

MOHAWK VALLEY WATER AUTHORITY

PROCUREMENT POLICIES AND PROCEDURES

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OVERVIEW

It is the intention of the Mohawk Valley Water Authority to implement and strictly enforce purchasing guidelines to openly promote fair competition and to acquire goods and services that provide the best product from a responsible vendor at the most reasonable price.

Budget: The procurement of goods and services shall be limited to those necessary to operate, maintain, and/or improve the water works system and fulfill the mission of the Water Authority. In no case shall the amounts expended or projected to be expended exceed the departmental/functional budget as provided for in the Water Authority's annual budget as adopted by more than 5% without first obtaining the approval of the Board to specifically amend the budget, if necessary.

Purchasing Officer: The Comptroller as chief fiscal officer shall also function as the Authority purchasing officer.

Objectives: The role of the purchasing officer is to maintain a continuous supply of goods and services necessary to support the Water Authority's operations. Effective procurement gives prime consideration to the Authority's interests while seeking to maintain and further long-term, mutually beneficial and ethical supplier relationships. Some aspects of this responsibility are:

1. Ensure the uninterrupted flow of materials and supplies by obtaining and ensuring delivery of acceptable quality goods and services, at the most advantageous time and price.
2. Develop reliable alternate sources of supply to meet Authority requirements under any circumstance. As many vendors as practical will be invited to submit pricing.
3. Treat all prices and technical information submitted by suppliers in a manner that preserves a good business reputation and obtains competitive prices.
4. Comply with all laws without qualification or evasion.
5. Procure materials and services in a manner that provides maximum value per dollar spent.
6. Resolve complaints and difficulties arising through the purchase of goods and services.
7. Provide leadership for the management of inventories to ensure proper quantities of materials on hand and provide opportunities for cost effective bulk purchasing when financially prudent.

COMPETITIVE PRICING

Documentation: The Mohawk Valley Water Authority's Purchasing Policy establishes specific levels of purchases that govern how a purchase is completed. All levels will require a Purchase Requisition to initiate the process. The Purchase Requisition will be used to document competitive price quotes and indicate vendor selections.

GOODS AND SERVICES

\$0 - \$500: No competing price quotes required but encouraged. If competitive price quotes are not obtained, an explanation will be provided on the requisition. However, all purchases must be requisitioned, reviewed and approved by the respective Department Head.

\$500 - \$5,000: Purchases where the estimated total cost of the goods and services is greater than \$500 but less than \$5,000 will be reviewed and signed by the Department Head, and approved by the Purchasing Officer upon receipt of a minimum of three competitive written or faxed quotations. Departments may obtain these bids directly from vendors and send them to the Purchasing Officer with a completed Purchase Requisition. Bids must be on a vendor's letterhead or other approved form. Bidders should be responding to the same scope of work or specification.

\$5,000 or above: Purchases where the total cost of the goods and services exceeds \$5,000 will be reviewed and signed by the Department Head and reviewed and approved for funds availability by the Purchasing Officer and approved by the Executive Director through competitive sealed bidding. Competitive bids will be advertised in the Water Authority's official newspaper, the Observer-Dispatch. In addition, bids specifications will be mailed to all known vendors qualified to provide the desired goods and services. The same specifications will be distributed to each known vendor and will be available at the Water Authority offices for distribution to vendors responding to printed advertisements.

PROFESSIONAL SERVICES

Professional services requiring a legal opinion or other legal services must be awarded by the Board of Directors. Other professional services including engineering, architects, real estate appraisers, auditing, accounting or consulting services not exceeding \$5,000 are awarded by the Executive Director after receiving three competitive bids. All other professional services estimated to exceed \$5,000 must be awarded by action of the Board of Directors. At the discretion of the Board and/or Executive Director, requests for qualifications (RFQ) for professional services will be solicited either annually or on as-needed basis. Consultants may be pre-qualified for future needs. Consultants will be selected by the Authority as needed after careful consideration of experience, credentials, availability, proximity, and price.

CONSTRUCTION CONTRACTS

Construction Contracts are normally components of a larger maintenance capital project consisting of the repair or construction of water system facilities, buildings and related infrastructure.

The following dollar thresholds are contingent upon the construction contract not exceeding the approved capital construction budget. In no case shall the amounts expended or projected to be expended exceed the capital construction budget without prior approval and amendment by the Board of Directors.

For construction contracts not exceeding \$5,000, the Capital Project Coordinator is encouraged, but not required, to obtain written price quotes. However, all of these purchases require a capital project payment request form completed and a review and approval by the Executive Director or his designee.

When a construction contract exceeds \$5,000 but less than \$20,000, the construction contract will be competitively bid with written specifications and advertised in the Authority's official newspaper or on the Authority's official web site. These contracts will be awarded by the Executive Director or his designee.

Construction contracts which are estimated to exceed \$20,000 will be awarded by action of the Board.

Exception may be made only for construction or repair services which are critically needed to respond to an emergency. Such situations may arise due to uncontrollable circumstances in which the public or the Authority would suffer injury if such services were not retained immediately. Such compelling urgency must be justified in written form by the Department Head and approved by the Executive Director.

Contract Administration:

Following approval of a capital project by the Board, a detailed budget is forwarded to accounting by the Capital Projects Coordinator or equivalent for set-up and monitoring by accounting staff. As the project progresses, Capital Project Drawdown forms are completed specifying the capital project (project #), the cost code charged, amount of the current charge, previous payments applied, and the balance remaining. Accumulated payments are made through MVWA's project system whereby the overall project status can be monitored.

