



Finance Department Procedures

Purchasing & Payment Processing Guidelines

I. Scope and Purpose of Procedure

- A. Scope: This procedure describes the four types of purchase requests for products and services, and the related payment of the invoices.
- B. Purpose: The purpose of this procedure is to ensure that the purchase of products and services is treated in a consistent and accurate manner, following proper procurement guidelines, and that City purchases are recorded and paid in an accurate and timely manner.

II. Types of Purchases & Payments

There are four basic methods for purchasing goods and service and authorizing the related payment. These methods are briefly described as follows, and described in more detail beginning with Section VI below. All of the forms mentioned in these guidelines are available on the City's internal website:
www.ci.winchester.va.us/internal/forms.

A. Field Purchase Orders (FPO)

Use the FPO for small purchases under \$5,000 total to the same vendor, including one-time vendors such as travel, training, refunds, and reimbursements. Do not separate purchases to the same vendor to avoid this \$5,000 restriction. Quotes are not required for these purchases, but are encouraged. By periodically obtaining quotes for items purchased by your department, you will be assured the City is getting the most competitive price.

B. Purchase Requisition (Purchase Order)

Use the purchase requisition for purchases of \$5,000 or more to the same vendor. When the vendor requires a copy of the purchase order, you may use the purchase requisition for amounts under \$5,000. For purchases of \$5,000 or more, quotes will be required. Verbal quotes are acceptable for amounts up to \$14,999. For amounts over \$15,000 written quotes are required (see Section IV, Quotes).

C. Blanket Purchase Order

Use the blanket purchase order for routinely purchased items or services that do not require advance approval, such as utility bills or items that are on contract (office supplies, vehicle maintenance, and cleaning services).

D. Manual Payment Request (GM Transaction)

1. Under \$5,000: Only departments who do not have access to the City's purchasing system may use manual payment requests to submit vendors under \$5,000.
2. \$5,000 or more: The manual payment request can be used for purchases of \$5,000 or more for the following items:
 - a. Travel & training
 - b. Refunds & reimbursements
 - c. Advertisements
 - d. Debt service payments
 - e. Payroll taxes and benefit payments

III. Documentation

- A. Original invoices and receipts are required for payment; copies will only be accepted upon written verification from the department that the original invoice or receipt was misplaced.
- B. Payments will not be made from statements or packing slips.
- C. Invoices should have the vendor's name, address and telephone number, in addition to the service or item description and a breakdown of the charges with a total due.
- D. Approved and completed Travel Reimbursement Request forms must be submitted with each travel reimbursement request for payment. Documentation describing the event or training (agenda, conference brochure, registration form, email confirmation, etc.) and receipts for hotel, parking, tolls, etc. should also be attached to each request.

IV. Quotes

- A. Three or more verbal quotes are required for purchase amounts of \$5,000 to \$14,999
- B. Three or more written quotes are required for professional services of \$15,000 to \$29,999
- C. Four or more written quotes are required for goods & non-professional services of \$15,000 to \$49,999
- D. Formal sealed bid processing is required for professional services over \$30,000
- E. Formal sealed bid processing is required for goods & non-professional services of over \$50,000
- F. Exceptions to quotes
 1. Approved contracts: typically awarded after a competitive quote process, and for an extended period of time of one or more years. Contract information to include the approval and termination dates must be specified in the requisition comments on the purchase requisition.
 2. Emergency purchases: procedures as outlined in the City code must be followed with written justification, purchasing agent approval, and public posting of the reason for the emergency purchase.
 3. Sole source: applies only when one source is practically available, and the purchase requisition must include a written statement documenting

why this vendor has been designated as sole source, approved by the purchasing agent, and public posting of the sole source purchase.

IV. Vendor Setup

- A. To add a vendor, which does not exist in the vendor file, the vendor must complete a Vendor Registration Form. Vendors performing a service (even a one-time service) must be set up as a vendor in the system.
 - 1. Submit the original, completed form to the Finance Department.
 - 2. Allow one (1) business day after receipt by Finance for entry.
 - 3. For emergency purchases, the department can accept a faxed form to submit to Finance, but the original must still be provided when received.

