

Louisville Metro Government



Purchasing Policy

Revised 07/1/19 – Small Purchase Threshold
Revised 06/16/17 -Ethical Standards: Section I
Revised 11/1/16 – Small Purchase Policy: Section II
Revised 5/11/16 – Technical Correction: Federal Funding – Section IV



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**Louisville Metro Government
Purchasing Policy**

Section I. Purchasing Authority

These purchasing policies are designed to facilitate timely and efficient purchasing practices that meet the requirements of the Louisville Metro Government (LMG). The purchasing policies are based upon the provisions of KRS 45A.343 – 460, KRS 45A.180 – 200 and KRS 67C.119 (6). The policies embody sound business principles and are intended to provide a system that ensures fairness and integrity.

- A. The Administrator of Purchasing is appointed by the Director of the Office of Management and Budget (OMB) and is responsible for establishing the framework for the following:
 - 1. Purchasing (or authorizing the purchase of) all equipment, supplies and services required by LMG when purchased through the price quote, competitive sealed bidding process, competitive negotiation process, or by single source designation.
 - 2. Adhering to sound purchasing policies that will result in economical procurement for LMG under open, fair and competitive conditions.
 - 3. Adhering to state statutes and administrative policies pertaining to purchasing.
 - 4. Establishing standards and specifications for materials and supplies, where practical.
 - 5. Maintaining contact with suppliers pertaining to the issuing of purchase orders, bid procedures, quality of goods and/or services, and delivery.
- B. Procurement involving federal funds shall follow all applicable federal laws, rules and guidelines. Departments that apply for and receive grant funds are responsible for ensuring that all federal, state and local laws, grant compliance and guidelines are followed.
- C. Signature authority for all documents relating to these policies is delegated per Executive Order No. 1, Series 2014.
- D. All persons making purchases on behalf of LMG are responsible for following these purchasing policies. Any person making unauthorized purchases shall be subject to disciplinary action. Purchases made without proper authority will be handled on a case-by-case basis. Such purchases must be fully explained by the Department Director, in writing, by memorandum to the Director of OMB. Appropriate corrective action will be determined upon receipt of the memorandum.
- E. Under no circumstances shall the LMG tax-exempt number be used except for official purchases.
- F. The Director of OMB shall be responsible for developing, administering, and interpreting this policy. The Director of OMB, and/or their designee, may waive or override provisions of this policy on a case-by-case basis.



1. Approval

This policy will take effect immediately upon signature of the Director of OMB.

2. Ethical Standards

In all solicitations and contracts, Kentucky Revised Statute Chapter 45A.455 governs employee conflicts of interest, prohibition on gratuities, kick-backs, and use of confidential information for personal gain.

In all purchasing matters, employees shall adhere to Louisville Metro Government's Standards of Ethical Conduct found in LMG's Handbook of Personnel Policies (1.5, 1.6 Conflicts of Interest, and 1.7 Fraudulent Activity Prohibited).

In competitive solicitation, all bid and proposal evaluators are required to disclose if their participation may result in a conflict of interest with any of the bidders. Further, all evaluators are required to agree to not disclose any details of submissions with any other bidders or anyone outside the solicitation process.

3. Enforcement

Any employee/affiliate found to have violated this policy shall be subject to disciplinary action, up to and including termination of employment.

4. Recordkeeping and Audit Requirements for Appropriated Funds

(From Louisville Metro Council Ordinance 183, Series 2009, approved 11/24/2009)

- A. All recipients of funds appropriated by the Council (the "recipient" or "recipients") shall be subject to audit as to the recipients' use of such funds. All recipients shall maintain full and complete records in accordance with Generally Accepted Accounting Principles as to each expenditure made from appropriated funds. Subject to the provisions of subsection (B), a recipient shall immediately upon request make all records required to be maintained by this subsection (A) available to the LMG Auditor or any other person designated by the Mayor or the Metro Council (the "Auditor") at a location in Jefferson County, Kentucky.
- B. For purposes of this section, a RECIPIENT or RECIPIENTS shall be defined as any person or other entity who receives appropriated funds, including loans or forgiveness of loans, and grants, except:
 1. Subject to subsection (F), departments or agencies of LMG; and
 2. Vendors of services or supplies to LMG obtained by:
 - a. Competitive bidding;
 - b. Sole source contracts approved by the Metro Council; and
 3. Wages, salaries, and benefits paid and payable to LMG employees; and
 4. Grants from state or local governments pursuant to an economic incentive program administered by the Kentucky Economic Development Authority.



- C. All records required to be maintained by a defined recipient under subsection (B) shall be maintained for a period of five years, and shall be provided to an Auditor without limitation or qualification. Such records, as so provided, together with the Auditor's report shall be public records disclosable to any member of the public in accordance with the provisions of the Kentucky Open Records Act, KRS 61.870 et seq.
- D. All contracts and agreements entered into by and between LMG and a recipient after the effective date of this section (November 24, 2009) shall include a provision wherein and whereby the recipient acknowledges this § 20.20 and agrees to comply with its requirements.
- E. Failure to comply with the provisions of this § 20.20 may be grounds for the Council's revocation of the appropriation to a recipient who is not in compliance.
- F. This section shall not apply to appropriations of public funds by external agencies authorized by the Kentucky Revised Statutes.

5. Environmental Purchasing (Green Policy)

- A. **Purpose:** This section is to encourage and increase the use of environmentally preferable products and services in Louisville Metro. Purchase and use of recycled products and the re-use of goods and supplies supports an environmentally sound approach to reducing waste. All LMG departments, agencies, and offices are required to use recycled and reusable products when reasonably practical. LMG promotes the use of environmentally preferable products in its acquisition of goods and services in a manner that complies with all existing Federal, State and local laws.

Per Executive Order No. 2, Series 2011, enacted environmental practices for all agencies and employees of LMG and requires all LMG employees to:

1. Participate in the LMG Office Paper Recycling Program
 2. Purchase recycled office copy paper
 3. Print all materials such as brochures, booklets, pamphlets, reports, memorandum paper, etc. (unless for archival or legal requirements) on recycled paper
 4. Use double-sided copying for forms, reports and the like whenever possible
 5. Recycle empty toner and ink jet cartridges
- B. **Definition of Environmentally Preferable:** By including environmental considerations in purchasing decisions, LMG can promote practices that improve public and worker health, conserve natural resources and reward environmentally conscious manufacturers, while remaining fiscally responsible.

In practice, this means seeking products that have reduced environmental impact because of the way they are made, used, transported, stored, packaged and disposed. It means looking for products that do not harm human health, are less polluting, minimize waste, maximize use of bio-based or recycled materials, conserve energy and water and reduce the consumption or disposal of hazardous materials. When determining whether a product is environmentally preferable, below is a partial list of environmental attributes which should be considered:

- Bio-based
- Biodegradable
- Carcinogen-free
- Lead-free

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- Energy Efficient
- Durable
- Recyclable
- Recycled content
- Resource efficiency
- Upgradeable

See Appendix C for definitions of terms listed.

C. Recommended Standards:

EPA



www.epa.gov

All products for which the U.S. Environmental Protection Agency (EPA) has developed recycled-content recommendations should be required to meet or exceed EPA's recommended recycled content percentages unless costs are prohibitive or other environmental considerations are more important.

Energy Star



www.energystar.gov

All products for which the federal Energy Star program has developed energy-efficiency standards should be required to meet or exceed the Energy Star standard unless costs are prohibitive or other environmental considerations are more important.

Dept. of Agriculture



www.ars.usda.gov

All products for which the U.S. Department of Agriculture (USDA) has developed bio-based recommendations should be required to meet or exceed USDA's recommended bio-based percentages, unless costs are prohibitive or other environmental considerations are more important.

Green Seal



www.greenseal.org

All products and services for which the Environmental Choice or Green Seal standard setting organizations have established standards should be required to meet or exceed those standards unless costs are prohibitive or other environmental considerations are important.

- D. **Departmental Responsibilities:** Every department is responsible for ensuring its employees, contractors and vendors are aware of LMG's initiative to buy more environmentally preferable goods and services from companies sharing our environmental commitment.

LMG encourages reuse of existing stock prior to submitting a request for a new purchase. This pertains to furniture, such as desks, filing cabinets and office supplies. Every department should also require their contractors and consultants to use environmentally preferable products whenever cost effective and to the extent practicable for all work completed on behalf of LMG.

