



City of Mexico
Comprehensive Purchasing Policy

CITY OF MEXICO, MISSOURI COMPREHENSIVE PURCHASING POLICY

SECTION I: GOALS

This manual has been designed to ensure that the policies set by the City Council with regard to the expenditure of public funds are met by all City departments. If these policies are adhered to, the City will receive the maximum value for each public dollar spent.

1.1 BASIC GOALS

The basic goals of the City's purchasing program are:

- a. To comply with the legal requirements of public purchasing.
- b. To assure vendors that impartial and equal treatment will be afforded all who wish to do business with the City.
- c. To receive maximum value for each public dollar spent.
- d. To provide City departments the required goods and services at the time and place needed in the proper quantity and quality.
- e. To purchase only goods and services for which funds have been approved and not previously budgeted.

If the procedures and guidelines established in this manual are followed, each department will efficiently manage, control and plan their available resources to meet present and future departmental needs and help the City meet these goals.

SECTION II: GENERAL GUIDELINES

These general guidelines should be considered Administrative rules and regulations and are to be adhered to as closely as possible by all departments in the procurement of goods and services.

2.1 LOCAL BUYING

It is the desire of the City to purchase from Mexico vendors whenever possible. This can be accomplished by ensuring that local vendors who have goods or services available which are needed by the City are included in the competitive shopping process which should precede most purchases. The City has a responsibility to its residents, however, to ensure that the maximum value is obtained for each public dollar spent. The following should be considered when placing bids and making a final determination on the best bid price:

- a. If there is a savings of ten (10) percent or more on purchases of less than \$1,000 or five (5) percent or more on purchases of \$1,000 or more by purchasing the product outside of the City, then the purchase should be made outside of the City.
- b. For purposes of this section, a local vendor must be an individual or company that has a current Mexico business license and has a location or residence within the City of Mexico.
- c. If local vendors cannot meet product specifications, then purchases may be made outside of the city.

2.2 PURCHASE OF AMERICAN PRODUCTS

It is the desire of the City to encourage the purchase of products manufactured, assembled, or produced in the United States, if the quality and price are comparable with other goods.

2.3 PLANNING

Planning for purchases should be done on both a short term and long term basis. Small orders and last minute purchases should be minimized, thereby increasing the capability of each department to purchase its goods and services in larger quantities in order to obtain the maximum discounts possible. Planning will also cut down on the number of trips required to obtain materials and minimize the amount of clerical and supervisory time spent on documenting purchases. The purchasing process begins with the preparation of the Annual Budget.

2.4 OVERDRAFTS PROHIBITED

No purchase will be authorized which would overdraft a budgetary account. Department Directors who are contemplating a purchase that will exceed a budgetary account should contact the City Manager or Finance Director to ensure that a provision is made for the necessary budget allocation prior to initiating the purchase.

2.5 BUYING PROPER QUALITY

Quality and service are just as important as price and it is the duty of the requisitioning department to secure the best quality for the purpose intended. Quality buying is the buying of goods or services that will meet but not exceed the requirements for which they are intended. In some instances, the primary consideration is durability. With other purchases, it may be a question of immediate availability, ease of installation, frequency of repair or efficiency of operation that must be given primary consideration. In the case of motor vehicles and other capital expenditures, departments may want to investigate life cycle costs or ERA mileage ratings to compare bids as opposed to utilizing the price as the criterion for determining the lowest bidder. It is the responsibility of each Department Director to become familiar enough with the available equipment to determine the appropriate quality required in order to develop specifications.

2.6 BRIBERY

Bribery in any form represents malfeasance in office and means that public funds are being mismanaged. (Refer to City of Mexico Personnel Manual, Section 6.8-Acceptance of Gifts).

2.7 SALES TAX

The City is exempt from paying all local and state sales tax. The Administrative Services Department can provide the necessary exemption documents to any vendor upon request.

2.8 PUBLIC ACCESS

All specifications, bid documents, purchase orders and supporting documents are public records which can be made available to the public upon reasonable request. Public records available for public review during normal operating hours, 8:00 a.m. to 5:00 p.m., Monday through Friday.

2.9 ENDORSEMENTS

It is City policy not to endorse, or in any way permit an employee's name, position, or the City's name to be used and advertised as supporting a product or vendor.