V. Purchasing Module Access

- A. The department must complete the Information Technology Computing Resources Access Authorization form (available on the City's internal web site: www.ci.winchester.va.us/internal/forms) to request menu and approval access in the purchasing module.
- B. Submit the completed form to the Information Technology Department for setup.

VI. Field Purchase Order (FPO)

- A. Use for all purchases of under \$5,000, except as noted in section II.D above or when a hard copy of the purchase order is required.
- B. Enter into the HTE Purchasing module at the department level with a due date of the Thursday of the week the payment will be processed (see Section XI, Payment Schedule, below).
- C. Department Director or designee approves the FPO electronically.
- D. Print and sign (Department Director or designee) the Receiving Report, and submit with the invoice to the Finance Department for payment.
- E. One FPO must be entered for each invoice, which allows tracking and inquiry of the invoice.

VII. Purchase Requisition

- A. Use for purchases of \$5,000 or more, or under \$5,000 when a hard copy of the purchase order is required.
- B. Used for all types of purchases, including any contracts for products or services, except those types specified in Section II.C & D above.
- C. If a contract is awarded for a specified dollar amount for the fiscal year, the department may enter a purchase request for a portion of the annual amount and increase the purchase order periodically as needed. For example, if the annual amount is \$100,000, the department may add a purchase request for only \$25,000 initially. When that amount is almost used, the department can copy that purchase request and have the purchasing agent merge it into the original purchase order. This process avoids encumbering large dollar amounts too soon, or unnecessarily.

- D. Enter into the HTE Purchasing module at the department level.
- E. Department Director or designee approves the Purchase Requisition electronically.
- F. Other approvals may include Information Technology, Purchasing, Finance, and the City Manager.
- G. The Purchasing Agent will buyer process the requisition after all required approvals are completed electronically.
- H. Once the Purchasing Agent processes the Purchase Requisition into a Purchase Order, the department can then, and only then, place the order for the product or service.
- I. On occasion, an invoice exceeds a purchase order amount. When the invoice amount exceeds the purchase order amount by ten percent (10%) or less, Finance can process the invoice against the purchase order without changes to the purchase order. If the invoice exceeds the purchase order amount by more than 10%, then proper approvals need to be obtained for the increased amount. To do this, the department will add a new requisition for the amount of the increase (use the copy function to save time), and request that it be merged with the existing purchase order. The reason line on the purchase requisition must indicate "Over PO amount, merge w/PO #xxxxxx."
- J. Once an invoice is received and accepted for the product or service, the department uses the Receipt Processing function to electronically initiate the payment processing. It is important that the department input only the amount actually received. Do not electronically receive a quantity greater than the amount that has been actually shipped.
- K. After completing Receipt Processing, print and sign (Department Director or designee) the Receiving Report, and submit with the invoice to the Finance Department for payment.

IX. Blanket Purchase Orders

- A. Use for purchases that do not require advance approval to purchase, such as utility bills and items or services on contract.
- B. The Finance Department will enter the blanket purchase orders at the beginning of each fiscal year and furnish each department with a list of the blanket purchase order numbers. New blanket purchase orders can be added by Finance upon the request of a department.
- C. Upon receipt of the invoice the department uses the Receipt Processing function to electronically initiate the payment processing. Each invoice must be entered in a separate line item on the blanket purchase order, in order to allow tracking and inquiry of the invoice.
- D. Print and sign (Department Director or designee) the Receiving Report, and submit with the invoice(s) to the Finance Department for payment.

X. Manual Payment Request (GM Accounting Transactions)

- A. Finance will continue to process invoices of the payment types specified in Section II.D. These items are exempted from purchase order processing requirements.
- B. Prepare a payment request form, sign the form and submit to Finance for payment.

- C. In addition, for travel requests, the approved travel form must be submitted to the Finance Department with the invoice.

XI. Payment Schedule

- A. Invoices received in the Finance Department by noon on Wednesday will be processed for payment that week. Those received later will be processed in the next week.
- B. Periodically during shortened workweeks, or unusual workloads, a delay in payment processing may occur and invoices that are not yet due may be processed in the next week.
- C. For Field Purchase Orders, use a due date of the Thursday of the week that the Receiving Report and invoice will be submitted to the Finance Department.

XII. Year end Processing

See the Fiscal Year End Purchases & Payment Processing Procedure.

Prepared by	Finance Department
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