In order to increase the development and awareness of environmentally sound products and services, LMG will review their contracts and tender specifications for goods and services, to ensure that wherever possible and economically feasible, specifications are amended to provide for consideration of environmental characteristics.



Sample wording for specifications:

“Products purchased under this contract must meet the _____ standard. The _____ standard is available at <_____>.”

i.e. “Products purchased under this contract must meet the Energy Star standard. The Energy Star standard is available at <www.energystar.gov>.”

As products come up for competition, all departments will review their relative specifications. This review is to determine whether existing specifications either require the use of products manufactured from virgin materials or excluded the use of recycled products, reusable products or products designed to be recycled.

5.1 Environmental Purchasing Definitions

Bio-based: Products produced from renewable plant and animal sources. As defined by the US Farm Security and Rural Investment Act (FSRIA), a bio-based product is a product determined by US Secretary of Agriculture to be a commercial or industrial product (other than food or feed), that is composed in whole or in significant part, of biological products or renewable domestic agriculture materials (including plant, animal, and marine materials) or forestry materials.

Biodegradable: The ability of a substance to decompose in the natural environment into harmless raw materials. To be truly biodegradable, a substance or material should break down into carbon dioxide (a nutrient for plants), water, and naturally occurring minerals that also do not cause harm to the ecosystem. In terms of environmental benefits, a product should take months or years, and not centuries, to biodegrade.

Carcinogen-free: Free of substances known to cause cancer in humans.

Lead-Free: Products free of lead content

Energy Efficient: A product that is in the upper 25 percent of energy efficiency for all similar products, or that is at least 10 percent more efficient than the minimum level meeting US federal government standards.

Durable: A product that remains useful for a long time without noticeable deterioration in performance.

Recyclable: A product that after its intended end use can be diverted from the solid waste stream for use as raw material in the manufacture of another product.

Recycled content: The amount of recycled material in a product

Resource efficiency: A practice in which the primary consideration of material use begins with the concept of ‘Reduce – Reuse – Recycle – Repair’.

Upgradeable: The ability to increase a product’s performance or features without replacing the product.



Section II. Small Purchase Policy (<\$30,000)

1. Certain public purchases do not justify the administrative time and expense necessary to conduct competitive sealed bidding. These procedures will make small purchases administratively simpler to complete and yet ensure competition as compared to the formal competitive bidding process set forth in KRS 45A.365.
2. Louisville Metro Government (LMG) is authorized under KRS 45A.385 to use small purchase procedures for any contract for which a determination is made that the aggregate amount of the contract does not exceed \$30,000. "Aggregate amount" is defined as the total dollar amount during a fiscal year of items of a like nature, function, and use the need for which can reasonably be determined at the beginning of the fiscal year. (KRS 45A.345) The following adopted small purchase procedures are consistent with KRS 45A.345 – 45A.460.
3. Departments shall determine if the purchase is available through an existing contract. A list of current contracts is maintained on the OMB - Purchasing SharePoint site: [Current Contracts](#). OMB Fiscal Administrators are an additional resource to assist in determining if a purchase may be on contract: [OMB Department Assignments](#)
4. **Department Small Purchase Authority (up to \$5,000):** Departments are provided the delegated authority to make non-contract purchases of goods and services not to exceed \$5,000 from the vendor of choice provided that the aggregate amount of that purchase type (commodity/service) does not exceed \$30,000 in a fiscal year. Procurement requirements shall not be parceled, split, divided, or scheduled over a period of time in order to subvert the intent of this policy.
5. A purchase order is required for all purchases other than for those explicitly identified as exempt (determined by LMG Purchasing).
6. **Small Purchase Quotes: (\$5,001-\$30,000):** Non-contract purchases of goods and services that are more than \$5,000 but not exceeding \$30,000 shall be made using the price quote method provided that the aggregate amount of that purchase type (commodity/service) does not exceed \$30,000 in a fiscal year. Procurement requirements shall not be parceled, split, divided or scheduled over a period of time in order to subvert the intent of this policy.
7. A minimum of three (3) quotes are required for goods and services between \$5,000 and \$30,000. In an effort to comply with LMCO §37.68 (D), one (1) of the quotes shall be attempted to be obtained from a vendor listed on the Human Relations Commission (HRC) Certified Vendor list: [HRC Certification and Compliance](#) . These companies have been certified with regard to ownership and control. The Louisville Metro Human Relations Commission does not certify the performance of work, quality of products or qualifications to work, for the businesses listed in this directory.
8. Documentation of attempted quotes from the HRC Certified Vendor list is required. If a search for the desired good or service yields no vendors from the list, print out search results (right mouse click, print or Ctrl +P) and include with other quotes.
9. If the department seeks a quote from a vendor identified on the HRC Certified Vendor list but the vendor does not provide a response to the request, the department shall include with the other quotes:
 - a. the email requesting the quote from the vendor; or
 - b. date of request, company name, point of contact, and phone number



10. The department should select the vendor with the lowest-priced quote. However, if the requesting department has determined that the lowest price quote is not the most advantageous to the LMG, a statement justifying to reason is required to accompany their vendor selection.
11. **Small Purchase Quote Methods:** There are two methods to obtain quotes: department obtained, or OMB-Purchasing assisted quotes. These are both initiated through the completion and submittal of the [Purchase Request Form](#), found on the OMB-Purchasing SharePoint site.
12. **Department Obtained:** The following information is necessary to complete a PO for a small purchase quote purchase on the [Purchase Request Form](#):
 - a. Vendor Name
 - b. Department Approver
 - c. Item Quantity
 - d. Item /service Description
 - e. Unit Price
 - f. NIGP Code (Commodity / Service Code)
 - g. Cost Center Distribution
 - h. Attached documents
 - i. Three quotes for the purchase – with HRC certified vendor identified
 - ii. Documented effort to obtain quote from HRC certified vendor
 - iii. Justification of vendor selection if alternate to lowest priced quote
13. **OMB-Purchasing Assisted:** When there is a need for an off-contract purchase of goods or services between \$5,000 and \$30,000 and the requesting department has been unable to obtain at least three quotes, it is necessary to complete and submit a [Purchase Request Form](#) found on the OMB-Purchasing SharePoint site. The information necessary to include in the request form include:
 - a. Vendor Field = enter "SPQ"
 - b. Department Approver
 - c. Item Quantity
 - d. Item /service Description
 - e. Unit Price Field = enter "\$1.00"
 - f. NIGP Code (Commodity / Service Code)
 - g. Cost Center Distribution
 - h. Attached documents
 - i. product or service need specifications
 - ii. Obtained quotes (if any) for the purchase
 - iii. Documented effort to obtain quote from HRC certified vendor (if any)
14. Based upon the information provided from the requesting department, OMB-Purchasing will create an informal solicitation – Invitation to Quote (ITQ). The solicitation will be available to the public for submitting quotes from vendors for at least three (3) days on Louisville Metro Government's [Procurement Portal](#).
15. Upon conclusion of the public posting, the vendor quotes will be available through the Procurement Portal for evaluation and decision by the department approver. Upon decision by department of their vendor, OMB-Purchasing will seek vendor verification of insurance requirements (if applicable), and any other required documents. Upon obtaining required verifications, OMB-Purchasing will issue the Purchase Order.

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16. If the informal solicitation (ITQ) yields no quotes from vendors, OMB-Purchase will authorize the requesting department to pursue the purchase from their vendor of choice with one (1) quote. The quote and vendor demographics are forwarded to the OMB-Purchasing buyer. OMB-Purchasing will then seek vendor verifications and issue the Purchase Order.



Section III. Procurement Methods >\$30,000

All purchases exceeding \$30,000 **must** be made using one of the following four methods: competitive bid (CSB), competitive negotiation (RFP), non-competitive negotiation (PSC or SS), or by use of an approved state or cooperative contract. Each method is described below.

If you have an agreement (i.e. a licensing agreement for software) associated with one of the approved purchasing methods, the agreement must be reviewed by Risk Management and the County Attorney.

In addition, KRS 67C.119 (9) requires that no person, firm, corporation or association shall be awarded a contract, lease, or other agreement that requires expenditure in excess of \$30,000 until and unless that person, firm, corporation or association has been pre-qualified as an eligible contractor by the Human Relations Commission. Purchasing will take care of these requirements, as well as, compliance with the Revenue Commission.