2.10 PERSONAL PURCHASES

Purchases for employees by the City are prohibited. City employees are also prohibited from using the City's name or the employee's position to obtain special consideration in personal purchases.

SECTION III: PURCHASING PROCEDURES

The City Council has established policies regulating the degree of formality to be followed in the purchase of goods and services, depending on the costs of the items to be purchased. The splitting of purchases into smaller orders to avoid these requirements is strictly prohibited.

Whenever goods or services are needed, the Department Director shall submit a material and purchase requisition form (exhibit A) to the Administrative Services Department. The information on the requisition form will be reviewed to ensure the correct account number is being used, the account has funds available and at which of the following levels the goods will be requested. If the purchase requires written quotations or formal bidding, the Purchasing Agent will prepare and receive the bids or quotes. The results will be forwarded to the Department Director for review.

Once the requisition has been approved, a purchase order will be issued. The Department Director will be notified of the approval.

3.1 PURCHASES FOR LESS THAN \$1000.00

On a purchase less than \$1000.00, a requisition must be submitted by the Department Director to the Purchasing Department approval before an order is placed with a vendor. On Purchases at or exceeding \$250.00 up through \$999.99 the Purchasing Department must receive three (3) telephone quotations for goods or services (see exhibit D).

Purchase Order Approval required: Finance Director, or City Manager, or designee in their absence.

3.2 PURCHASES FROM \$1000.00 TO \$5000.00 INCLUSIVE

On purchases of \$1000.00 to \$5,000.00 inclusive, a Department is required to submit, along with the requisition to the Purchasing Department, three (3) written quotations for the goods or services required. The quotations shall be documented on the vendors' letterhead or quotation sheet. The lowest bidder will then be awarded the bid if it meets the minimum specifications, provides the best value, and the funds are available in the appropriate account. Purchase orders for goods having a value of \$1,000.00 to \$5,000.00 inclusive, must be submitted for approval by the Finance Director or City Manager prior to placing an order with a vendor.

Purchase Order Approval required: Finance Director, or City Manager, or designee in their absence.

3.3 PURCHASES OVER \$5000.00 TO \$10,000.00 INCLUSIVE

After the Department submits a requisition, the Purchasing Department must receive three (3) written quotations for the goods or services required. The quotations can be documented on the vendors' letterhead or quotation sheet. The lowest bidder will then be awarded the bid if it meets the minimum specifications, provides the best value, and the funds are available in the appropriate account. Purchase orders for goods having a value over \$5,000.00 to \$10,000.00 inclusive, must be submitted for approval by the Finance Director and City Manager prior to placing an order with a vendor.

Purchase Order Approval required: Finance Director, City Manager, or designee in their absence. Purchase Orders forms shall document two signatures.

3.4 PURCHASES IN EXCESS OF \$10,000.00

Prior to processing a purchase order to secure goods or services costing over \$10,000.00, the Purchasing Department must advertise for written bids and conduct sealed bid openings. The request for quotation forms will be used to summarize this process. Purchase orders for goods or professional services having a value greater than \$10,000.00, must be submitted for approval by the Finance Director, City Manager, and City Council in the form of a staff report by the Department Director or designee prior to placing an order with a vendor.

ALL NON-EMERGENCY PURCHASES IN EXCESS OF \$10,000.00 WILL REQUIRE THE SUBMISSION OF A STAFF REPORT TO THE CITY MANAGER AND CITY COUNCIL.

3.4 PURCHASES IN EXCESS OF \$10,000.00 continued

Purchase Order Approval required: Finance Director, and City Manager or designee in their absence. Purchase Order forms shall document two signatures; staff report and documentation of approval by Council may substitute signatures when necessary.

SECTION IV: SPECIAL PROCUREMENT PROCEDURES

Occasionally, the City may need to purchase goods or services under circumstances which do not clearly fit the patterns of normal public procurement and for which normal competitive shopping procedures do not apply. The following guidelines are provided with regard to making such purchases.

4.1 SOLE SOURCES

In the event that there is only one vendor capable of providing a particular good or service, then the competitive shopping procedures outlined in this manual may be waived by the Finance Director on items up to and inclusive of \$5,000. Items of sole source in excess of \$5,000 must be approved by the Finance Director and City Manager.

