

# Lansing Board of Water & Light



## Procurement Procedures

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| <b>Procurement Procedures</b>              | <b>Effective: 07/01/2016</b> |
| <b>Procedure 1 Delegation of Authority</b> | <b>Replaces: 01/01/2011</b>  |

**PURPOSE**

- (a) This procedure identifies the General Manager’s designee with authority over specific administrative controls described in the BWL Procurement Policy and Procedures.
- (b) This procedure documents delegation of specific types of requisitioning and purchasing authority from the General Manager to BWL employees.
- (c) Additionally, this procedure documents the delegation of authority to approve the sale of BWL personal property from the General Manager to BWL employees.

**DEFINITIONS**

**Requisitioning Authority**

The license to approve purchase requisitions within specified dollar limits.

**Purchasing Authority**

The license to obtain, or commit to obtain, materials or services on behalf of the BWL within specified dollar limits.

**Purchase Agreement**

Any written or verbal agreement with an outside contractor for furnishing goods or services to the BWL. A purchase order is a purchase agreement.

**General Managers Designee**

The Chief Financial Officer is the General Manager’s designee with authority to administer the BWL Procurement Policy and Procedures and to report to BWL Commissioners as set forth in the BWL Procurement Policy.

**DELEGATION OF REQUISITIONING AUTHORITY**

The Chief Financial Officer has delegated requisitioning authority to employees in managerial or supervisory classifications listed in the table below. Executive Directors, Directors and Managers may further limit requisitioning authority for their subordinates.

| <b>Employee Classification</b>             | <b>Requisitioning Authority Dollar Level</b> |
|--|--|
| General Manager                            | \$200,000+                                   |
| Chief Financial Officer                    | Less than \$200,000                          |
| Executive Director                         | Less than \$200,000                          |
| Director                                   | Less than \$100,000                          |
| Manager                                    | Less than \$50,000                           |
| Corporate Secretary                        | Less than \$10,000                           |
| Internal Auditor                           | Less than \$10,000                           |
| Supervisor                                 | Less than \$5,000                            |
| Non-Managerial / Non-Supervisory Employees | Less than \$2,000. See note below.           |
| Special circumstance                       | Specified by Chief Financial Officer         |

Note regarding the “Non-Managerial / Non-Supervisory Employees” classification shown above: The Chief Financial Officer may authorize further delegation of requisitioning authority to appropriate non-managerial and non-supervisory employees for approving dollar purchases below \$2,000.

**REQUISITIONING AUTHORITY DOES NOT CONFER LICENSE TO EXECUTE PURCHASE AGREEMENTS, WRITTEN OR VERBAL, OF ANY KIND.**

### **Further Delegation of Requisitioning Authority**

Executive Directors may request in writing specific delegation of \$2,000 and over for non-managerial employees whose job responsibilities require making specific purchases in special circumstances. All Requisitioning Authority requests must be approved by the Chief Financial Officer.

### **DELEGATION OF PURCHASING AUTHORITY**

The Chief Financial Officer has delegated the license to execute purchase orders to the Manager, Purchasing and Warehousing. The Manager, Purchasing & Warehousing may further delegate purchase order issuance to various members of the Purchasing and Warehousing staff and, under special circumstances, other BWL employees. To the extent that the use of a purchase order is inappropriate, the Chief Financial Officer, Executive Directors, Directors, and Managers are permitted to sign contracts to purchase goods and services initiated within that individual's process, up to and including the amount of the individual's requisitioning authority.

**ONLY EMPLOYEES WITH DELEGATED PURCHASING AUTHORITY MAY ENTER INTO ANY FORM OF PURCHASE AGREEMENT, WRITTEN OR VERBAL, WITH AN OUTSIDE CONTRACTOR FOR FURNISHING GOODS OR SERVICES.**

Terms and conditions documents that are pre-approved by BWL General Counsel will be utilized for BWL purchasing agreements. The Manager, Purchasing and Warehousing, shall insure prior review of legal issues related to risk and subsequent approval by the BWL General Counsel for purchase agreements incorporating non-standard terms and conditions or any exception to the BWL standard terms and conditions, which is consistent with the BWL's Contract Signature and Special Circumstances Delegations.