1. Competitive Methods

1.1 Competitive Sealed Bid (CSB)

Purchasing is responsible for the bid process and will assist in bid development. The department requesting the bid is responsible for developing the specifications for the bid. The specifications should clearly identify minimum requirements, essential characteristics and evaluation criteria, while being flexible enough to allow for competitive bidding. Specifications may include brand names, model numbers or other designations that identify a specific product only when no other kind of specification is reasonably available to describe the requirements. Such specifications shall include language which specifically permits an equivalent product to be supplied and a description of the salient characteristics of the product.

The invitation for bids must state whether an award, if any, will be based on lowest bid price or best evaluated bid. If the latter is used, the evaluation criteria must be listed in the bid document. Evaluation criteria must be objective and measurable, though the criteria may have a subjective component. Competitive sealed bids are advertised pursuant to KRS 45A.365(3) for a minimum of seven calendar days. Completed specifications must be attached to a requisition and submitted to Purchasing to avoid a delay in processing time. (Specifications are complete when inserted into the appropriate bid template and information cover pages completed in their entirety.)

Negotiation of a competitive sealed bid is only allowed if all prices come in over budget, and written approval is obtained from the Purchasing Director.

**** Notice Concerning Grant Funding ****

If the BID is for a specific project in which a grant source is used for funding, then the specifications should be attached to the Bid template and forwarded to the County Attorney's Office. The County Attorney's Office will also need the grant award information. The County Attorney's Office will insert any additional language requirements to the Bid template. The final document should be attached to a requisition and sent to Purchasing for processing. Purchasing will verify federal requirements from CAO are included in the final bid document.



1.2 Request for Proposal (RFP)

Purchase by competitive negotiation involves many steps that must be followed in the prescribed order. Detailed procedures are provided below. As required by law, competitive negotiation shall be used when the department expects to conduct discussions with potential suppliers and when the goods or services to be procured are too complex to be awarded through competitive sealed bidding.

Detailed RFP Procedures

A. Purchases using competitive negotiation require one of the following be checked on the Written Findings form located within the RFP Template.

1. Specifications cannot be made sufficiently specific to permit an award on the basis of either the lowest bid price or the lowest evaluated bid price. Reasons include but are not limited to contracts for experimental or developmental research work, highly complex equipment which requires technical discussions, or other nonstandard supplies, services or construction, or professional services; or
2. Sealed bidding is inappropriate because the available sources of supply are limited, the time and place of performance cannot be determined in advance, the price is regulated by law, or a fixed price contract is not applicable; or
3. The bid prices received through sealed bidding are unresponsive or unreasonable as to all or part of the requirements, or are identical or appear to have been the result of collusion. However, each responsive bidder shall be notified of the intention to negotiate, be given a reasonable opportunity to negotiate, and the negotiated price shall be lower than the lowest rejected bid by a responsive bidder.

B. Development of the Request for Proposals (RFP)

The department requesting the RFP is responsible for developing the requirements Use the RFP template provided on MyMetro. Contact Purchasing at 574-5796 with questions about this process.

1. The detailed RFP is sent to Purchasing with the agency required information sheets to avoid processing delays.. Each of the following must appear in the RFP:
 - a. Specifications: Specifications of the product or type of service desired, the result or work product required and the criteria for evaluation of proposals.
 - b. Evaluation Criteria: Expertise for a particular service or recognized product capabilities can vary greatly, and therefore it is important to detail the evaluation criteria. A proposal may not be selected on a basis not listed in the evaluation criteria. Examples of evaluation criteria include: prior relevant experience and references, size and resources of the firm, resumes of key people, etc.
 - c. Insurance Requirements: The types and proof of insurance required. Purchasing will obtain insurance requirements from Risk Management.
 - d. Purchasing will insert and schedule a deadline for submitting proposals based on the number of days it must be advertised, which is indicate on the Required Agency Form contained in the RFP template..



- e. Once the written findings have been accepted and the RFP has been approved by Purchasing, the next step begins.

2. RFP Advertising

- a. Purchasing will advertise in the appropriate media, post the RFP on the Internet, and will notify prospective suppliers in writing of the requirements of the RFP. The RFP must be advertised for a minimum of seven days. However, more than seven days is recommended if time is available.
- b. On the date specified for opening, Purchasing will open the proposals and will review to verify compliance with the RFP requirements. Only responders' names will be read at the opening.
- c. Prior to the evaluation, Purchasing will notify the department of responsiveness, based on the approval of the bidder's good faith effort (GFE) requirements.
- d. The department examines the responsive proposals to determine the one that best meets the requirements specified in the RFP. At this point the department may choose to conduct negotiations, which shall be done as described in the next subsection.

3. Discussions with potential suppliers under competitive negotiations

- a. Written or oral discussions shall be conducted with all responsible offerors who submit written proposals, reasonably susceptible of being selected for award. Discussions shall not disclose any information derived from proposals submitted by competing offerors. Discussions need not be conducted for the following:
 - i. With respect to prices where such prices are fixed by law or regulation, except that consideration shall be given to competitive terms and conditions; or
 - ii. Where time of delivery or performance will not permit discussions; or
 - iii. Where it can be clearly demonstrated and documented from the existence of adequate competition or accurate prior cost experience with that particular supply, service, or construction item that acceptance of an initial offer without discussion would result in fair and reasonable prices and the RFP notifies all offerors of the possibility that an award may be made on the basis of initial offers.
- b. If discussions pertaining to the revision of the specifications or quantities are held with any potential offeror, all other potential offerors shall be afforded an opportunity to take part in such discussions. A RFP based on revised specifications or quantities shall be issued as promptly as possible, shall provide for an expeditious response to the revised requirements, and shall be awarded upon the basis of the lowest bid price or lowest evaluated bid price (best evaluated bid) submitted by a responsive and responsible offeror. No discussion shall be conducted with offerors after submission of revised proposals except for a compelling reason as determined in writing by the department to Purchasing. The request for proposals shall state that an award is to be made without discussion except as herein provided.

4. Evaluation Process

Award shall be made to the responsible offeror whose proposal is determined in writing to be the most advantageous to LMG based upon the evaluation factors set forth in the proposals.



Once discussions are completed or the department determines, and Purchasing concurs, that discussions are not required, evaluations should be done for each proposal. The results of the evaluation are returned to Purchasing. Purchasing reviews the department's recommendation to assure it is consistent with the RFP and the evaluation criteria. The department is notified by Purchasing that either it concurs with the recommendation and that successful supplier(s) are compliant with the requirements of the RFP, or that it does not concur with the recommendation and will provide the reasons why not.

If any negotiated changes are a result of the discussion, the department shall send Purchasing a detailed list of those changes.

The RFP document and terms negotiated within should be the contract for Metro. Competitive Negotiation may result in a separate contract that will require the review and approval by Purchasing and the County Attorney, if applicable. For example: Revenue Sharing Agreements, Software License Agreements, etc. See Appendix A for details.

**** Notice Concerning Grant Funding ****

If the RFP is for a specific project in which a grant source is used for funding, then the specifications should be attached to RFP template and forwarded to the County Attorney's Office. The County Attorney's Office will also need the grant award information. The County Attorney's Office will insert any additional language requirements to the RFP template. The final document should be attached to a requisition and sent to Purchasing for processing. Purchasing will verify federal requirements from CAO are included in the final bid document.



2. Non-Competitive Methods

General Requirements: Departments may purchase licensed and non-licensed professional services, sole source, emergency purchases and certain other purchases (see Written Findings document) exceeding \$30,000, and in some instances those not exceeding \$30,000, from its supplier of choice, without competition, only when:

- a. A written determination (see below) is made that competition is not feasible, and
- b. At least one of the twelve conditions listed on the Written Findings form is met, and
- c. The contract data sheet, written findings form, and justification memo signed by the department director have been approved by the Chief Financial Officer or Purchasing Director, or their designee. (Step c does not apply in emergency situations)

2.1 Professional Service Contract (PSC)

1. **Licensed Professional Services:** In order to hire a contractor who will perform professional services in excess of \$30,000, a Professional Service Contract (PSC) is required, unless bidding is recommended by Purchasing.

Licensed professional services may include, but are not limited to, those of an attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse or education specialist. Professionals **not** included are architects and engineers providing construction management services. Professional architectural or engineering services for needs other than construction management services can be purchased using a PSC. A detailed list of contract requirements and ethical standards are in Appendix B.

