



# COUNTY OF OTSEGO Administrative Policy Manual

<b>Policy No</b> 500.01	<b>Subject</b> <b>Purchasing</b>	<b>Date Issued</b> 4/13/04
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<p><b>Application</b></p> <table style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><b><u>General Fund Functions</u></b></p> <p><input checked="" type="checkbox"/> General Fund Departments</p> <p><input checked="" type="checkbox"/> 46<sup>th</sup> Trial Court</p> <p><input checked="" type="checkbox"/> Other Jointly Governed Organizations</p> <p><b><u>Special Revenue Functions</u></b></p> <p><input checked="" type="checkbox"/> Parks and Recreation</p> <p><input type="checkbox"/> Library</p> <p><input type="checkbox"/> Social Welfare (Family Independence Agency)</p> <p><input type="checkbox"/> Commission on Aging</p> <p><input type="checkbox"/> Other Special Revenue Funds</p> <p><input checked="" type="checkbox"/> Building Authority</p> </td> <td style="width: 50%; vertical-align: top;"> <p><b><u>Business-Type Functions</u></b></p> <p><input checked="" type="checkbox"/> Delinquent Tax Revolving</p> <p><input checked="" type="checkbox"/> Commissary</p> <p><input checked="" type="checkbox"/> Bus System</p> <p><input checked="" type="checkbox"/> Administrative Services</p> <p><input checked="" type="checkbox"/> Building and Grounds</p> <p><b><u>Component Units</u></b></p> <p><input type="checkbox"/> University Center</p> <p><input type="checkbox"/> Road Commission</p> <p><input type="checkbox"/> Ambulance</p> <p><input type="checkbox"/> Sportsplex</p> <p><input type="checkbox"/> Other:</p> </td> </tr> </table>	<p><b><u>General Fund Functions</u></b></p> <p><input checked="" type="checkbox"/> General Fund Departments</p> <p><input checked="" type="checkbox"/> 46<sup>th</sup> Trial Court</p> <p><input checked="" type="checkbox"/> Other Jointly Governed Organizations</p> <p><b><u>Special Revenue Functions</u></b></p> <p><input checked="" type="checkbox"/> Parks and Recreation</p> <p><input type="checkbox"/> Library</p> <p><input type="checkbox"/> Social Welfare (Family Independence Agency)</p> <p><input type="checkbox"/> Commission on Aging</p> <p><input type="checkbox"/> Other Special Revenue Funds</p> <p><input checked="" type="checkbox"/> Building Authority</p>	<p><b><u>Business-Type Functions</u></b></p> <p><input checked="" type="checkbox"/> Delinquent Tax Revolving</p> <p><input checked="" type="checkbox"/> Commissary</p> <p><input checked="" type="checkbox"/> Bus System</p> <p><input checked="" type="checkbox"/> Administrative Services</p> <p><input checked="" type="checkbox"/> Building and Grounds</p> <p><b><u>Component Units</u></b></p> <p><input type="checkbox"/> University Center</p> <p><input type="checkbox"/> Road Commission</p> <p><input type="checkbox"/> Ambulance</p> <p><input type="checkbox"/> Sportsplex</p> <p><input type="checkbox"/> Other:</p>	<p><b>Revised</b> 08/14/12</p> <hr/> <p><b>Applicable Forms</b></p>
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<b>Contact Department</b> Administration	<b>Contact Phone Number</b> 989-731-7520	<b>Contact Fax Number</b> 989-731-7529	<b>Contact E-Mail</b> jburt@otsegocountymi.gov
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**Summary**

The purpose of this policy is to establish procedures for the purchase of all supplies, equipment, vehicles, and all construction or altering of County facilities for any department of the County of Otsego in a manner that maximizes the purchasing value of public funds in procurement. This policy includes capital leases on any such item as listed above. When the procurement involves the expenditure of federal or state assistance or contract funds, the procurement shall be conducted in accordance with any mandatory applicable federal or state laws and regulations. Nothing in this policy shall prevent any public agency from complying with the terms and conditions of any grant, gift or bequest that is otherwise consistent with law. Professional service contracts and contracts for specific, non-repetitive services are exempt from the requirements of this Policy with the exception of the requirements contained in Sections 2.18 and 2.19 of the Policy.