### **Delegated Purchasing Authority for Amounts Less than \$15,000**

Specified purchase agreements for dollar amounts less than \$15,000 may be handled by more streamlined processes as described elsewhere in the Procurement Procedures.

### **DELEGATION OF AUTHORITY TO APPROVE THE SALE OF PERSONAL PROPERTY**

The Manager, Purchasing & Warehousing, is authorized to dispose of personal property. The Manager, Purchasing & Warehousing, shall prepare sale contracts and associated documents with final review and approval by BWL General Counsel.



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| <b>Procurement Procedures</b>              | <b>Effective: 07/01/2016</b> |
| <b>Procedure 2 Purchase Order Creation</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure provides an overview of the Purchase Order (PO) creation process, the various responsibilities of parties involved in the process, and detailed information regarding each process step.

## **DEFINITIONS**

### **Routine Procurements**

Procurements, usually but not always, under \$15,000 including stock and non-stock materials and straightforward services which do not require detailed specifications or Client support for bid evaluation.

### **Complex Procurements**

Procurements requiring complex specifications and Client support for bid evaluation.

## **GENERAL**

The Purchase Order creation process is the preferred way to procure materials and services at the BWL. Purchases can be initiated with a Purchase Order, P-card (with exception of prohibited items stated in Procedure 19, Procurement Cards) or Direct Payment (see list of acceptable direct payment items in Procedure 15, Purchases Valued at Less Than \$15,000).

Purchase Orders are issued for Routine and Complex Procurements.





## **CLIENTS**

Clients are BWL employees that are responsible for identifying materials and services needed in support of their department/responsibility areas.

**CLIENTS MAY NOT AWARD WORK OR OTHERWISE AUTHORIZE THE CONTRACTOR TO DELIVER GOODS OR PERFORM SERVICES UNTIL:**

- (a) a purchase order is generated and transmitted to the Contractor;
- (b) the Contractor has returned a signed acknowledgement and any required insurance and bonding documentation to the Buyer.
- (c) the BWL is not covered by its terms and conditions until (a) and (b) are completed.

Client's responsibilities within the Purchase Order Creation process are as follows:

### **Determine Need**

- (a) Identifying a need to procure material or services for BWL operations.

### **Create Specifications**

- (a) Specifications for Stock Items are stored in SAP.
- (b) Specifications for Non-Stock may be entered on the requisition Header Notes / Item Notes or attached to the requisition as a file for routine procurements.
- (c) Specifications for complex procurements are typically used for inclusion in RFQs or RFPs and should be provided to the Purchasing Department to combine with other bidding documents (i.e. Instruction to Bidders, Terms and Conditions) to complete the RFQ / RFP.

### **Evaluate Quotes / Proposals (Bids) in conjunction with Buyer**

- (a) Routine material and service quotes will be evaluated by the Buyer who will select the best evaluated bid. Clients wishing to review such bids may contact the Buyer.
- (b) Complex procurement quotes and proposals will be evaluated by the Client with Buyer oversight.

### **Create Purchase Requisition (PR) with Required Attachments**

- (a) Create PR in SAP Screen ME51N.
- (b) For complex procurements, particularly when pricing is unknown, an RFQ or RFP may be prepared prior to creating a requisition (see Table 1B above). RFQs and RFP's must meet BWL standards described elsewhere in these Procurement Procedures.
- (c) For all PRs over \$15,000, the Client must include a summary of bids or a sole source justification (if no bidding is possible). This information is reviewed by the approvers of the PR prior to approving. This information can be written in the "Header Note" field of the PR or attached to the PR.
- (d) Create requisition attachments. **DO NOT SAVE YOUR REQUISITION** until all required supporting documents are attached; you cannot attach documents afterward. Requisition approvers must have access to the attachments to prudently review and approve the requisition.