2. **Non-licensed Professional Services (Artists):** LMG may also purchase services using non-competitive negotiation when the services sought are those of non-licensed professionals such as artists. Artists include persons such as sculptors, aesthetic painters or musicians.

2.2 Sole Source (SS)

Procurement shall be exempt from competitive bidding if there is only one known capable supplier of a commodity or service within a reasonable geographic area, as evidenced by the unique nature of the requirement, supplier or market condition.



For any items meeting the requirements for a non-competitive contract, the requesting department shall submit a Contract Data Sheet (CDS), Written Findings, and justification in a memo approved by their Department Director to Purchasing electronically at the following email address: **Purchasing SS-PSC Requests**.

If the request is denied, Purchasing will notify the requestor via email. The requestor should proceed with the appropriate Competitive Procurement Method as outlined in this policy.

If approved, the Purchasing Director will sign and Purchasing-Contracts will proceed with the following drafting and routing process:

- a. **Approval to proceed with a PSC or SS contract:** All non-competitively bid contracts that meet or exceed \$30,000 must be approved in writing by the Purchasing Division of the Office of Management and Budget. Completed Contract Data Sheet, Written Findings form and justification in the form of a memo should be routed electronically to the Purchase SS-PSC mailbox. All documents must be signed by the Department Director. Originals may be delivered through inter-office mail. If the request is approved, the Purchasing-Contracts will proceed with the contract. Purchasing Manager will notify requestor if the request is denied. If denied, the department shall competitively bid for the services via a Bid or RFP (Request for Proposal).
- b. **Processing the PSC or SS:** Purchasing-Contracts will process the contract request including
 - Obtain insurance requirements from Risk Management
 - Obtain County Attorney drafted contract and resolution, if over \$30,000
 - Verify Revenue Commission compliance
 - Verify prequalification with Human Relation Commission
 - Confirm indemnification and insurance requirements have been met
 - Obtain supplier's signature on contract
- c. **Completion of PSC or SS:** Department Director (or designee) receives electronic copy and paper copy of documents from Purchasing-Contracts. Reviews the contract and approves or rejects any changes that have been made. If approved, the Department Director signs the original paper copy of the contract and returns to Purchasing-Contracts.
 - **If the amount does not exceed \$30,000:** Purchasing-Contracts will establish the contract on the financial system and notify the department of the PO. This ends the approval and routing process.
 - **If the amount exceeds \$30,000:** Purchasing-Contracts will input the contract information into Legistar (Granicus) in preparation for presentation of the contract to Metro Council. A predetermined sequence will route the legislation to obtain a sponsor and place the contract on the next Metro Council agenda. Date of presentation to Council will be determined according to the business deadline set forth by the Metro Council Clerk.

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Departments are responsible for sending the Director or an appropriate staff member to appear before the Contracts Committee to speak on the merits of the contract. Metro Council Clerk will notify department of Contracts Committee meeting dates/times.

Purchasing-Contracts will receive a copy of the signed resolution from the Metro Council Clerk's office after the contract is approved by Metro Council. Purchasing-Contracts will obtain the County Attorney's signature of the original contract and establish the contract on the financial system. The department will be sent notification of the PO. This ends the approval and routing process.

The Director of OMB will notify the Metro Council quarterly of all awards of non-competitive contracts in excess of \$30,000.



3. Non-Metro Contracts

Contracts not bid by LMG may be used to purchase goods/services. Currently, LMG is eligible to use contracts that include, but are not limited to, state (KY), GSA (Federal), and USC (US Community) contracts.

To use a Non-Metro contract, the department shall obtain a copy of the appropriate Non-Metro contract. Purchasing will review the contract to determine eligibility for LMG use, as not all State or GSA contracts are eligible for use by local governments. State (KY) contracts containing the phrase "all state agencies" or "for local government use" are normally eligible. Once approved for use, the department shall obtain sufficient pricing information to support the prices for the goods/services under contract.

The department shall forward the contract and pricing information on a requisition to Purchasing to obtain a PO. The buyer listed on the Kentucky State Master Agreement can be contacted for pricing, if not listed in the contract to be used.

**** Notice Concerning State Contracts ****

To obtain a copy of a Kentucky State Contract, visit the website used for transparency purposes. The website can be found at:

<http://opendoor.ky.gov/search/Pages/contractsearch.aspx>

To view US Community contracts, visit the following website and contact Purchasing, if you are interested in using any of the contracts listed:

<http://www.uscommunities.org/products/categories.aspx>



4. Other Methods

4.1 Exemptions

The following are **exempt** because competitive bidding is not feasible or practical. The \$30,000 limit per vendor does not apply, therefore a Sole Source Contract or bidding is not required.

1. **Purchases not exceeding \$5,000 per occurrence:** Departments will create standard Purchase Orders and include the Item Description on the PO header and line to avoid delays in payment. Reference the **Item Description** listed on the table in these procedures.
2. **Purchases exceeding \$5,000 per occurrence:** The department will create standard purchase orders exceeding the \$5,000 small purchase limit. The department shall list the item in the description of the PO and forward to the Purchasing Supervisor for approval. Reference the **Item Description** listed on the table in these procedures.

The following is a list of exempt items. The OMB Division of Purchasing has the right to modify the listing at its discretion.

The following blanket purchase orders may be used for ease of processing utility or postage payments: Louisville Gas and Electric (LG&E) – PO 2191; Meade County Water – PO 7573; USPS – PO 1503.

Item Description	Explanation of items covered as required
Utilities	Contractual services where no competition exists, such as electrical energy, telephone service, and other public utilities.
Postage	United States Postal Service
Dues, Memberships, and Subscriptions	Memberships, dues, and purchase of periodicals in either paper or electronic format
Perishable Foods	Food for animals only
Advertising	Booths for public events, public media such as newspaper, television, and radio ads, etc. This does not include advertising campaigns to create advertising methods.
Training	Local seminars, registration, and fees not covered by current travel policy
Animals	Animals for Zoo and LMPD

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Item Description	Explanation of items covered as required
Medical Services for Inmates	Services approved by contracted medical provider of Metro Department of Corrections or at the request of the inmate
Items for Resale	Gift Shop Items
TARC	Bus fare for clients of various programs
Real Property Conveyance	Payments required for closing process of real property



4.2 Emergency Purchases

The emergency purchase procedure is to be used only for emergencies. An emergency results from uncontrollable events that have created a situation that must be remedied immediately in order to avoid additional harm, ensure safety, or otherwise safeguard the public or the mission of the department. Failure to plan needs is not a valid reason to use the emergency purchase procedure.

**** Notice Concerning Emergency Declarations****

If the Mayor has issued an executive order declaring an emergency, contracts of any amount may be awarded without a resolution from Metro Council in order to avoid additional harm, ensure safety or otherwise safeguard the public.

An “emergency condition” is defined as a situation which creates a threat or impending threat to public health, welfare, or safety such as may arise by reason of fires, floods, tornadoes, other natural or man-caused disasters, epidemics, riots, enemy attack, sabotage, explosion, power failure, energy shortages, transportation emergencies, equipment failures, state, federal or local legislative mandates, or similar events. The existence of the emergency condition creates an immediate and serious need for services, construction, or items of tangible personal property that cannot be met through normal procurement methods and the lack of which would seriously threaten the functioning of government, the preservation or protection of property, or the health or safety of any person. The limits remain at \$10,000 per Executive Order 1, Series 2014.

- a. **Emergency Purchases, not exceeding \$10,000:** Department Directors can authorize emergency purchases of goods and non-professional services of more than \$5,000, not exceeding \$10,000. The department must submit a Written Findings Form and Contract Data Sheet with the invoice when requesting payment.
- b. **Emergency Purchases exceeding \$10,000:** Emergency purchases exceeding \$10,000 can only be approved by the Mayor. The department must submit a Written Findings Form and Contract Data Sheet with a completed document approval form with all appropriate signatures to the Mayor for his approval. Purchasing can create a PO and attach all signed documents to the PO in LEAP for payment purposes

4.3 Reverse Auction

This is a method of procurement in which competing suppliers reduce the price at which they are willing to sell their goods and services by submitting bids online via the internet. This process is recommended for large purchases of goods in which at least \$100,000 will be spent for the duration of the contract. If interested in using this method of procurement, you must contact Purchasing to ensure this process would work for your intended purchase of goods or services.