No less than on a monthly basis, a report showing the status of capital projects will be provided to the Board. This report will include, among other items, the name, budget, current project expense, accumulated project expense, additional commitments and balance remaining.

OTHER AGENCY CONTRACTS

The Water Authority may from time to time find it advantageous to complete purchases through other governmental agency contracts. As permitted under New York State law, the Water Authority has the ability to utilize "open" contracts undertaken by Oneida and Herkimer Counties or by New York State. One example would be the acquisition of vehicles and equipment from state contracts. Purchases of this kind will be made by the Purchasing Officer only when there are sufficient funds allocated by the Authority in the annual budget and only when the use of such contracts will provide competitive pricing and facilitate the best interests of the Water Authority.

AWARDING OF LOWEST BID

Purchase contracts will be awarded to the lowest responsible bidder based on the criteria set above.

In the event that the ordering department or the Purchasing Officer recommends bypassing the low bidder, such recommendation will be acted upon by the Executive Director. The reason(s) for such action should be documented and filed as part of the overall purchase order documents.

Competitive bids that result in a lowest responsible bid which exceeds the total allocation budgeted for the required goods or services by more than 5% shall not be awarded without obtaining the prior approval of the Executive Director.

SOLE SOURCE PURCHASES

Sole source items are those which perform a certain function for which no other suppliers or manufacturers are known to exist or where compatibility of equipment, components, accessories, computer software, replacement parts or service is the paramount consideration. It is possible that either patents or clearly superior products may perform a function that limits availability to a sole source.

Approval: The approval of the sole source purchase will be made by the Executive Director. Justification for specifying such items is extremely important and should be clearly stated. When the department determines that only one source exists for a specific item or service, a memorandum to that effect, supported by factual data, must be submitted to the Purchasing Officer along with the completed and signed Purchase Requisition. The Purchasing Officer will then prepare a public notice to be signed by the requesting Department Head declaring the need for the sole source purchase and which will be kept on file and available for public inspection. In awarding sole source procurement, it will be the responsibility of the Executive Director to authorize a designee to negotiate a contract with the vendor that is in the best interest of the Water Authority, ensuring that the price for such goods and/or services is fair and reasonable. Sole source purchases will be reported to the Board at the regular monthly Board meeting following each such acquisition.

Justifications:

1. **Compatibility with existing equipment or services.** Information describing equipment the items will be used with or the scope of services and why the equipment must be purchased from one specific manufacturer or the services should be provided by one supplier must be provided in the written justification.
2. **Item is needed for immediate delivery.** It is the responsibility of the Purchasing Officer to determine the validity of the immediate need and which vendor is best suited to provide immediate delivery. This situation will not be used as justification for sole source purchases unless there is only one vendor who supplies the needed materials or services within the required time frame.
3. **Replacement parts are proprietary in nature and are only available from the original manufacturer.** This statement may also be valid and necessary in order to preserve warranties. However, if proprietary parts are necessary to preserve a warranty, this should be stated in the written justification. In cases where the warranty is not in question, data must be included to explain why the original supplier's parts are necessary.
4. **Services or parts are critically needed to respond to an emergency.** Unusual and uncontrollable situations may arise where the public or the Water Authority would suffer injury if services or parts are not acquired immediately. A compelling emergency may justify sole source purchases.

RELATED PARTY PURCHASES

A related party purchase is a purchase whereby an employee or board member has a direct or indirect relationship (i.e., direct ownership interest, family or relative relationship) with the vendor.

In all related party purchases, a total of three competitive bids are required. Departments are required to obtain these bids directly from vendors and include them with the completed Purchase Requisition for the Purchasing Officer to approve. Bids must be on a vendor's letterhead or other approved form. Bidders should be responding to the same scope of work or specification.

UNAUTHORIZED PURCHASES

Purchases made outside of normal purchasing policies or procedures and not meeting the criteria of a legitimate emergency or sole source are considered unauthorized purchases.

Unauthorized purchases will be brought to the attention of the Executive Director. An unauthorized purchase may result in disciplinary measures in accordance with customary progressive discipline practices.

Examples of Unauthorized Purchases:

1. **Order Splitting:** The intentional splitting of a known purchase requirement into smaller lots with the intention of spreading the purchase over a period of days, weeks, or months in order to circumvent bidding requirements is strictly prohibited.
2. **Personal Purchases:** Water Authority officers, employees, or their families are prohibited from purchasing goods or services for personal use through any Authority contract. Although some vendors may, as a matter of their own policy, extend contract pricing provisions to public employees for personal use, the Water Authority will not require or encourage any vendor to honor contract terms or pricing discounts on behalf of any individuals affiliated with the Water Authority.

3. **False Pretense:** The purchase of any materials or services for personal use under the pretense of Authority use is strictly prohibited. For example, ordering tools for use at an employee's home or other personal purpose and charging such items to the Water Authority's expense lines will be considered acts of theft.
4. **Unapproved Purchases:** Acquiring goods and services without proper authorization is prohibited regardless of the purpose or reason. For example, giving a vendor an account code as a purchase order instead of completing a requisition for proper routing would be an unauthorized purchase.
5. **Unauthorized Additions to Purchase Orders:** The Purchasing Officer should be contacted immediately if additions, deletions or revisions are needed after the Purchase Order has been issued. Changes not included on the original request will require a new Purchase Requisition and appropriate authorization. Changes to the Purchase Order will be issued under a Change Order. Under no circumstances should the department initiate a change to the Purchase Order directly with contractor or vendor.