### **Purchase Requisition (PR) Approval**

- (a) Once the PR is saved, it is routed automatically to the appropriate approvers (see Procedure 1, Delegation of Authority).
- (b) Client will receive an automated email from the SAP system when all required approvers have approved the PR.

### **Process Receipts**

- (a) Contractors will not be paid until a goods receipt is processed in SAP screen MIGO.
  - (i) Materials shipped directly to a BWL employee (in lieu of the BWL Main Warehouse) should be processed by the BWL employee.
  - (ii) Receipts for services must be processed by the BWL employee in charge of overseeing the work.

- (iii) Goods receipts for materials shipped to the BWL Main Warehouse will be processed by the Warehousing staff.

## **PURCHASING DEPARTMENT**

The following are the responsibilities of the BWL Purchasing Department in the Purchase Order creation process:

### **Create and Process Request for Quote (RFQ) or Request for Proposal (RFP)**

- (a) Routine material RFQs can be processed using the SAP transaction screen ME41.
- (b) Complex material RFPs and all service RFPs are typically created outside the SAP process (see Table 1B above) and have unique documentation requirements described elsewhere in the Procurement Procedures. RFPs estimated to be greater than \$250,000 shall be sent to the The BWL General Counsel for legal review prior to public posting.

### **Evaluate Quotes / Proposals (Bids) in conjunction with Clients**

- (a) Routine material and service quotes will be evaluated by the Buyer who will select the best evaluated bid. Clients wishing to review such bids may contact the Buyer.
- (b) Complex procurement quotes and proposals will be evaluated by the Client with Buyer oversight.
- (c) For Complex Procurements, the Buyer will ensure a formal bid evaluation is completed and provided to key decision makers. The bid evaluation shall ensure technical factors are fully considered and evaluated, along with cost. The bid evaluation shall be documented and stored with all other supporting documents of the procurement.

### **Source and Create Purchase Order**

- (a) After the Contractor is selected, the Buyer will adopt the requisition into an SAP purchase order with all the necessary references and attachments. The Buyer will transmit the PO to the Contractor.
- (b) Buyers may send an award letter to the participating contractors if multiple bids were submitted.

### **Archive Purchase Order Support Documents**

- (c) The Purchasing Department will be responsible for obtaining purchase order acknowledgements, insurance, bonding and other requested documentation from the contractor.
- (d) The Purchasing Department will maintain all purchase order supporting documents in the BWL Document Management System according to the BWL Document Retention and Disposal Schedule (see Procedure 6, Record Keeping).

## **CONTRACTOR**

The following are the responsibilities of the Contractor in the Purchase Order creation process:

### **Submit Quote/Proposal**

Contractors will submit quotes and proposals for work detailed in BWL Request for Quotes (RFQ) and Request for Proposals (RFP).

### **Acknowledge Purchase Order**

Contractors are directed to return all spot-buy purchase order acknowledgements. Note: Acknowledgements for Contract Releases (ZREL) are not required since the Contractor has already acknowledged the terms of the Contract agreement.

### **Submit Requested Documents**

Contractors are required to submit all requested insurance certificates, bond forms and other items stated in the purchase order.

### **Furnish Material or Service**

Contractor shall deliver materials or perform services as directed by the purchase order.

### **Transmit Invoice to BWL A/P**

Contractor shall prepare and submit invoices to BWL Accounts Payable according to the purchase order terms.

## **ACCOUNTS PAYABLE**

### **Process Invoice**

Accounts Payable posts invoices to SAP to complete the three-way match (PO, Invoice Receipt, and Goods Receipt) required for invoice payment.

### **Schedule Contractor Payment**

Accounts Payable will schedule contractor payment according to purchase order payment terms.

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| <b>Procurement Procedures</b>     | <b>Effective: 07/01/2016</b> |
| <b>Procedure 3 Public Bidding</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

The purpose of this procedure is to provide guidelines in regards to the public bidding processes utilized by the BWL in their procurement of materials and services.

**PUBLIC BIDDING OVERVIEW**

The Board of Water & Light is a public entity and is subject to State of Michigan public procurement laws. These laws have two primary objectives:

- (a) to insure that the public receives good value for its taxes and rates, and
- (b) to insure that contractors are given a fair opportunity to earn a portion of the public spend.