4.4 Revenue Contracts

A revenue contract is an agreement or contract that provides a stream of revenue for either LMG or the contractor (vendor).

Departments may use an existing revenue contract written by the County Attorney until final expiration. Departments should use one of the following three procurement methods prior to obtaining an agreement on the behalf of LMG:

- 1) Non Competitive Negotiation – ITPS or PSC
- 2) Competitive Sealed Bid – CSB
- 3) Competitive Negotiation – RFP

Please refer to the procedures outlined in this policy for the above methods of procurement.



Section IV. Federally Funded Contracts and Agreements

**** Notice Concerning Federally Funded Contracts and Agreements ****

Procurement involving federal funds shall follow all applicable federal laws, rules and guidelines. Departments that apply for and receive grant funds are responsible for ensuring that all federal, state and local laws, grant compliance and guidelines are followed. Departments should contact the County Attorney for guidance concerning which federal requirements apply.

Under authority of the Federal Office of Management & Budget, the following provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 applies. Departments shall not award assistance to applicants that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549. Departments shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Non-procurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Departments shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and sub-grantees (including contractors) at any tier do not make awards in violation of the non-procurement debarment and suspension common rule.

A. Federal Debarment

1. Prior to awarding a contract, a department initiating a procurement of which any amount of which is federally funded shall ensure that the successful vendor (including subcontractors and suppliers) is not debarred from doing business with federal agencies. The department may access the List of Parties Excluded from Federal Procurement and Non-procurement Programs on the U.S. General Services Administration (GSA) website to verify that the vendor(s) are not debarred.

The website is <https://www.sam.gov> (System for Award Management). One recommended procedure for verification is to use the vendor name as indicated on their W-9 form along with their Federal Tax ID to search the database. The DUNS number is also recommended if available.

Departments must submit a copy of the search results from this web site when recommending an award to the Purchasing division of OMB.

2. A department shall include in a solicitation a statement that the vendor's signature on a solicitation response certifies that the vendor is not debarred from doing business with federal agencies and that, if debarred during the life of the contract, the vendor will notify the LMG buyer of record within 72 hours of the federal debarment.
 3. If a solicitation does not contain the statement established in section VI, A, 2 of this policy, the vendor shall submit, with its solicitation response, a written certification on the vendor's letterhead that the vendor is not debarred from doing business with federal agencies and that, if debarred during the life of an extended term contract, the vendor will notify the LMG buyer of record within 72 hours of the federal debarment.
- B. Departments should be aware of and comply with the requirement enacted in Section 623 of the Treasury, Postal Service and General Government Appropriations Act, 1993, and reenacted in Section 621 of the fiscal year 1994 Appropriations Act. This Section requires grantees to specify in any



announcement of the awarding of contracts with an aggregate value of \$500,000 or more, the amount of Federal funds that will be used to finance the acquisitions.

C. Davis-Bacon Act

1. **Compliance Requirements:** When required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act or by federal program legislation, all laborers and mechanics employed by contractors or sub-contractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or sub-contractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or sub-contractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

2. **Source of Governing Requirements:** The requirements for Davis-Bacon are contained in 40 USC 3141-3144, 3146, and 3147; 29 CFR part 29; the A-102 Common Rule (§____.36(i)(5)); OMB Circular A-110 (2 CFR part 215, Appendix A, Contract Provisions); program legislation; Federal awarding agency regulations; and the terms and conditions of the award.
3. **Availability of Other Information:** The U.S. Department of Labor, Employment Standards Administration, maintains a Davis-Bacon and Related Acts Internet page (see below). Optional Form WH-347 and instructions are available on this Internet page:

<http://www.dol.gov/esa/programs/dbra/index.htm>



Section V. Contract Types and Usage

1. Fixed Contract

Fixed contracts result from a Competitive Sealed Bid or Request for Proposal. Purchasing will issue a PO to the bidder with the lowest bid price or best evaluated bid or RP, depending on the evaluation criteria established in the bid document. Fixed contract means a PO is awarded for a specific dollar amount and issued on a standard PO in LEAP.

1.1 Change Orders

A change order is an increase in the dollar amount or any change of a Purchase Order due to unforeseen circumstances before the completion of a project or purchase. Examples of valid change orders to construction projects or non-construction may include, but are not limited to:

- Environmental hazard or circumstance
- Circumstance affecting public safety
- Correction of a clerical, administrative or scope-related error or omission

Procedures for Processing a Change Order:

1. The department identifies the need for a change order.
2. The department determines the dollar amount of the change required.
3. The department completes the Change Order Request Form. **All** areas must be completed prior to sending to Purchasing for processing, with exception of Purchasing Director
4. The department creates a requisition on the financial system for the change order and uploads the Change Order Request Form as an attachment to the requisition.
5. Purchasing determines if the change order requires additional insurance based on relevance of work to initial scope of bid.
6. If no additional insurance is required, Purchasing approves and issues an amended Purchase Order with the change order attached in the financial system.
7. If it is determined that additional insurance is required for the project, Purchasing shall notify Risk Management and send a copy of the change order for review.
8. Additional insurance requirements must be sent by Risk Management to the department.
9. The department shall obtain proof of additional coverage and forward to Risk Management for approval.
10. Risk Management shall contact Purchasing to acknowledge that proof of additional coverage has been received.



11. Purchasing will issue an amended Purchase Order with the change order attached and file the additional insurance information in bid folder.

2. Price Contract

Purchasing issues price contracts for competitively bid goods and services. The price contract will state the Commodity, Price, Duration and Rank, if any. Contracts are valid for a specified period of time, usually one year. In most instances, the contract may be renewed for up to five years before competitive bidding is required again, although re-bid may occur earlier if the department chooses to do so. Blanket Purchase Order type is used for primary vendor, and Contract Agreement type is used for secondary, tertiary, etc., if ranked in the financial system.

2.1 Ranked Contracts

When a bid is awarded to multiple suppliers for the same goods or services, the contracts will be ranked as primary, secondary, tertiary, etc. Ranked contracts allow purchases to be made when the primary contractor is unable to perform. Special procedures must be followed in using ranked contracts. **The primary contractor must be given the first opportunity to provide the goods or services.** Contracts must be used in the priority listed in the award/contract, i.e. if the primary contractor is unable to perform, the secondary contractor must be used, and so on.

**** Notice Concerning Ranked Contracts ****

When a contract other than primary is used, Purchasing must issue the PO.

The person requesting the purchase must complete a Waiver of Primary Contract form and submit it to Purchasing on a requisition. There must be a business reason to use a contract other than the primary and that reason must be stated on the Waiver form. The Department Director shall sign the waiver form.

Use of another department's annual price contract is allowed, if you are obtaining the same services at the same prices. If the contract is priced by location, an amendment would need to be approved and created by Purchasing.



2.2. Annual Renewal

LMG annual contracts are for a period of one year with four, one-year renewal options. Departments will be notified approximately 120 days in advance of the contract expiration date. The notification letter will indicate a response is required within 30 days.

First year renewals will be considered automatic, unless the agency responds to the notification within the 30 day timeframe. Renewal years 2-5 will require a memo to Purchasing (email is accepted) from the department director indicating why the renewal should be granted. If approved, the contract will be renewed. If denied, the requesting agency will be notified to bid for goods/services.

If the department chooses to re-bid, specifications shall be developed and sent to Purchasing. The 120-day lead time should be adequate for this process to take place. However, if the department needs additional time, the current contract may be extended if Purchasing has the new specifications within the 120-day period. The request for extension must be made by the Business Operations Manager stating the reason for the extension and the amount of time needed. One extension for not longer than 60-90 days is all that may be granted or the contract will be allowed to expire. If there are extenuating circumstances, Purchasing reserves the right to waive policy. The Department Director must send a request to waive the policy to the Purchasing Manager justifying the necessity to extend beyond 90 days.

120 days prior to the fifth year's expiration, department will be notified to rebid if the goods or services are still needed.

2.3. Price Contract Extension

Annual Price Contracts will not be extended for billing purposes. If services are performed prior to the expiration date of the contract, the department should submit a requisition with their invoices attached to Purchasing. The number of the expired PO and the expiration date should be included in the description line of the requisition for audit purposes.



