communciations with the purchasing office was poor, and non-responsive. I submitted the bid per direction (email) and was told a bid was not received. Accepting a low bid without investigating or responding to more-qualified bidders was unprofessional and not in the best interest of the City. There was no opportunity for a best-and-final bid or an oral presentation, even though I offered both several times.	Jul 25, 2012 6:21 PM
29	Make more vendors aware of it and make sure the city only uses companies with all insurance including liability and workers comp - too many jobs are brig done by companies withou these coverages	Jul 25, 2012 5:24 PM
30	I do not have any first-hand experience working with the Purchasing office yet. We registered to watch for Architectural Design opportunities, but have not had an opportunity to submit for a project yet, so I really can't offer any meaningful feedback to your survey yet. thanks for the opportunity though.	Jul 25, 2012 2:33 PM
31	None	Jul 25, 2012 2:01 PM
32	I would like you to use companies that you have a good working history. Our last bid we were \$24.00.high	Jul 25, 2012 1:39 PM
33	Office needs more dedicated staff	Jul 25, 2012 1:26 PM
34	None. I have not made a bid with BG as of yet. However, I do enjoy that BG has created this website and I wish more cities would do the same.	Jul 25, 2012 1:07 PM
35	be a lot more friendly to those foreign entities that wish to work within the State of Kentucky.	Jul 25, 2012 12:58 PM
36	Make sure that what you are asking for is what you are truly getting when a bid	Jul 25, 2012 12:35 PM

Q9. Do you have any suggestions regarding how the Purchasing Office can improve the bidder registry or bid process?

	goes out and is accepted!!!	
37	NA	Jul 25, 2012 12:30 PM
38	none Do more Polyurethane Foam Roofing! :)	Jul 25, 2012 12:28 PM
39	The first 5 items in question #7 of this survey should have had an N/A option. I have never had to have any personal interaction with the Purchasing Office, so my response isn't really valid.	Jul 25, 2012 12:22 PM
40	not at this time	Jul 25, 2012 12:16 PM
41	None	Jul 25, 2012 11:24 AM

Appendix B

Sole Source Justification Form
City of Bowling Green, Kentucky

Department: _____

Vendor Name: _____

Commodity: (General Description): _____

Initial all entries below that apply to the proposed purchase. Attach additional data or support documentation if necessary.

SOLE SOURCE JUSTIFICATION:

1. _____ Request is made to the original manufacturer or provider, there are no regional distributors. (Item No 4 must also be completed)
2. _____ Request is made to the only area distributor of the original manufacture or provider. (Item No 4 must also be completed)
3. _____ Parts/equipment are not interchangeable with similar parts of another manufacturer. (Attach memorandum with details)
4. _____ This is the only known item that will meet the specialized needs of this department or perform the intended function. (Attach memorandum with details)
5. _____ Parts/equipment are required from this vendor to provide standardization. (Attach memorandum explaining reason for standardization)
6. _____ None of the above apply. Detailed explanation for sole source request is contained in attached memorandum.

Department Head: _____ Date: _____ / _____ / _____

On the basis of the foregoing, I recommend that competitive procurement be waived, that the service or material requested be purchased as a sole source commodity, and that an appropriate determination form be prepared for execution relative to this request.

Purchasing Agent: _____ Date: _____ / _____ / _____

City Manager: _____ Date: _____ / _____ / _____

City Attorney: _____ Date: _____ / _____ / _____

Sole Source Authorization No. FY2013-

216672

Appendix C

City of Bowling Green, Kentucky
Determination Form
Noncompetitive Negotiations (KRS 45A.380)
Form No FY13-

This determination is issued in accordance with KRS 45A.355 and is rendered on the basis of information as set forth below and attached documentation as provided by the appropriate City Department.

PURCHASE DESCRIPTION:

SECTION ONE:

- () An emergency exists which will cause public harm as a result of the delay in competitive procedures; or
- () The contract is being awarded through a Commonwealth of Kentucky Pricing Contract, Contract No.
- () The contract is for maintenance, service, and/or supplies related to equipment procured from a successful bidder; or
- () The contract is the result of non-competitive negotiations following the receipt of no bids solicited under the provisions of KRS 45A.365 and 45A.375(4); or
- () There is a single source within a reasonable geographical area of the product or service to be procured; or
- () The contract is for the services of a licensed professional, such as;
an attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician, provided, however, that this provision shall not apply to architects or engineers providing construction management services rather than professional architect or engineering services; or
- () The contract is for the purchase of perishable items purchased on a weekly or more frequent basis, such as fresh fruits, vegetables, fish, or meat; or
- () The contract is for replacement parts where the need cannot be reasonably anticipated and stockpiling is not feasible; or
- () The contract is for proprietary items for resale; or
- () The contract or purchase is for expenditures made on authorized trips outside the boundaries of the City; or
- () The contract is for the purchase of supplies which are sold at public auction or by receiving sealed bids; or
- () The contract is for group life, group health and accident group professional liability, worker's compensation, unemployment, and other forms of insurance coverage; or
- () The contract is for a sale of supplies at reduced prices that will afford a purchase at savings to the City.