The BWL supports these two objectives by issuing bid solicitations designed to secure best value and to respect the interests of its contractors. Failure to issue bid solicitations conforming to Michigan procurement law may result in penalties, fines and lawsuits.

**BWL PURCHASING AGENT AUTHORITY**

Except for informal requests for quotes, only the Purchasing Department may solicit bids, receive bids and otherwise manage the bidding process. Other BWL departments may be required to furnish technical specifications; bidder lists and other supporting documentation as well as participation in the bid evaluation process. No bids may be tendered or awarded by other departments nor may other departments contact bidders prior to or during the bid process except as deemed necessary by the Purchasing Department.

**TYPES OF BID SOLICITATIONS**

The BWL uses the following types of bid solicitations: to obtain product or service pricing and associated commercial terms:

**ITB – Invitation to Bid (Competitive)**

ITBs are used for formal solicitations when the purchase value is expected to be \$15,000 or above and the BWL is capable of specifically defining the scope of work of a service or the precise specifications defining the material required. Bidders will be asked to respond with a bid by a specified time. ITBs valued over \$100,000 will require bids to be sealed. ITBs valued between \$15,000 and \$100,000 are not required to be sealed, but may be sealed if deemed appropriate by the Purchasing Department. ITB awards are primarily based on price and are almost always awarded to the lowest price bidder. There are occasions when the lowest price bidder will not win but there needs to be good documented reason.

**RFP – Request for Proposal (Competitive)**

RFP’s are most commonly used for professional services, information and technology, construction and maintenance and other complex services. An RFP is required when non-price factors are a major part of the award criteria. This is the longest of all the procurement processes and often involves the establishment of an evaluation committee who will score the bidders in a number of different categories to identify the best value proposal. Bidders may be invited to meet with a committee and present their company and the service they would provide. As with any purchase, price is important but won’t be the sole basis for a decision. Pricing, scope and commercial terms may be negotiated after bids are received.

**RFQ – Request for Quote (Informal)**

This is generally used for informal solicitations when the purchase value is expected to be below \$15,000. A BWL employee will contact a contractor and ask them for a price quote to buy a good or service. From the contractor’s perspective, work to respond will be minimum, often not much more than a short written quote. For on-site services, RFQs must include BWL’s Terms and Conditions to reduce liability and specify insurance requirements.

## **ITB / RFP BIDDING DOCUMENTS**

The ITB / RFP package consists of the following documents:

- Notice to Bidders
- Instructions to Bidders
- Proposal Form
- Scope of Work / Specifications
- Drawings
- Attachments
- Terms and Conditions
- Addenda, if issued

### **Notice to Bidders**

The Notice to Bidders is a cover letter which gives a name for the project, bid due date, contact information, prebid meeting information, if applicable. The Notice gives bidders a general description of the RFP without requiring them to search all of the Bid Document Package detail.

### **Instructions to Bidders**

The Instructions to Bidders is critical to the bidding process and establishes the "rules of the game" for the bidding process and for award of the contract. In the Instructions to Bidders, the BWL can consider and provide for the handling of many of the typical issues arising in competitive bidding.

While there is no prescribed form or content of the Instructions to Bidders, there are many common issues typically addressed in the document. These common issues allow for the development of a standard form of Instructions to Bidders which can be modified as necessary for application to a particular project. Many of the issues addressed in these materials, i.e., bid security, conformity with the bid requirements, bid evaluation criteria and bid protests should be provided for in the Instructions to Bidders.

### **Scope of Work /Specifications / Drawings / Attachments**

The bidding documents must by definition include the project plans and specifications. Insofar as the plans and specifications provide a principal basis for measuring the contractor's performance, great care must be taken in the planning and design phase of the project to ensure that the plans and specifications are complete and accurate. Too often, performance disputes arise between the contractor and the owner which relate to the adequacy and sufficiency of the plans and specifications. By appropriate sensitivity and oversight in the planning and design phases of the project, the BWL can take affirmative steps to minimize or altogether prevent such disputes.