4. Professional Service Contract / Sole Source

PSC and SS contract are the result of non-competitive negotiation. Departments may purchase professional services, sole source, emergency purchases and certain other purchases exceeding \$30,000, and in some instances those not exceeding \$30,000, from its supplier of choice, without competition, only when specific criteria are met. (See Section III.2). Purchasing will issue a Blanket PO for the vendor with a not-to-exceed limit.

4.1 Amendment

PSC and SS contracts can be amended by date or amount. New Contract Data Sheet, Written Findings and memo from the Department Director must be completed and submitted to the "Purchasing SS-PSC" mailbox as specified below.

Date Extension: Departments are required to submit a contract data sheet (CDS) and written findings approved by the department director to Purchasing. The CDS should be marked as "addendum" and indicate the new date extension needed in the scope of services when completing the form. The original amount and scope should also be completed for verification purposes. Purchasing will verify the amount of the original still has a remaining balance to spend and approve before sending to the County Attorney for preparation of the amendment. Date extensions do not require Metro Council approval.

Amount Increase: Departments are required to complete the CDS, Written Findings form, and memo from the department director stating the reason for the increase. Purchasing will review and sign the Written Findings Form and forward to the County Attorney for preparation of the addendum. Metro Council approval is required on increases that exceed \$30,000. On lower amounts, Metro Council approval may be required depending on the terms of the amended contract.

5. Intent to Purchase Services (ITPS)

ITPS contracts are for the non-competitive purchase of service more than \$5,000 and less than \$30,000, provided that the aggregate amount of purchases from the supplier has not exceeded \$30,000 metro-wide in the fiscal year. All ITPS' expire at the end of the fiscal year. Purchasing will issue a Blanket PO with not to exceed amount as specified in the original request.

5.1 Amendment

ITPS contracts can be amended during the fiscal year for date and amount extensions, provided they do not exceed \$30,000 and not past June 30. Requests for extensions may be accepted via email to Purchasing's mailbox: ITPS@louisvilleky.gov.



Section VI. Accounts Payable

1. Delivery and Receiving

A delivery under an order placed by LMG may be complete or partial depending upon the terms of the contract. The initial purchase document shall indicate whether partial delivery and partial payment is acceptable. Acceptance of any late deliveries shall not constitute a waiver of any of LMG's rights under its contract with the vendor.

1. **Delivery Point:** All deliveries shall be made to the destination specified in the purchase order.
2. **Freight:** The cost of freight shall be a consideration in every order. A department shall conserve freight costs by ordering minimum quantities that allow freight-free shipping, if feasible. Freight on Board (FOB) Destination Freight Prepaid and Allowed is the preferred freight term for purchases by LMG departments. If FOB Destination Freight Prepaid and Allowed is not available and if separate freight charges apply, a department shall insist upon the freight terms of FOB Destination, Freight Prepaid.
3. **Liability for Delivery:** Liability for delivery to a department is governed by the freight terms specified in the order.
 - a. "FOB Destination Freight Prepaid and Allowed" means the vendor or shipper owns all goods in transit and is liable for delivery to the point of destination. The vendor or shipper is responsible for filing any claims with the delivering carrier for breakage or other loss and for any damage resulting from transportation. The vendor shall include the cost of freight in the unit price.
 - b. "FOB Destination, Freight Prepaid" means the vendor or shipper owns all goods in transit, is liable for delivery to the point of destination and shall prepay all handling, crating and transportation charges to the location of the using department. The vendor shall bill the using department for reimbursement for the cost of transportation from the shipping point to the delivery point, by submitting the prepaid and receipted freight bill with the invoice for the items shipped. A receipt for delivery service and parcel post shipments is not required.
 - c. "FOB Origin or Shipping Point" means the department owns the goods in transit, pays freight charges, and shall file any claims with the delivering carrier for losses or damages.
4. **Packaging and Crating:** All commodities or equipment shall be packed and delivered according to accepted commercial practices and the packaging and marking instructions in the contract.
5. **Delivery Hours:** All deliveries shall be made during normal business hours or as designated by LMG department on the contract or delivery order.
6. **Receiving:** The department is responsible for prompt receiving, inspecting, and acceptance of goods for all department requirements, unless otherwise specified in the contract.
 - a. The department shall designate responsible personnel to certify that the listed materials were received, that quantities were as stated, that condition was satisfactory unless noted, and that payment is due.



b. The department shall notify Purchasing for assistance if a vendor fails to comply with the delivery terms and conditions of a contract established by the Purchasing division of OMB.

7. **Freight Claims:** A department receiver of goods delivered shall note shortages or apparent damages on the delivering carrier's freight bill and obtain the delivering driver's signature below this notation before forwarding it to the department business manager or designee.

The department business manager or designee shall request an inspection by the delivering carrier's adjuster on an official Freight Claim-Request for Inspection form. After receiving an official inspection report offering a compromise offer of settlement, the department shall forward a copy of the report, along with a copy of the freight bill, to the vendor immediately.

Concealed damages shall be reported to the delivering carrier within seven (7) calendar days after receipt of delivery.

2 Invoice Processing Requirements

LMG is in the process of migrating to an electronic invoice routing and approval system in order to:

- Increase efficiencies related to invoice processing
- Take advantage of vendor provided early pay discounts
- Comply with KRS 65.140 that mandates LMG pay invoice liabilities within 30 days

A. The following invoice guidelines apply to all invoices, regardless of the routing/approval process in place at the department.

1. A detailed vendor invoice is required for payment of goods/services. The original vendor invoice shall be retained for the period of time required by the appropriate document retention schedule. The invoice shall be on the official invoice form of the vendor.

Proper Invoice means a request for payment by a vendor, and Payment Request means a request for payment for construction services, which meets the following criteria:

- Conforms to all statutory requirements.
- References Metro's purchase order number, if issued, or the name of the purchaser.
- Clearly identifies the vendor's name or the vendor's designee.
- Provides a remittance address on the face of the invoice.
- Bears a date that correlates with the conveyance of the goods, services, or property.
- Bears an invoice number.
- Describes the goods, services or property provided.
- Provides the location of the delivery, work completed or property sold.
- Provides the unit prices and extended total prices of the goods, services or property.
- Describes allowable discounts.
- Terms of payment are identified on the invoice

2. The department shall ensure that adequate funds are available for immediate payment before placing an order.

3. The department shall select the appropriate payment method for all goods and services. For payments against a document that has been entered into, and encumbered funds within LMG's



procurement and accounting systems, the department shall process the invoice so that it will liquidate the encumbrance when payment is authorized.

4. All payments referencing contracts and awards established in LMG's procurement system shall be made in LMG's financial system and reference the appropriate contract.
5. Invoices must be compared to (1) the delivery ticket (when available) to verify that all materials have been received and (2) the purchase or requisition order to verify quantities and price. If a purchase order was issued, the purchase order number should appear on the invoice. If this number is not preprinted, the department may write it on the invoice.
6. Invoices must be verified for mathematical accuracy. If an error is discovered, the department should either contact the vendor and request a revised invoice or receive verbal approval from the vendor to correct the invoice. If an invoice is revised, the name of the individual with the vendor who authorized the change must be written on the invoice.
7. Prompt payment discounts should be taken whenever possible. Invoices with cash discount terms should receive priority processing to help ensure payment within the discount period. If a difference exists between discount terms on a purchase order and those on an invoice, the discounts most favorable to LMG shall be taken. Discounts do not apply to freight items.
8. Kentucky sales tax should be deducted. Kentucky sales tax exemption forms can be obtained from the Purchasing division of OMB.
9. All payments for the purchase of goods and services must be due dated. The department shall assign a payment due date of 30 calendar days after the receipt of the goods, services, or invoice whichever is later, or the due date specified in the vendor's contract. Generally, in cases involving disputed invoices, departments assign a due date of 30 calendar days following the date the payment dispute is resolved with the vendor. However, in circumstances where an invoice has already been delayed more than 30 calendar days, and a contractual agreement exists with the vendor, or vendor relations are in jeopardy, an earlier due date may be assigned to expedite the payment.

In the event an original invoice has not been received, the department should contact the vendor and request a copy of the original invoice. The department should write or stamp the invoice copy as "Certified Copy" or "Use as Original". The "required" payment date should be calculated from the date the invoice copy is received from the vendor.

Due dates are not required for certain advance payments which are made in accordance with standard industry practice.