Justification for the above selections is set forth in memorandum or report form and attached hereto and made a part hereof.

Based on the information disclosed herein, the Department Head by signature agrees to work with the Purchasing Office and comply with all appropriate provisions of KRS 45A.380).

Date: ____/____/____ Department Head: _____

SECTION TWO: (Completed by Purchasing Agent and City Attorney)

All the information provided has been reviewed by the City Attorney and the Purchasing Agent and by signature is satisfied, based on the facts presented, that KRS 45A.375 is appropriate and therefore authorized.

Date ____/____/____ Purchasing Agent _____

Sign Off:

Date ____/____/____ City Attorney _____

220986

Appendix D

Telephone Quotation Form
City of Bowling Green, Kentucky
This is not an authorization to Place Order
This form is required when cost will exceed \$2,500
Page ____ of ____

Department	Vendor No 1	Vendor No 2	Vendor No 3	Vendor No 4
Caller	Telephone No	Telephone No	Telephone No	Telephone No
Date Called:	Salesperson	Salesperson	Salesperson	Salesperson

Qty	Description	Each	Amount	Each	Amount	Each	Amount	Each	Amount
/		/		/		/		/	
/		/		/		/		/	
/		/		/		/		/	
/		/		/		/		/	
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/		/		/		/		/	
Complete this form and transfer information to requisition		Quote Total: _____ Accepted ()		Quote Total: _____ Accepted ()		Quote Total: _____ Accepted ()		Quote Total: _____ Accepted ()	

Explain if recommended quotes are not obtained: _____

Copy or fax to the Purchasing Office if Requisition is over \$2,500. Written confirmation is required over \$5,000.

Ask Vendor to confirm in writing at once to your office and forward confirmation and this Form to the Purchasing Office on receipt.

More than	Up to	Recommended Contacts	Solicitation Method
	\$2,500	One or more	Telephone form
\$2,501	\$5,000	Two or more	Telephone form
\$5,001	\$10,000	Three or more	Written response
\$10,001	\$20,000	Three or more	Written response w/narrative from department head

313452

Appendix E

Updated Forms from Management

City of Bowling Green, Kentucky
Determination Form
Sole Source Justification
Form No. FY2013-_____

Department: _____ **Vendor Name:** _____

General Description: _____ **Estimated Amount:** _____

Important Instructions:

1. Initial all entries below that apply to the proposed purchase, attach additional data and support documentation, including a memorandum of justification:
 - a. What might be the consequences if the contract was awarded to another company?
 - b. Describe the evaluation process, listing other brands evaluated and why they are deemed unacceptable.
2. Send to the Purchasing Agent, where required signatures will be obtained and a Sole Source number assigned.

SECTION ONE:

SOLE SOURCE JUSTIFICATION:

1. _____ Request is made to the original manufacturer or provider, there are no regional distributors. (Item No 4 must also be completed.)
2. _____ Request is made to the only area distributor of the original manufacture or provider. (Item No 4 must also be completed)
3. _____ Parts/equipment are not interchangeable with similar parts of another manufacturer.
4. _____ This is the only known item that will meet the specialized needs of this department, or perform the intended function.
5. _____ Parts/equipment are required from this vendor to provide standardization.
6. _____ None of the above apply. Detailed explanation for sole source request is contained in attached memorandum.

Required before submitting to the Purchasing Agent:

Justification for the above selections is set forth in memorandum or report form and attached hereto and made a part hereof. Based on the information disclosed herein, the Department Head by signature agrees to work with the Purchasing Office and comply with all appropriate provisions.

Department Head: _____ Date: ____ / ____ / ____

SECTION TWO:

On the basis of the foregoing, I recommend that competitive procurement be waived, and that the service or material requested be purchased as a sole source commodity.

Signatures required for transactions over \$2,500.00:

Purchasing Agent: _____ Date: ____ / ____ / ____

City Attorney: _____ Date: ____ / ____ / ____

Signature required for transactions over \$20,000.00:

City Manager: _____ Date: ____ / ____ / ____

Approval required by Board of Commissioners if over \$25,000.00.

City of Bowling Green, Kentucky
Determination Form
Noncompetitive Negotiations (KRS 45A.380)
Form No FY13-_____

This determination is issued in accordance with KRS 45A.355 and is rendered on the basis of information as set forth below and attached documentation as provided by the appropriate City Department.