**Procedures**

**1. Definitions**

1.1 ***Capital Outlay Items:*** Non-expendable items itemized in the County’s capital improvement budget/plan.

1.2 ***Competitive Bids:*** Prices received from vendors on items or services \$10,001 or more. Competitive bids are received as sealed bids only and are opened at advertised public bid openings. The requirement for sealed competitive bids shall not apply to intergovernmental contracts, contracts for professional services, contracts for specific, non-repetitive services, or emergency repairs, or for the reauthorization of contracts, which have been previously approved by the Otsego County Board of Commissioners.

1.3 ***Expendable/Recurrent Supplies:*** Routine supplies needed to carry on the County’s daily



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business (i.e. food, medical supplies, office supplies). Expendable supplies are generally acquired using preferred vendors.

1.4 **Final Approver:** Person(s) designated to utilize the electronic purchasing system with the authority to convert requisitions to purchase orders.

1.5 **Formal Bidding:** Formal bidding procedure should be used for purchases from \$5,001 to \$10,000. It includes solicitation of written bids through the mail, e-mail, and facsimile.

1.6 **Informal Bidding:** Purchases of \$501 to \$5000 are subject to informal bidding. Informal bids (quotes) includes solicitation of written bids and may be solicited by telephone, personal contact, or in writing.

1.7 **Public Bid Opening:** A place, date and time established to open competitive bids received on items and/or services being procured. Adequate public notice of the invitation for bids shall be given not less than 7 calendar days prior to the date set forth therein for the opening of bids. Such notice may include publication in a newspaper of general circulation within the County for a reasonable time prior to the bid opening.

1.8 **Request for Proposal (RFP):** A document issued by the County Administrator, which contains specifications and County bidding procedures for procurement of items and/or services. An RFP is sent out to vendors as a mechanism to solicit for competitive bids.

1.9 **Request for Quotation (RFQ):** A document (less formal than an RFP) issued by the County Administrator/Management Team Member, which contains specifications for the procurement of items and/or services. An RFQ is sent out to vendors as a mechanism to solicit for competitive quotes.

1.10 **Professional Service Contract:** A Contract for unique, technical, and/or infrequent functions performed by an independent contractor qualified by education, experience, and/or technical ability to provide services. In most cases, these services are of a specific project nature, and are not a continuing, ongoing responsibility of the institution.

1.11 **Service Contract:** an agreement whereby a contractor supplies time, effort and/or expertise instead of a good (tangible product).

**2. POLICY:** The County utilizes an electronic accounting system with a purchasing module that includes a requisition and purchase order system. Every purchase on behalf of the County (unless specifically exempted) shall require a requisition and purchase order. Except as otherwise specified herein, purchases / contracts will be awarded to a contractor or bidder based on price, record of performance, availability, dependability and experience. All purchases by contract, or otherwise, as herein authorized, will be in accordance with such appropriations as have been made by the Board of Commissioners for the support of the respective departments.



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It shall be unethical for any County employee to participate directly or indirectly in a procurement contract when (the County employee knows that) the County employee or any member of the County employee's immediate family has a financial interest pertaining to the procurement contract.

2.1 **Basic Purchases:** Items valued at \$500 or less are considered basic purchases. There are not any bidding requirements for these purchases; however, the requisition and purchase order system must be utilized. Management Team Members or their designee(s) are authorized to draft requisitions and act as the final approver. The responsible party shall exercise reasonable scrutiny when expending funds under the \$500 threshold.

2.2 **Informal Bidding:** Purchases of \$501 to \$5000 are subject to informal bidding. Individual employees, with approval of the County Administrator, may solicit informal bids as outlined below. Bids must be written. The County Administrator (their designee when absent) must act as final approver.