Whenever a Department Director determines that he/she must purchase goods or service from a "sole source vendor" he/she should document why only one company or individual is capable of providing the goods or services required. Thorough documentation should be attached to the requisition.

4.2 COOPERATIVE PROCUREMENT PROGRAMS

Cooperative purchasing programs should be used whenever the desired product or services cannot be provided by a local vendor. Cooperative purchasing can prove advantageous to the City both by taking advantage of the large quantity purchases made by State Government. Purchases made through these programs have met the requirements of competitive shopping and require no further documentation. The City is encouraged to check with the State regarding cooperative procurement contracts in effect prior to making any large purchase.

4.3 PROFESSIONAL SERVICES

Normal competitive procedures cannot be utilized in securing professional services such as attorneys, engineers, certified public accountants, planners, and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process. A Request for Proposal (RFP) and Request for Qualifications (RFQ) can be prepared much the same way as specifications including requirements and minimum standards for the services to be provided. RFPs should be submitted to the City Manager for review and approval prior to distribution.

When an RFP or RFQ for professional services is approved, a limited number of qualified professionals known to the City will be invited to submit a proposal setting forth their interest, qualifications, and how they can meet the City's needs. In securing professional services, it is the primary goal of the City to obtain the services of a professional who has a proven record of providing, in a professional way, those services required. A contract will be negotiated with the professional deemed to best meet the City's needs.

4.4 OPEN PURCHASE ORDERS

Open Purchase Orders are for long term bid contracts for goods or services specified on an "as needed" basis. Examples of Open Purchase Orders include construction materials such as rock, concrete and asphalt, trees and other landscaping materials, automotive supplies such as tires and batteries, hardware, and office supplies frequently or routinely utilized by the city and for which the initiation of competitive shopping each time the goods or services are required would be cumbersome and inefficient.

4.5 EMERGENCY PURCHASES

The bid procedures outlined in this manual may be waived under emergency conditions when a delay may threaten the basic mission of a line department. True emergency situations are rare. Occasionally, equipment will require emergency repairs or other circumstances will necessitate emergency purchasing which cannot await compliance with these regulations. Department Directors faced with an emergency purchase are to notify the City Manager and Finance Director as quickly as possible.

4.6 PETTY CASH ACCOUNTS

Very often, there is a need for immediate availability of funds. Petty cash funds will be issued to the following departments in the amounts noted.

Finance Department	\$300.00
Public Safety	\$150.00

Petty cash receipts are to be completed by the person responsible for the fund in each department; these should include the amount, description of items, budget account number, and signatures of the persons receiving the funds and the person issuing the funds. Petty cash funds can be replenished up to twice monthly. Each individual receipt must be summarized on a Purchase Order. A check will then be prepared, made payable to the individual responsible for that particular department's petty cash, and it will be that person's responsibility to cash the check and assure that the funds are placed into the departmental petty cash fund. The Administrative Services Department will conduct unannounced audits of petty cash funds to assure the monies are being properly accounted for. The use of petty cash funds for personal use, even for very short periods of time, is contrary to City policy.

4.7 AUTHORIZATION ORDERS

Occasionally, a department will need to make a spot purchase to expedite the completion of a job or obtain supplies immediately. An Authorization Order (exhibit C) allows spot purchases to be made for an amount up to \$200.00. *This is to be used only when absolutely necessary and should not be used to circumvent the requisition system.*

4.8 PURCHASE OF USED EQUIPMENT

New equipment is preferred over used equipment. However, there are situations where the purchase of used equipment should be considered. These include:

- a. When price is of prime importance and the difference in cost between new and used is significant.
- b. Where equipment will be used infrequently, for a limited time, for training or auxiliary operations.
- c. When better delivery is essential.

The purchase of used equipment requires careful shopping and the requisitioning department should make every effort to secure a minimum warranty or guarantee that the equipment will perform as needed and that service or replacement parts are reasonably available.

SECTION V: SPECIFICATIONS

5.1 FORMAL COMPETITIVE BIDDING

When goods or services are bought under the formal competitive bidding process, specifications must be prepared. Specifications, regardless of the type, should do four things:

- a. Identify minimum requirements,
- b. Allow for a competitive bid,
- c. Be capable of objective review, and
- d. Provide for an equitable award at the lowest possible cost.