Department: _____

Vendor Name: _____

General Description: _____

Estimated Amount: _____

Important Instructions:

1. Initial all entries below that apply to the proposed purchase, attach additional data and support documentation, including a memorandum of justification:
 - a. What might be the consequences if the contract was awarded to another company?
 - b. Describe the evaluation process, listing other brands evaluated and why they are deemed unacceptable.
2. Send to the Purchasing Agent, where required signatures will be obtained and a number assigned.

SECTION ONE:

- ☐ () An emergency exists which will cause public harm as a result of the delay in competitive procedures; or
- ☐ () The contract is the result of non-competitive negotiations following the receipt of only one responsive and responsible bidder or the receipt of no responsive bids as authorized by KRS 45A.375 (3) and (4); or
- ☐ () There is a single source within a reasonable geographical area of the product or service to be procured; or
- ☐ () The contract is for the services of a licensed professional, such as;
an attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician, provided, however, that this provision shall not apply to architects or engineers providing construction management services rather than professional architect or engineering services; or
- ☐ () The contract is for the purchase of perishable items purchased on a weekly or more frequent basis, such as fresh fruits, vegetables, fish, or meat; or
- ☐ () The contract is for replacement parts where the need cannot be reasonably anticipated and stockpiling is not feasible; or
- ☐ () The contract is for proprietary items for resale; or
- ☐ () The contract or purchase is for expenditures made on authorized trips outside the boundaries of the City; or
- ☐ () The contract is for the purchase of supplies which are sold at public auction or by receiving sealed bids; or
- ☐ () The contract is for group life, group health and accident group professional liability, worker's compensation, unemployment, and other forms of insurance coverage; or
- ☐ () The contract is for a sale of supplies at reduced prices that will afford a purchase at savings to the City.

Noncompetitive Negotiations (Page 2)

Required before submitting to the Purchasing Agent:

Justification for the above selections is set forth in memorandum or report form and attached hereto and made a part hereof.

Based on the information disclosed herein, the Department Head by signature agrees to work with the Purchasing Office and comply with all appropriate provisions of KRS 45A.380.

Department Head: _____ Date: ____/____/____

SECTION TWO:

All the information provided has been reviewed by the City Attorney and the Purchasing Agent and by signature is satisfied, based on the facts presented, that KRS 45A.375 is appropriate and therefore authorized.

Signatures required for transactions over \$2,500.00:

Purchasing Agent: _____ Date: ____/____/____

City Attorney: _____ Date: ____/____/____

Signature required for transactions over \$20,000.00:

City Manager: _____ Date: ____/____/____

Approval required by Board of Commissioners if over \$25,000.00.

Important Note: Although a Non-Competitive Negotiations Form Number may have been previously assigned to a Vendor, each purchasing transaction must go through the approval process based on the dollar amount of the purchase.

City of Bowling Green, Kentucky
Determination Form
COOPERATIVE PURCHASE (KRS 45A.420)
Form No FY13- _____

This determination is issued in accordance with KRS 45A.420 and is rendered on the basis of information as set forth below and attached documentation as provided by the appropriate City Department.

Department: _____

Vendor Name: _____

General Description: _____

Estimated Amount: _____

SECTION ONE:

- () The contract is being awarded through a Commonwealth of Kentucky Pricing Contract, Contract No. _____, and the item or items being purchased have been confirmed to be a part of the Kentucky Pricing Contract; or
- () The contract is being awarded pursuant to an authorized cooperative purchasing agreement.

Justification for the above selections is set forth in memorandum or report form and attached hereto and made a part hereof. The justification for a cooperative purchasing agreement shall include information related to the cooperative agreement, including information related to the supplies, services or construction available under the agreement, the negotiated prices in the agreement, the parties to the agreement and actions taken to confirm that the cooperative purchasing agreement provides the best price for the City. A copy of the related portion of the State Contract shall be attached.

Based on the information disclosed herein, the Department Head by signature agrees to work with the Purchasing Office and comply with all appropriate provisions of KRS 45A.420.

Department Head: _____ Date: ____/____/____

SECTION TWO:

All the information provided has been reviewed by the City Attorney and the Purchasing Agent and by signature is satisfied, based on the facts presented, that KRS 45A.420 is appropriate and therefore authorized.

Signatures required for transactions over \$2,500.00:

Purchasing Agent: _____ Date: ____/____/____

City Attorney: _____ Date: ____/____/____

Signature required for transactions over \$20,000.00:

City Manager: _____ Date: ____/____/____

Approval required by Board of Commissioners if over \$25,000.00.