- A. Bid Information: To insure fairness in, each vendor solicited should be given the same information. This information should include:
- Description of items to be purchased
  - Special terms and/or specifications
  - Desired delivery date
- B. Record of Bids: All bids solicited shall be in writing and will be electronically recorded in the requisition "Post It" note window. Each record should contain:
- Bid Information
  - Record of all bids
  - Manager's explanation if lowest priced vendor not selected.

2.3 **Formal Bidding:** Purchases from \$5,001 to \$10,000 are subject to the formal bidding procedure. The respective department shall follow the formal bidding process. The Management Team Member must approve with the County Administrator or designee acting as the final approver. It includes solicitation of written quotations/bids through direct contact, public advertisement or any combination of the same.

- A. The solicitation/advertisement must include the following:
- Identification of item(s) to be bid upon
  - Location bids are to be submitted
  - Date and time of bid deadline for submission
  - Contact for further information
  - Statement of County's rights to reject bids
  - Contract compliance terms
  - Product specifications

- B. Record of Bids: All bids solicited shall be electronically recorded in the



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requisition “Post It” note window. Each record should contain:

- Bid Information
- Record of all bids
- Department Head explanation if lowest priced vendor not selected.

2.4 **Competitive Bidding:** Purchases with an anticipated obligation of \$10,001 or more are required to have sealed, competitive bidding and comply with Public Act 167 and 168 of 1993. Two (2) competitive bids are required for purchases of \$10,001 or more. Professional services, contracts for specific, non-repetitive services, and intergovernmental contracts and emergency repairs, or reauthorization of contracts that have been previously approved are exempted from this policy. The inability to obtain two (2) competitive bids, upon due diligence, shall not prevent the County from awarding the bid. **A copy of all bid document material must be provided to the Administration Department.**

A. If a bid document must be prepared (\$10,001 or more), it shall include:

- **Bid Reference Number as assigned by the Administration Department**
- Bid advertisement
- Bid preparation instructions
- Proposal
- Contract
- General conditions
- Special conditions
- General specifications
- Detailed specifications
- State or Federal guidelines (if necessary)

The County reserves the right to accept, reject or negotiate any or all bids, to waive or not waive informalities or irregularities in bids or bidding procedures, to rebid the project/purchase, and to accept any bid determined by the County to be in the best interest of the County, regardless of price. The reason for rejection may include past performance issues, and compatibility with existing equipment or software. Local Vendors, as defined below, are hereby granted a 5% cost variance for low bid determination.

A “local vendor” is defined as a business that has had a fixed office or distribution point located in and having a street address within the county for at least six months immediately prior to the issuance of the request for competitive bids (post office boxes do not qualify as a business address). In addition, the business must employ at least one full-time or two part-time employees whose primary residence is located within Otsego County, or if the business has no employees, shall be at least fifty percent owned by one or more persons whose primary residence(s) is located within Otsego County.

B. All bids shall be opened at the time, date and place specified, and the opening and inspection of all bids shall be made by the County Administrator. A complete



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summary of the bids, including the bidding firm's name, cost, qualifying data, and any other relevant information, shall be kept on file. Final approval, acceptance and selection of bids that are low bid and meet specifications shall be recommended by the County Administrator to the Board of Commissioners.

- 2.5 **Expendable Supplies:** For each expendable category of purchases, the County Administrator, with the assistance of the respective department staff (i.e. maintenance/jail food staff), will compile and maintain a list of preferred suppliers. Such lists will be reviewed and updated periodically. Typically one – three vendors will be listed to provide comparison pricing and selection options.
- 2.6 **Open Purchase Orders:** Open Purchase Orders shall be utilized for vendors that provide routine repetitive services. Open Purchase Orders may be opened and closed within any calendar month. Examples of authorized open purchase orders include: oil changes, car wash and other similar services.
- 2.7 **Emergency Purchase Orders:** In case of emergency needs, appropriate departments (maintenance, sheriff) are authorized to make emergency procurements of supplies, services or construction items when there exists a threat to public health, welfare or safety. Electronic access shall be provided to authorize the issuance of emergency purchase orders. Emergency procurements shall be made with such competition as is practicable under the circumstances and the cost shall not exceed \$5,000. An emergency purchase of up to \$10,000 may be made by the County Administrator without prior approval by the chair or vice-chair of the Board of Commissioners. The very nature of emergency expenditures may necessitate a significant financial decision without prior approval. All emergency expenditures in excess of \$10,000 shall be reported to the Board of Commissioners, in writing, within three business days.