Some examples of these payments are:

- Conference and seminar fees
- Postage expenses
- Initial purchase of a subscription

**** Notice Concerning Prepayments ****

Prepayments for goods or services shall only be allowed if specified by a contract, unless these policies explicitly state otherwise.



- B. According to KRS 65.140, local governments are required to pay for purchases within 30 days. Any time a department pays a vendor more than 30 calendar days after receipt of satisfactory goods or services and satisfactory invoice, the department shall determine whether interest is owed to a vendor, in accordance with KRS 65.140
1. As used in this section, unless the context otherwise requires, "purchaser" means any city, county, or urban-county government which receives goods or services from a vendor.
 2. Unless the department and vendor otherwise contract, all bills for goods or services shall be paid within 30 calendar days of receipt of a vendor's invoice except when payment is delayed because the department has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's sub-contractor.
- C. The department shall follow the guidelines that are applicable to the invoice process in place within the department.
1. **Paper-based processing with a printed payment document from the financial system:** Upon receipt of an invoice, the word "received" and the date received (month, day and year) shall either be written or stamped on the invoice. The person who receives the goods or services must sign the invoice. The invoice with original signatures must be submitted to Accounts Payable.
 2. **Processing using Oracle Imaging & Process Management (Oracle IPM):**
 - a. **Invoices that are delivered to the Accounts Payable division of OMB:** All invoices received in the Accounts Payable division of OMB by 12:00 PM (noon) on any business day shall be scanned and routed to the appropriate department's work queue in Oracle IPM the same day. Invoices received after 12:00 PM (noon) on any business day will be scanned and routed to the appropriate department's work queue in Oracle IPM no later than the next business day.
 - b. **Invoices that are delivered to and scanned by the department:** The department shall establish an internal cut-off time for processing invoices on the same day of receipt. Departments that receive and scan invoices at their location shall scan and initiate the appropriate approval process the same day for invoices received prior to the department's internal cut-off time. Invoices received after the department's internal cut-off time shall be scanned on the following business day.

Departments that scan are responsible for maintaining proper documentation to ensure compliance with vendor payment terms and prompt pay discounts. This documentation shall be accomplished by the following:

 - i. Upon receipt of an invoice, the date received (month, day, year) shall either be written or stamped on the invoice.
 - ii. If the invoice is received before the goods, the date the goods are received (or services performed) shall be written on the invoice or delivery ticket. Payment terms shall begin when the goods are received or the services are performed.



- iii. Any other unusual circumstances shall also be documented, such as defective goods, partial shipments, grace periods, etc.

3 Establishing New Vendors

The purpose of this section is to define the process for requesting a new vendor to be set up in Metro's financial system

Requesting a New Vendor - If the vendor record does not exist in Metro's financial system, the following is required to be submitted to Accounts Payable via the global address: Accounts Payable. Upon completion, you will be notified. Allow 1-2 business days for processing request.

1. A completed, current IRS W9 form from the vendor, signed and dated within current calendar year. Current forms are available at www.irs.gov.
2. MFHBE (Minority, Female, Handicapped Business Enterprise) designation via the following methods:
 - a. If purchase is under \$30,000, the Vendor Questionnaire form available on MyMetro should be completed and returned by the supplier.
 - b. If purchase is over \$30,000, the vendor will be required to register and be prequalified through Human Relations Commission. Access to the HRC system is available at: <http://www.louisvilleky.gov/HumanRelations>.

Reactivate Vendor – To reactivate an inactive vendor in Leap, provide a completed, current IRS W9 form from the vendor, signed and dated within current calendar year.

Update Existing Vendor – To make changes to existing vendor name or EIN number, provide current, signed W9, dated within current calendar year and details of change on company letterhead.

4. Cash Discounts

Some vendors offer a financial incentive to entice their customers to pay early. The most common enticement is the 2/10 net 30 payment terms. As most reading this policy are well aware, this means that although the payment is due on the 30th day, a customer can take a 2 percent discount if it pays before the 10th day. The formula below, which is available in any introductory finance book, will walk you through the math that demonstrates that 2/10 net 30 is equivalent to a 36% rate of return; hence even 1/10 net 30 translates into an 18% rate of return. While the individual amounts may seem small, they do add up. Losing a 2 percent discount on a \$30,000 invoice may only result in \$200 not earned, but multiply that by the number of invoices processed and the amounts become substantial.

The most common issue related to vendor early pay discounts is when the clock starts ticking. The customer and the vendor may have a different idea of when the timing starts:

The customer believes that the time starts when the invoice hits the AP department, while the vendor starts counting on the date of the invoice.

Thus, if possible, good procedures be established regarding where invoices are initially sent and how much time executives have to approve invoices and return them to Accounts Payable for payment.

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The goal - assuming that it is financially profitable to take the discount - should be to take all discounts for which LMG qualifies.

If there is a problem processing invoices in ten days, place the highest priority on the larger amounts, which have the most financial gain. Payments, especially large amounts, which involve an early payment discount, should be processed using priority handling so that discounts are not lost.

The department may negotiate reasonable cash discount terms, when available, during the bid/negotiation process. Departments that issue RFPs and award contracts for LMG-wide use shall negotiate the cash discount terms for LMG-wide contracts. Cash Discounts can not be part of the evaluation criteria for selecting a vendor.

Departments are required to perform an analysis of the vendor's cash discount terms to determine if the terms are advantageous to LMG. Cash discounts should be taken except under the following situations:

- The department's administrative cost of expedited invoice processing exceeds the amount of the cash discount.
- The time required to process the invoice exceeds the discount period.
- The annualized rate of return is less than the current investment rate earned on interest bearing accounts. Information on the current investment rate may be obtained from the Cash Management division of OMB.

Cash Discount Formula

The following formula should be used in analyzing cash discount terms:

$$R = I \times D$$

R = Annual Rate of Return

I = Discount Rate

D = 360 calendar days divided by the number of days between the net period and the discount period

EXAMPLE:

The department purchases \$5,000 of goods. Discount terms are 2 % / 10 days, net 30 Days

$$I = 2 \%$$

$$D = 360 / (30 \text{ days} - 10 \text{ Days})$$

$$\text{Calculation: } 36\% = 2\% \times 360 / 20$$

The following cash discount payment terms are considered favorable:

Cash Discount Terms	Annual Rate of Return (%)
1%, 10 days, net 30 days	18.0
2%, 10 days, net 30 days	36.0
2.5%, 10 days, net 30 days	45.0
3%, 10 days, net 30 days	54.0
4%, 10 days, net 30 days	72.0
5%, 10 days, net 30 days	90.0



5. Vendor Complaints

- A. If a department experiences a minor problem or difficulty with a vendor, the department shall contact the vendor directly and attempt to resolve the problem. If the vendor does not act promptly and satisfactorily, the using department shall immediately notify the Purchasing division of OMB in writing. If a department experiences a major problem, written notification shall immediately be sent to the Purchasing division of OMB. A department shall not allow vendor complaints to accumulate or go unreported until a crisis exists.

The Purchasing division of OMB may ask for further clarification or supporting documentation regarding the issue. Purchasing will then forward a copy of the complaint to the vendor for a response or corrective action. The complaining department shall be copied on all communications between Purchasing and the vendor.

Upon receipt of the vendor response to a complaint, Purchasing shall consult with the department to determine if the proposed corrective action is satisfactory or if alternatives offered by the vendor are acceptable. If persistent or chronic problems with a given vendor are documented, or the vendor fails to respond, the Purchasing division of OMB may seek alternative remedies.

- B. If goods are delivered by a vendor that does not conform to the order, the department shall notify the vendor promptly.

6. Electronic Records and Signatures

“Electronic signature” and “record” are defined in KRS 369.102 as follows:

“Electronic signature” means an electronic sound, symbol or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

“Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Electronic record” means a record created, generated, sent, communicated, received, or stored by electronic means.

The Department Director shall serve as the security officer with responsibilities including, but not limited to, designating authorized electronic signatures to OMB, in accordance with payment approval procedures. The security officer shall be responsible for the control and continued maintenance of the assigned signature authority.



Section VII. Procurement Related Activities

1. Property Disposal

Surplus, LMG-owned Personal Property: The Purchasing division of OMB shall dispose of LMG-owned personal property declared surplus to the needs of LMG. Only the Director of OMB, or their designee, has authority to declare and dispose of surplus property. Disposal of surplus personal property shall be by one of the following methods:

Intra- or inter-department transfer.