*The Scope of Work describes only the activity expected from the bidder after the contract award. It is not a mechanism for requesting or gathering bid response information.*

### **Proposal Form**

The Proposal Form is the vehicle through which the bidder responds to the RFP. It is the only document required from the bidder and all bid response information required by the BWL must be provided for and set forth on the proposal form. The form captures bidder contact information, qualification information as required by the BWL and the City of Lansing and all the Q&A responses, including pricing, required to properly evaluate the bidder's response.

The Proposal form can and should be structured to allow easy comparison between bidders and should tie back directly to the BWL bid evaluation document. This structure facilitates a fair and bullet proof evaluation process.

### **Terms and Conditions**

The BWL Terms and Conditions set forth the terms and conditions of the goods or service procurement. Copies of the BWL Terms and Conditions are available upon request .

Previously negotiated Terms and Conditions with a specific vendor may be utilized provided the following conditions are met:

1. The previously negotiated Terms and Conditions are with the same specific vendor;
2. The previously negotiated Terms and Conditions were agreed to within the past 36 months;
3. The estimated dollar value of the contract is the same as what was anticipated when the previously negotiated Terms and Conditions were originally agreed to;
4. The Client department Manager verifies that the new scope of work and services are substantially the same as what was anticipated when the previously negotiated Terms and Conditions were originally agreed to. Example considerations for similarity in scope include but is not limited to:



- a. Specific service or material being purchased;
- b. Extent to which vendor will be on BWL property;
- c. Extent to which subcontractor's will be utilized; and;
- d. Extent to which impacts of performance/non-performance or delivery/nondelivery will impact the organization.

Previously negotiated terms and conditions that do not meet the conditions outlined above will need to be submitted to the BWL General Counsel for legal review and approval.

While a RFP proposal may include standard BWL Terms and Conditions, which include specific instructions to not submit the bidder's or a different set of terms and conditions, a bidder will not be considered non-responsive or failing to follow the RFP instructions if they propose consideration of previously negotiated terms and conditions, provided the bidder submits a copy of those previously negotiated terms and conditions with their respective bid response.

### RFQ BIDDING DOCUMENTS

The RFQ package may be generated by SAP or may be developed as a subset or modified version of the RFP package depending on the specific nature and complexity of the RFQ subject. At the least, the RFQ package should contain the following information:

- Specifications
- Terms and Conditions

### BID SUMMARY TABLE

|                            | <b>Request for Quote, Informal (RFQ)</b>  | <b>Invitation to Bid (ITB)</b>  | <b>Request for Proposal (RFP)</b>   |
|----------------------------|---|---|---|
| <b>BWL Policy</b>          | <p>Informal quotes may be used for purchases less than \$15,000.</p> <p>Informal quotes can establish price reasonableness.</p>   | <p>All purchases of goods and services of \$15,000 or more must be competitively bid.</p> <p>The ITB is used soliciting competitive bids.</p> <p>Exception: Soles source, and emergency purchases.</p>  | <p>All purchases of goods and services of \$15,000 or more must be competitively bid.</p> <p>The RFP is used soliciting competitive bids.</p> <p>Exception: Soles source, and emergency purchases.</p>  |
| <b>General Description</b> | <p>For very low dollar purchases, one quotation is sufficient as long as the buyer can establish that the price is reasonable.</p> <p>For higher dollar purchases, several quotes is recommended to establish price reasonableness.</p> | <p>The standard method for acquisition of goods and standard services for transactions over a dollar amount specified by statute or ordinance.</p> <p>The ITB is in writing and the bids are sealed and opened at a pre-designated time.</p> <p>Evaluation is based primarily on price</p> <p>A minimum of three bids is required unless sole source justification is provided.</p> | <p>An alternative to competitive sealed bids to be used when an ITB is either not practicable or advantageous.</p> <p>The RFP may be the preferred method of acquisition when the need exists to generate a spectrum of alternative responses to the need proposed and to retain the ability to refine these responses through negotiation.</p> <p>Allows for evaluation of other important factors as well as price, e.g., experience, approach to the problem and staffing.</p> |