In the case of emergency repairs where delays may cause further damage to county property, the County Administrator is authorized to spend up to \$10,000 without prior approval by the chair or Vice-Chair. Emergency repairs in excess of \$10,000 may be made by the County Administrator with advanced authorization from the chair or vice-chair.

- 2.8 **Cooperative Government Contracts:** Bidding requirements shall be waived if the County is able to secure favorable prices on purchases by joining with other local governments, or participating with the State of Michigan or the Federal Government in purchasing. The County Administrator is authorized to enter into the necessary agreements or contracts on behalf of the County.
- 2.9 **Exempted Purchases:** Exempted purchases include maintenance agreement billings, utility billings, contracted service invoices, insurance payments, and other like services as noted in the Otsego County Payables Policy. The appropriate account number and signature of a Management Team member is required for exempted purchases, and shall appear across the invoice.



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- 2.10 **Payment Procedure:** The respective Management Team member will be responsible for inspection of all orders, upon receipt of the order and prior to the acceptance of the delivery. Upon acceptance of items, verification that the packing slip matches the purchase order must accompany the invoice in order to obtain payment. Whenever a department rejects any orders, the County Administrator shall be notified immediately and given the reason for the rejection.
- 2.11 **Capital Leases:** The process for bidding capital leases shall be similar to other purchases. Should the price of the purchase not be reasonably known prior to engaging the bidding process, the Formal Bidding Process shall be used.
- 2.12 **Bid Specification Changes:** All changes in bid specifications shall be reported to all known potential bidders. Such notification shall provide appropriate time for all such potential bidders to have adequate time to make adjustments to their bids.
- 2.13 **Demo Models:** Bidding requirements shall be waived if the County is able to secure favorable prices on purchases by purchasing a demonstration model.
- 2.14 **Rebidding:** Should it become necessary to rebid a project/purchase, the County Administrator may waive the newspaper posting requirement for Competitive Bids, with notification being given to the Budget & Finance Committee members.
- 2.15 **Amending contracts on projects requiring bids:** The County Administrator may approve minor amendments to capital project contracts up to an amount of \$5,000, not to exceed more than 10% of the original contract amount. The County Administrator may approve minor amendments to capital project contracts up to an amount of \$10,000, not to exceed 10% of the original contract amount, with pre-notification to the Budget & Finance Committee. Any contract amendment beyond the limits specified above requires approval by the Board of Commissioners.
- 2.16 **Bond Requirements:** Bid bonds are required for construction or repair projects in the amount of \$100,000 or more. Bid bonds and performance bonds are required for construction or repair projects in the amount of \$250,000 or more. Bid bonds shall be in the amount of 10% of the total contract price. Performance bonds will be in the amount of 100% of the total contract price. Bond requirements cannot be waived.
- 2.17 **Lien Waivers:** For construction or repair projects in the amount of \$50,000 or more, the contractor is required to provide partial lien waivers, verifying all subcontractors and suppliers have been paid for their work to date, for payment requests beyond 25% of the total contract price. The final 10% of the contract price can be paid prior to receipt of lien waivers. The contractor will provide final lien waivers within 30 days of contract completion. In the event that a contractor does not provide the required lien waivers, the contract will not be eligible for future County projects without the consent of the County Infrastructure Committee.