5.2 GENERAL GUIDELINES

- a. Keep specifications as simple as possible while maintaining the exactness required to keep bidders from utilizing a loophole to avoid providing the quality or services required or in another fashion to take advantage of their competitors.
- b. Whenever possible, identify the equipment or material required with some name brand or known standard specification already on the market. All specifications that utilize a brand must include the term "or equivalent" to avoid being restrictive and eliminating fair competition from the bidding process.
- c. Specifications should promote competition. Specifications so drafted will normally allow several bidders to provide the City with alternatives and ensure that the City obtains the lowest possible price for the goods or services required.
- d. Flexibility in the specifications is desirable in instances where new technologies are being sought. Specifications should be specific enough to guarantee the quality required but sufficiently flexible to allow vendors to be creative in their proposals. If a proposal does not meet the City's needs, it can be rejected and the bid which closely follows the specifications accepted. These procedures should be used sparingly and Department Directors contemplating flexible specifications should contact the Manager to discuss the format and degree of flexibility anticipated prior to the completion of a final draft.
- e. Specification should be reasonable in its tolerances. Unnecessary precision is expensive. Specifications should be written with clear, simple language, free of vague terms or those subject to variation in interpretation.

5.3 TYPES OF SPECIFICATIONS

There are several ways of structuring specifications to protect the integrity of the purchasing process and to ensure that the needs of the City are met. Different methods of structuring specifications include:

- a. **Qualified Products or Acceptable Brands List.** These lists are developed only where it is not possible to write specifications adequately to identify the quality and performance required of the goods or services to be purchased. Acceptable brands lists are also used when tests necessary to determine compliance with technical specifications are lengthy, costly or require complicated technical equipment.

- b. **Specification by Brand or Trade Name.** Brand or trade names should be used where brand name products have been found to be superior to others for the purpose intended, or when their composition is secret, unknown or patented. The use of brand names establishes a quality standard but is not intended to limit or eliminate competition. Whenever this method of establishing specifications is used, the specifications should specifically provide for bidding of competitive or equal grades. It is incumbent on a vendor who bids on goods of supposed equal quality to those specified to document that the goods or services that he is bidding are, in fact, of equal quality.
- c. **Specification by Blueprint or Dimension Sheet.** Specifications of construction projects for everything from buildings and streets to custom-built cabinets, furniture, machines or other equipment should be written to reference the blueprints or dimension sheets prepared by the engineer or architect. Such specifications provide an appropriate method of evaluating all bids, and later of verifying the quality of the construction work or the equipment or fixtures delivered.
- d. **Specifications by Chemical Analysis or Physical Properties.** Specifications which include the chemical analysis or physical properties of the goods requested clearly place responsibility on the supplier to provide exactly those items requested. Again, care must be taken in preparing specifications utilizing this method to ensure that competition remains a part of the bidding process. If the specifications are drawn too narrowly and only one bidder is qualified to meet the technical specifications, the cost of obtaining these items may be higher than necessary due to the lack of competition.
- e. **Specifications by Performance, Purpose, or Use.** Specifications which include a set of performance criteria for the goods or services required will provide flexibility for vendors to design products or programs specifically aimed at meeting the purpose or performance standards the City has established. Generally, specifications which center on performance standards generate a great deal of competition since they allow vendors to exercise some creativity in the types of services or goods included in their bids. Department Directors are cautioned to exercise care by including some specific technical specifications which will provide a floor or bottom line quality determination. The use of performance specifications without minimum standards could result in items being installed, paid for, and later determined not to meet City expectations. It can be very difficult to go back to a vendor and argue that the item did not meet the performance criteria established. At that point, the determination of satisfactory performance can become extremely subjective with the vendor insisting that his item is acceptable even though actual experience indicates otherwise.

f. **Specifications by Identification with Industry Standards.** Specifications will often refer to industry-wide standards or to standards met by other public jurisdictions. Some examples of these would be lumber grading, standards set by the asphalt or concrete industries or by referencing standard specifications of the Missouri Department of Transportation or other state or federal agencies.

g. **Specifications by Samples.** Whenever appropriate, a sample is always a good way to make your requirements perfectly clear. A good example would be printing bids for which artwork or an existing form would be attached. Whenever samples are utilized, Department Directors should provide an adequate supply so that originals can be sent with all bid invitations and some maintained in the file for vendors who request bidding documents.