|                                   | <b>Request for Quote, Informal (RFQ)</b>  | <b>Invitation to Bid (ITB)</b>  | <b>Request for Proposal (RFP)</b>   |
|-----------------------------------|---|---|---|
| <b>Solicitation Methods</b>       | <p>May be conducted verbally, by telephone, in writing, or by fax.</p> <p>The written RFQ contains:<br/> quantity, price, delivery and shipping requirements, and payment terms,<br/> product specifications,<br/> standard boilerplate terms and conditions of the proposed purchase,<br/> the manner in which quotes are to be submitted, although the quotes may be solicited orally at the time the call is made,<br/> evaluation criteria and basis for award.</p> | <p>Must be in writing.</p> <p>The ITB contains:<br/> quantity, price, delivery and shipping requirements, and payment terms;<br/> product or service specifications;<br/> engineering drawings and other related documents;<br/> standard terms and conditions of the proposed purchase;<br/> the manner in which bids are to be submitted and bid due date and time<br/> conditions for acceptance (minimum requirements),</p> <p>Sealed bids should be time-stamped upon receipt and remain sealed, and kept in a secure place to prevent them from being misplaced, lost or tampered with until time of bid opening.</p> | <p>Must be in writing.</p> <p>The RFP contains:<br/> purchase description or specifications<br/> the format or outline in which proposals are to be submitted,<br/> standard boilerplate terms and conditions of the proposed purchase,<br/> the criteria, in order of their importance or individually weighted, that will be used for evaluating the proposals,<br/> the place and time for delivery of the proposals,<br/> complete description of potential discussions, presentations, site visits,<br/> complete description of the award process including the steps of negotiation and final determination of award.</p> <p>No information from a competing proposal may be revealed to another competitor during the course of discussion until the final award.</p> |
| <b>Who Conducts Bid Process</b>   | Any BWL employee that has completed Procurement training.   | The Purchasing Department   | The Purchasing Department   |
| <b>Changes in Bids by Bidders</b> | <p>Changes to quotations are permitted even after quotations have been received.</p> <p>Bid Shopping: Quotes from bidder #1 may not be shared with bidder #2 in order to motivate bidder #2 to change its quote.</p>  | No changes to bids are allowed once they have been opened, except for correction of errors in limited circumstances.  | Discussions may be held after proposals have been opened to allow clarification and changes in proposals provided that adequate precautions are taken to treat each bidder fairly, and ensure that information gleaned from competing proposals is not disclosed to other bidders.  |
| <b>Evaluation Criteria</b>        | <p>If issuing a written RFQ, evaluation criteria should be included. For example:<br/> Quotations will be evaluated for:</p>  | Only criteria designated in the solicitation document can be considered in evaluation of award.   | <p>Only criteria designated in the solicitation document can be considered in evaluation of award.</p> <p>Scoring system and evaluation criteria must be</p>  |