Transfer to another local government within the Commonwealth of Kentucky at a price approved by the Director of OMB. Transfers outside the Commonwealth of Kentucky will be allowed on a case-by-case basis per KRS 45A.425

Sale to the general public using either the sealed bid or auction, including consignment auction and internet auction methods of sale. Disposal by either of these methods shall be preceded by notice adequate to inform the general public of the sale, taking into consideration the estimated value of the items.

A department wishing to dispose of LMG-owned personal property shall file a Property Disposal Declaration form prepared by the department and approved by the Department Director.

1. If furniture is being declared surplus, the appropriate Property Disposal Declaration Form should be forwarded to Public Works and Assets (PWA) – Facilities Management located at 444 South 5th Street, 5th floor. PWA will determine if items should be retained for future use and moved to a LMG warehouse or if items are to be sold in place at the department. PWA will complete their section of the form and forward it to OMB Division of Purchasing – Surplus.

If furniture is to be sold, OMB Surplus Coordinator will sell items in place, and if furniture does not sell, Surplus Coordinator will determine final disposition method of items(s). If PWA wishes to retain the furniture for re-use, PWA will coordinate the movement of the furniture and forward completed Property Disposal Form to OMB Division of Purchasing – Surplus.

A copy of the completed form will be forwarded to OMB General Accounting showing disposition of asset(s) by the OMB Purchasing Surplus Coordinator.

2. If non-furniture items are being declared surplus, the appropriate Property Disposal Declaration Form should be forwarded to OMB Purchasing. OMB Surplus Property Coordinator will make arrangements to sell items in place at the department. If items do not sell, OMB Surplus Coordinator will determine method of disposal. Copy of completed form will be forwarded to OMB-Accounting showing final disposition of asset(s).



2. Lease of Real Property

If a department has a need to lease real property or space, they should contact the Public Works and Assets (PW&A) Division of Real Estate for assistance in locating space and negotiating a lease agreement.

Approved lease agreements signed by both parties should be submitted to Purchasing on a requisition. In the requisition line, indicate lease and include a description of the property (i.e. address of leased building and name of building). This is necessary in order to make payments against the correct PO in the financial system. The description on the requisition line will be the description on the PO line. Purchasing will create a PO from the requisition with the approved lease attached.

Approved this 1st day of July, 2014

Director of Office of Management and Budget
Louisville Metro Government



Appendix A – Contract Requirements for Non-Competitive Negotiation and Competitive Contracts requiring separate agreements.

- A. Contract(s) are to be drafted by the County Attorney unless the County Attorney has designated that authority to another. Contracts must receive approval of the County Attorney as to form and Risk Management as to compliance with the insurance requirements. Certificates of insurance will be obtained by the Purchasing Division. An original, fully-executed contract must be filed in OMB in order to issue payment.
- B. Contracts must contain a provision establishing the Employer/Employee Relationship. If the relationship established between LMG and the contractor is not clear, the contracting department must request a review by the County Attorney for determination.

The provision shall read as follows:

It is expressly understood that no employer/employee relationship is created by this agreement nor does it cause Producer to be an officer or official of the Louisville/Jefferson County Metro Government. By executing this agreement, the parties hereto certify that its performance will not constitute or establish a violation of any statutory or common law principle pertaining to conflict of interest, nor will it cause unlawful benefit or gain to be derived by either party.

- C. All competitively negotiated contracts must contain the following information:
 - 1. The full legal name and address of the contractor, as verified with the Secretary of State of the Commonwealth of Kentucky.
 - 2. A concise but accurate description of the services to be performed including the work product and deliverables required under the contract.
 - 3. The rate of pay for each individual covered (hourly, biweekly, monthly) or the total payment due upon the completion of phases and how often it is to be paid to the contractor (biweekly, monthly).
 - 4. The maximum amount to be paid under the terms of the contract including out-of-pocket expenses.
 - 5. The starting date and the termination date of the contract. If the contract is prepared for a period which does not correspond to the government's fiscal year (Example: March 1 to February 28) continuation of the contract after June 30 is contingent on budgetary approval. This information shall be included in the contract.
 - 6. A provision stating that either party may terminate the contract for convenience by written notice, generally within 30 days.
 - 7. A provision specifying that if the contract is terminated, payment shall be based only on the amount of time the contract was in effect unless the contract provides for payment, in the event of cancellation, on the basis of work produced.
 - 8. Signature of the Department Director and the contractor.
 - 9. All contracts must contain a provision specifying that invoices must be submitted indicating a description of the work performed.



10. A provision stating that when out-of-pocket expenses are involved, they must be reasonable in amount and necessary to accomplish the scope of services of the contract. Out-of-pocket expenses shall be prorated whenever the Contractor provides the same or similar service to other entities and the expenses are considered to be a double billing (i.e. both entities are billed for the same expenses). Copies of invoices for out-of pocket expenses and other third party charges must be included with the contractor's invoice when payment is requested. First class air fare, personal phone calls and short-term parking charges will not be reimbursed.
11. A provision establishing LMG's right to audit the contractor's records. The provision shall read as follows:

The Contractor shall maintain, during the term of the contract, and retain not less than five years after the final date of payment under the Contract complete and accurate records of all of the Contractor's costs which are chargeable to LMG under the Contract; and LMG shall have the right, at any reasonable time, to inspect and audit those records by authorized representatives of its own or of any public accounting firm selected by it. The records to be thus maintained and retained by the Contractor shall include (without limitation): (a) payroll records accounting for total time distribution of Contractor's employees working full or part time on the Contract (to permit tracing to payrolls and related tax returns), as well as canceled payroll checks, or signed receipts for payroll payments in cash; (b) invoices or receipts for purchases, receiving and issuing documents, and all the other unit inventory records for Contractor's stored stock or capital items; and (c) paid invoices, receipts and canceled checks for materials purchased and for subcontractors; and any other third parties' charges.

12. The Indemnification and Hold Harmless provision between LMG and the contractor shall read as follows, unless modified by the Risk Management division of the Office of Management and Budget:

The Contractor shall indemnify, hold harmless, and defend LMG, its elected and appointed officials, employees, agents and successors in interest from all claims, damages, losses and expenses including attorneys' fees, arising out of or resulting, directly or indirectly, from the Contractor's (or Contractor's Subcontractors, if any) performance or breach of the contract provided that such claim, damage, loss, or expense is: (1) attributable to personal injury, bodily injury, sickness, death, or to injury to or destruction of property, including the loss of use resulting therefrom, or breach of contract, and (2) not caused by the negligent act or omission or willful misconduct of LMG or its elected and appointed officials and employees acting within the scope of their employment. This Hold Harmless and Indemnification Clause shall in no way be limited by any financial responsibility or insurance requirements and shall survive the termination of this Contract.

13. If the contractor was required to provide proof of insurance in the RFP, a provision should be established in the contract which includes all insurance requirements as specifically called for in the RFP, so that the Contractor is contractually required to maintain all insurance called for during the duration of the contract period.

14. KRS 45A.445 through 45A.460 Governs conflicts of interest in purchasing matters.

- a. It shall be a breach of ethical standards for any employee with procurement authority to participate directly in any proceeding or application; request for ruling or other determination; claim or controversy; or other particular matter pertaining to any contract, or subcontract, and any solicitation or proposal therefor, in which to his knowledge:
 - i. He, or any member of his immediate family has a financial interest therein; or



- ii. A business or organization in which he or any member of his immediate family has a financial interest as an officer, director, trustee, partner, or employee, is a party; or
 - iii. Any other person, business, or organization with whom he or any member of his immediate family is negotiating or has an arrangement concerning prospective employment is a party. Direct or indirect participation shall include but not be limited to involvement through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity.
- b. It shall be a breach of ethical standards for any person to offer, give, or agree to give any employee or former employee, or for any employee or former employee to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment, in connection with any decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or purchase standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling or other determination, claim or controversy, or other particular matter, pertaining to any contract or subcontract and any solicitation or proposal therefor.
 - c. It is a breach of ethical standards for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order.
 - d. The prohibition against conflicts of interest and gratuities and kickbacks shall be conspicuously set forth in every local public agency written contract and solicitation therefor.
 - e. It shall be a breach of ethical standards for any public employee or former employee knowingly to use confidential information for his actual or anticipated personal gain, or the actual or anticipated personal gain of any other person.