SECTION VI: PURCHASE ORDER

The City Purchase Order Form (exhibit B) must be completed by the Administrative Services Department and signed by the Administrative Services Director and City Manager, if required, under the procedures established in this manual. A purchase order is a contract between the City and a vendor. The contract is not binding until it is accepted by the vendor. The issuance of purchase orders by unauthorized individuals will not be recognized by the City and payment of these obligations will not be approved. Unauthorized purchases are classified as personal expenses.

SECTION VII: TRAVEL REGULATIONS AND REIMBURSEMENTS

7.1 GENERAL REGULATIONS

The City's goals are to allow travel arrangements that (1) conserve public funds, (2) provide equitable treatment of all personnel, and (3) allow travel in a manner that is dignified and reflects credit on the City of Mexico. These regulations are applicable for all travel expenses incurred on behalf of the City by employees, elected officials, and Council members. Where these regulations do not adequately cover a travel situation, the Manager may authorize exceptions. Decisions as to which trips will be authorized are generally made through the annual budget process. Attendance at other meetings outside the Mexico area may be authorized when the Department Director is an active participant in the national and/or state organization. The City Manager must approve all requests in advance. Attendance at various local professional and technical conferences and meetings will be authorized as funds and time permit. Good judgment and a proper regard for economy are expected when incurring travel expense on behalf of the City. There is no objection to a spouse and/or other family members traveling on an official trip, but no expenses attributable to them will be reimbursed by the City.

7.2 TRAVEL ADVANCE

A travel advance, in an amount not to exceed the budgeted amount for the trip, may be secured by use of the Travel Advance/Authorization Request Form (exhibit F). If the travel advance is for a conference or a training program, a descriptive brochure or announcement must accompany the request. This request must be submitted to the Administrative Services Department no later than two weeks prior to the date of the trip in order that it may be placed on the List of Council Claims for Council approval. Such advance will be in the form of a check.

7.3 TRAVEL EXPENSE REPORT

Within five (5) days after returning from a trip, an Expense Account Form (exhibit G) must be completed and forwarded to the Administrative Services Department along with any unused portion of the travel advance. Written receipts must be attached to the expense report. If actual expenses exceed the travel advance, the excess will be paid as soon as the expense report has been audited for compliance with these regulations. Failure to comply with this section could cause future denials of travel advances.

7.4 USE OF COMMERCIAL CARRIER

Commercial carrier fares will be limited to "coach" or "economy" fares when such services are available. Travel to and from stations and airports may be by bus, taxi or private vehicles (for which mileage will be paid), whichever is least costly. When possible, travel arrangements should be made through a local travel agency and billed directly to the City. Receipts for transportation costs are required.

7.5 USE OF PRIVATE VEHICLES

Private vehicles may be used for travel on City business when authorized by the Department Director. Reimbursement will be limited to the lower of:

- a. City established rate per mile plus tolls, parking and garage charges, or
- b. The cost of air travel as provided above.

7.6 TRAVEL TIME EXCEEDING ONE DAY

Employees should not drive to meetings and conferences when the travel time en route to the destination required more than one day. In such instances, no reimbursement will be made for any lodging, meals or other expenses incurred en route, unless prior approval is received from the Manager.

7.7 VEHICLE RENTAL

There may be an occasion when rental of a vehicle may be required (i.e. great distance between hotel and conference sites). Prior authorization must be given by the Manager. The actual cost will be reimbursed and written receipts will be required.

7.8 LODGING

Hotel or motel reservations are expected to be made well in advance to ensure that lodging is secured at moderate rates. Written receipts for lodging are required. Reimbursement of lodging will be limited to the minimum number of nights required to conduct City business. If a conference, for example, opens on Sunday evening and closes Thursday noon, reimbursement for Sunday through Wednesday night would be allowed. If an employee or City official chooses to arrive earlier or stay later, the additional lodging and other expenses related to this decision are personal expenses and will not be reimbursed. There may be instances in which significant savings in travel expense may be achieved by taking advantage of discount fares requiring an additional night's stay. Prior authorization by the City Manager will be required to utilize this arrangement. No lodging expense will be reimbursed for meetings or conferences held in the Mexico area unless prior approval is obtained from the City Manager.