|   | <b>Request for Quote, Informal (RFQ)</b>   | <b>Invitation to Bid (ITB)</b>  | <b>Request for Proposal (RFP)</b>   |
|---|--|---|---|
|   | <p>compliance with specifications;</p> <p>earliest delivery date;</p> <p>warranty; and</p> <p>cost</p> <p>If soliciting informal telephone quotations, quotations should be evaluated for optimum economy.</p>                     |   | <p>established before the RFP is issued.</p> <p>Each criterion should be given a weight in relationship to its importance to the proposed acquisition or project.</p>   |
| <b>Extent to which Judgmental Factors may be Applied in Evaluating Bids</b> | <p>If more than one quotation has been solicited, judgmental factors should be kept to a minimum to 1) determine if the goods, materials, or services meet the specifications and 2) determine if the bidder is reliable.</p>      | <p>Judgmental factors may be used only to determine if the goods, materials, or services meet the specifications.</p> <p>To the extent possible, all critical factors should be clearly specified in the bid specifications for the purpose of objective evaluation.</p>                  | <p>Judgmental factors may be used to:</p> <p>determine if the items being offered meet the specifications;</p> <p>to evaluate and compare the quality of competing products or services; and</p> <p>to make trade-offs between price and quality of the products or services offered.</p>   |
| <b>Award</b>  | <p>Once an evaluation is completed, award is made on a purely objective basis to the lowest responsive and responsible bidder.</p>   | <p>Once an evaluation is completed, award is made on a purely objective basis to the lowest responsive and responsible bidder.</p> <p>The lowest responsible bidder is determined on the basis of (1) cost alone or (2) on a cost per quality point basis.</p>                            | <p>The quality of competing products or services may be compared and trade-offs made between price and quality of the products or services offered in accordance with the evaluation criteria set forth in the solicitation. Negotiations are then opened with the responsible bidder whose proposal is most advantageous to the BWL. If the selected bidder and the BWL reach an agreement, the award is made. If not, negotiations are closed and negotiations are then opened with the next most preferred bidder.</p> |
| <b>Cautions</b>   | <p>The lack of formality allowed for competitive quotations calls for special care to ensure adherence to sound practices.</p> <p>Avoid:</p> <p>favoring particular manufacturer or contractor</p> <p>division of requirements</p> | <p>Sufficient time must be allowed to attract competition.</p> <p>Specifications should not be unduly restrictive so that certain contractors are prevented from submitting a viable bid.</p> <p>Adequate period should be allowed for bidders to receive and respond to the ITB. Two</p> | <p>Sufficient time must be allowed to attract competition.</p> <p>Specifications should not be unduly restrictive.</p> <p>Adequate period should be allowed for bidders to receive and respond to the RFP. Two weeks is usually the absolute minimum with more time allowed for more complex</p>  |

|  | <b>Request for Quote, Informal (RFQ)</b> | <b>Invitation to Bid (ITB)</b>  | <b>Request for Proposal (RFP)</b>  |
|--|--|---|--|
|  | shopping bids                            | weeks is usually the absolute minimum with more time allowed for more complex bids.<br><br>Pre-bid conferences should be considered to provide clarification and encourage competition. | bids.<br><br>Pre-proposal conferences should be considered to provide clarification and encourage competition. |

## **PUBLIC BIDDING ETHICS**

Public bidding ethics require that all potential contractors be given a fair chance to be awarded the purchase of materials or services. A level playing field at all times before, during and after the solicitation process. Here are some of the Do's and Don'ts of ethical bid solicitation.

### **Do Not**

- (a) Contact bidders prior to the formal bid solicitation unless all potential bidders are contacted simultaneously.
- (b) Furnish information to one bidder without providing the exact same information to all other potential bidders. Best practice dictates that questions should be accepted only via e-mail so that the Q&A can be broadcast to all potential bidders as an addendum.

### **Do**

- (a) Provide comprehensive product or service specifications so that all potential bidders have all the information they need to provide a competitive and intelligent bid. Do not assume that the bidder knows exactly what you need. Poor or incomplete specifications favor the contractor who may have previously performed the work.
- (b) Allow sufficient time for potential bidders to respond to the bid solicitation. For most ITBs and RFQs, the expected response time should be a minimum of two weeks, longer for complex RFPs. Be prepared to extend the due date if the solicitation has generated a lot of bidder questions. Most rush or emergency bid solicitations result from poor planning or procrastination.

|   |                              |
|---|------------------------------|
| <b>Procurement Procedures</b>                       | <b>Effective: 07/01/2016</b> |
| <b>Procedure 4 Initiating Purchase Requisitions</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure provides pertinent information regarding the use of Purchase Requisitions (PR) and detailed information required to be added to PRs prior to approval.

## **GENERAL**

A purchase requisition (PR) initiates the procurement process within the SAP Purchasing System. It is the "request to purchase" document that will, after appropriate approvals, be adopted onto a purchase order to authorize a contractor to furnish goods and services.