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2.18 **Insurance Requirements:** All contractors and/or vendors are required to maintain the following Insurance:

- A. Workers Compensation and Employers' Liability, Michigan Statutory Limits of Liability.
- B. Commercial General Liability Insurance
- C. Motor Vehicle Liability Coverage, and Michigan No-Fault Coverages including all owned, non-owned, and hired vehicles.
- D. Otsego County will be named as Additional Insured on all insurance coverage, with the exception of Workers Compensation and Employers' Liability insurance.

Limits of Liability for General Liability, and Vehicle Liability shall be within the following guidelines based on contract amount:

- Projects up to \$750,000: Minimum of \$1,000,000 per occurrence and aggregate.
- Projects \$750,001 to \$1,750,000: Minimum of \$2,000,000 per occurrence and aggregate.
- Projects \$1,750,001 to \$2,750,000: Minimum of \$3,000,000 per occurrence and aggregate.
- The required amounts continue to escalate by adding \$1,000,000 to the beginning and ending project range and to the minimum insurance requirement.
- A Waiver of Subrogation is required on the certificate of liability insurance.
- The certificate of liability insurance is required to have a 30-day notice of cancellation.

2.19 **Professional Services Contracts Requirements:** Professional Liability Coverage (Errors and Omissions) is required for all contracts for professional services such as architect, engineer, design firm or similar professions, and the medical professions, etc.

- In the event that services delivered either directly or indirectly involve or require professional services (e.g. architectural, engineering, medical), Professional Liability Coverage (Errors and Omissions) insurance coverage must be provided with a limit of liability of not less than \$1,000,000 per occurrence and aggregate generally, and must further be in an amount to be equal to or greater than the total project cost.
- A Waiver of Subrogation is required on the certificate of liability insurance.



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- The certificate of liability insurance is required to have a 30-day notice of cancellation.
- 2.20 ***Other Contractor Insurance Requirements:*** For projects of over \$250,000, all vendor insurance must be obtained through an insurance company that has a financial strength rating of A or better by a reputable insurance rating company such as A.M. Best.
- 2.21 ***Purchases on Behalf of Other Agencies:*** For purchases made by Otsego County while acting as a grant fiduciary on behalf of other agencies, Otsego County will allow Preferred Vendors at the written request of an authorized representative from the requesting agency.
- 2.22 ***Nepotism:*** A County employee or grant administrator may not hire a person related to him/her to do contractual work until approved by the County Administrator for compliance with the spirit of the County's Purchasing Policy and Nepotism Policy. For the purposes of this policy, "related" shall cover the following relationships:
1. Parent (natural, step, or in-law)
  2. Child (natural or step)
  3. Brother/sister (natural, step, or in-law)
  4. Spouse
  5. Grandparent
  6. Legal Guardian

The County of Otsego will accept delivery of and authorize payment of only those services, supplies, merchandise or articles authorized for purchase, and acceptable under terms of the purchase agreement, in accordance with the procedures stated herein.

Payment for any services, supplies, merchandise or articles not authorized for purchase by the County Administrator and/or the Otsego County Board of Commissioners in accordance with the policies and procedures stated herein becomes the responsibility of the person or persons requesting such service, supplies, merchandise or article and the County may deny payment of the claim.

Any service being performed for the County that has not been authorized in accordance with the policies and procedures stated herein, shall be immediately discontinued and the original conditions restored at the expense of the person or persons requesting such service.

Payment in full for any service, supplies, merchandise or articles not acceptable for delivery or the use required, as put forth in the bid specifications or purchase agreement for such service, supplies, merchandise or articles, will be held in abeyance until such time as a replacement or replacements meeting the specifications put forth in the purchase agreement and acceptable for the use required are received.



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**Procedures**

**TABLE 1**

<b>Dollar Amount</b>	<b>Bidding Requirement</b>	<b>Final Approval</b>
\$0 - \$500	None	Management Team Member or Designee
\$501 - \$5,000	Informal Bid	County Administrator
\$5,001 - \$10,000	Formal or Competitive Quote	County Administrator
\$10,001 or more	Competitive Bids (2)	Board of Commissioners

**Approvals (name and department)**

Board of Commissioners

April 13, 2004