7.9 MEALS AND MISCELLANEOUS EXPENSES

For meetings and conferences held outside the Mexico area or at such a distance that overnight lodging is required and approved by the City Manager, employees and City officials will be reimbursed for meals, tips, taxi fare and other miscellaneous business-related expense incurred. Written receipts will be required for all expenditures except tips. The City Manager may approve non-receipted expenses upon receipt of acceptable written documentation that the expenditure was incurred and that a receipt could not be obtained or was subsequently misplaced. Expenses not ordinarily allowed under the provisions of these regulations may be authorized by the City Manager when justification exists.

7.10 REGISTRATION FEES

Registration and tuition fees for pre-approved professional and technical meetings and conferences will be reimbursed if not prepaid by the City. Written receipts will be required.

SECTION VIII: DELIVERY AND PERFORMANCE

A contract or purchase order that is complete in all respects and that is accepted by the parties concerned still must produce the intended results or objectives before it can be considered a successful or completed purchase. The terms and conditions must clearly define the delivery and performance requirements of the services, supplies, or equipment. The importance of the delivery schedule should be emphasized to the vendor. Delivery requirements must be clearly written and fully understood by all contract participants. If several items are required by the contract, there may be a different delivery schedule for each item. The delivery schedule will normally be shown in calendar days from a specific date or transaction, such as receipt of order by the vendor. It is also important that you clearly show the place for delivery and the receiving time schedule at the delivery points. If there are liquidated damages for failure to deliver or late delivery, call these terms to the attention of the vendor and stress their importance.

All parties should know where the material will be accepted-F.O.B. origin or destination. In determining delivery locations, you should analyze each specific location in respect to product, costs, timeliness, and other relative factors.

8.1 FOLLOW-UP AND EXPEDITING

Follow-up normally applies to the monitoring of the delivery schedules to assure compliance. Expediting, in the purest sense, involves an attempt to improve or to reduce the contractually stipulated delivery time for various reasons, and the vendor is not legally obligated to comply. The primary objectives of the follow-up are:

- a. To assure full compliance by the vendor.
- b. To develop documentation for future evaluation of the vendor's performance.

The early detection of possible delivery delays will provide the City with a greater opportunity for resolving the problem and for developing satisfactory alternatives. The initial follow-up action would be to reaffirm the delivery schedule and to establish proper liaison with the seller's representative. If delivery problems do develop, there are certain techniques that may be used to help solve them:

- a. Contact the salesman for assistance.
- b. Initiate collect phone calls (telegrams or letters may also be used).
- c. Visit the vendor's plant. This might help solve the problem and will assist in verifying any reasons for the delay.
- d. Cancel the contract for nonperformance.

8.2 DELINQUENT DELIVERIES

When follow-up efforts have failed, and the deliveries have become delinquent, one of two actions must be taken:

- a. Authorize additional time for delivery.
- b. Cancel and order from other sources.

In making the decision as to which of these actions should be taken, several factors must be considered:

- a. Needs and requirements of the City.
- b. Agreements with the vendors.

- c. Availability of the items from other sources.
- d. The time it would take for delivery if reordered from another source.

8.3 PARTIAL DELIVERIES

Some Purchase Orders may list several items. In this event, it may be possible for the vendor to complete timely delivery on some of the items, which would be referred to as "partial deliveries" on the complete bid. If these items can be used separately, partial payments can be authorized. However, if the separate items are part of a system, then partial deliveries would be of little value to the City. In this case, partial payments should not be authorized.

8.4 SUBSTITUTION

To meet the contractual delivery schedule, it may be appropriate in some situations to consider substitute items. The specifications should cover this eventuality and would govern the legality of the transition. However, substitutions may be necessary, regardless of the specifications, if it is absolutely necessary for the City to have the material by a specified date. Other reasons for substitution may be design changes, raw material shortages, and health and safety priorities. Whenever substitutions are necessary, due to shortcomings of the vendor, it is the responsibility of the purchaser to seek and obtain an adjustment for lower prices on the substituted items. This action will serve to meet the legal requirements of the contract and to discourage future substitutions by the same vendor. In addition, this action will serve notice on the other bidders that no favoritism was shown and that compliance with specifications is expected from all vendors.

8.5 NONPERFORMANCE

Should the vendor fail to meet any requirement of the specifications, the vendor can be cited for nonperformance. The seriousness of nonperformance must be evaluated based on the circumstances surrounding each violation. However, there should always be some recourse to the City when a vendor fails to perform in accordance with the terms and conditions. These recourses include:

- a. The City may exercise its rights under a liquidated damages clause or under the terms of a performance bond.
- b. The City may obtain the needed items from another source and charge the delinquent vendor the excess difference in cost. (But obtaining the delinquent items from another source is not always an acceptable solution, since additional delivery time may be required. A revised delivery schedule with the vendor may be the best remedy).
- c. The City may terminate the contract for default if it is in the best interest of the City, provided that the items can be obtained under more favorable conditions from other sources.

SECTION IX: INSPECTION AND TESTING

Human lives as well as the success of expensive projects may depend upon how well the purchased items meet the design and performance specifications included in this bid package. Goods and materials should be checked at the time of receipt to detect any damage or defects. The inspection also includes assuring that the material is in compliance with the specifications. A variety of tests may be conducted as a necessity for determining if the merchandise meets specifications. Certain forms of inspection and testing will only be conducted on a percentage of the items, as the procedure followed may make the items unusable. Inspecting or testing every item received is neither economical nor practical. All requirements for inspection and testing must be clearly stated in the specifications. Both inspection and testing are costly, but the benefits far outweigh the expense when defects can be detected before they cause loss of life, injury or equipment failure. Inspection, testing, and acceptance are conclusive, except for latent defects or fraud.

9.1 REPORTS, REJECTION, AND RETURN AUTHORIZATION

Whenever an inspection is performed, all reports to properly support claims or actions must be thoroughly documented. Sufficient times should be scheduled to allow for an inspection immediately upon arrival of the goods, taking into consideration required tests as necessary. Goods should be inspected for damage, quantity, quality, price and for all other requirements listed in the specifications. A copy of the inspection report will normally be used to substantiate payment for the goods and verification of receipt. In the event of rejection, for whatever purpose, certain steps must be taken to inform and to protect the rights of the vendor as well as of the City. Reasons for rejection must be listed and these reasons should reference specific requirements of the contract.

9.2 DAMAGE DURING SHIPMENT

One of the major reasons for inspection at the time of receipt is to detect any visible damage. It is important that all damage be completely described on the receiving report. Any evidence of concealed damage should also be noted at this time. This notation is necessary to support the filing of damage claims against the carrier. The carrier should be notified immediately, and a joint inspection should be scheduled with the carrier's representative. When it is apparent that the extent of the damage causes the goods to be worthless, they should not be accepted. If the shipment is "F.O.B. destination", the vendor is responsible for assisting with the settlement of the claim and for full replacement of the damaged items. Payment will be withheld until the claims are settled.

9.3 LATENT DEFECTS

Latent defects may be the result of damages in transit or of failure of the manufacturer to conform to specifications. Consequently, it is sometimes very difficult to fix responsibility for the defective material. If the carrier is suspected to be the one at fault, then the carrier's representative should be invited to come in for a joint inspection. Subsequently, a claim describing the situation should be filed with the representative carrier. A similar procedure

should be followed if the vendor/manufacturer is suspected to be at fault. The importance of

"F.O.B. destination" shipments should be reiterated at this point, for on such shipments, the vendors are responsible for rectifying the situation or for the correcting of the defect. If specific liability for the defect cannot be determined between the carrier, the vendor, or the manufacturer, the City may have to file a claim against all parties, seeking their cooperation in resolving the situation.

SECTION X: DISPOSAL OF SURPLUS GOODS

Goods become obsolete or they wear out. Occasionally, it turns out they are over-stocked. Changing technology, accumulation of "waste", and fulfillment of the "useful" life of goods make the activity of handling surplus inevitable. The City is interested in full realization of the value of goods it purchases. The City policy is aimed at making sure all surplus is disposed of to the economic advantage of the City. Competitive bidding on surplus, obsolete or usable goods is required. This must be achieved through advertising, sealed bids, auction or open market sales. The disposal of all goods requires the approval of the City Manager.