*A purchase requisition is not a device to generate a purchase order to pay an invoice for goods or services already delivered or performed. Purchase orders are not "Payment Orders."*

## **PURCHASE REQUISITION PREPARATION IN SAP**

### **Develop Product or Service Specifications**

Purchasing will use the information you furnish on the purchase requisition to generate a purchase order. The purchase order is a legal and binding contract and contractors are not liable for errors caused by incorrect or incomplete information. Be sure to enter a comprehensive and accurate description of the desired goods or services on the purchase requisition including, but not limited to:

- (a) References to any quote, proposal or agreement, including date thereof;
- (b) OEM name, model, serial number;
- (c) Term start and end dates for services; and
- (d) Other relevant information or documentation.

### **Initiate a Purchase Requisition**

- (a) Prepare a purchase requisition using SAP transaction ME51N. The Information Technology (IT) Department provides training for ME51N interpretation and data entry. The IT Help Line (7000) may provide additional assistance.
- (b) FOR PURCHASE REQUISITIONS OF \$15,000 OR GREATER, YOU MUST DISPLAY IN THE HEADER NOTE FIELD OR ATTACH EITHER A COMPETITIVE BID SUMMARY OR SOLE SOURCE MEMO . To facilitate recognition, use these exact terms in all caps:
  - (i) "SOLE SOURCE (followed by the sole source justification)" or "SOLE SOURCE MEMO ATTACHED"
  - (ii) "BID SUMMARY (followed by the bidders names, prices and selection criteria explanation)" or "BID SUMMARY ATTACHED"

as appropriate in the PR Header Note area.
- (c) If your PR is for emergency products or services, use the term "EMERGENCY" followed by the emergency criteria. For example "EMERGENCY: Repair required to restore customer service."
- (d) If your PR falls under one of the exclusions set forth in the Procurement Policy, use the term "EXEMPT" followed by the exclusion category. For example, "EXEMPT: Membership Dues."
- (e) Attach all supporting documentation (proposals, quotes, agreements) to the purchase requisition.
- (f) If a contractor quote includes terms and conditions (often printed on the back of the document), for purchases that are not otherwise EXEMPT (as outlined in Procedure 8) the same are not acceptable to the BWL. As such you must notify the CONTRACTOR that the BWL's Terms and Conditions will control the purchase. Otherwise, such terms and conditions will need to be attached in the PR Header Notes and will have to be submitted to the BWL General Counsel for legal review and approval prior to completing the purchase.
- (g) Limit your PR attachments to one or two pages. SAP is not a document management system.

- (h) Once you save your PR, it advances to the approval process and you can no longer modify it. Be sure it is complete before you save it. Also, be sure to record your PR number.

#### **Review / Approve Purchase Requisitions**

- (a) SAP e-mails PRs for review based on Responsibility Area and dollar authority (see Procedure 1, Delegation of Authority). Purchasing cannot process a PR until all scheduled reviewers have approved the PR.
- (b) If any reviewer rejects the PR, it dies and cannot be resurrected or re-routed. Be sure to delete any rejected PRs; deletion does not happen automatically.

#### **Determine Purchase Requisition Status**

- (a) You can determine the processing status of your PR by looking under the "Status" tab under the Item Detail section in SAP screen ME53N.
- (b) If the PR Status is "In Release," you can identify the current reviewer by checking the "Workflow Overview" under the "Services for Object" icon.
- (c) Be sure to check all line items individually as their status may differ.

|  |                              |
|--|------------------------------|
| <b>Procurement Procedures</b>          | <b>Effective: 07/01/2016</b> |
| <b>Procedure 5 Using SAP Contracts</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure provides an overview of the Contract creation and Contract Release (ZREL) creation processes, the various responsibilities of parties involved in the process, and detailed information regarding each process step.

## **GENERAL**

A SAP contract ("Contract") is a framework or outline agreement established by the Purchasing Department to support repetitive purchases of materials or services. A SAP Contract is a unique transaction not to be equated with other types of purchasing contractual agreements.

These contracts are designed to facilitate routine purchases by pre-establishing terms and conditions, pricing, specifications and other requirements that will govern anticipated purchases from a particular contractor.

### **Contracts Versus Purchases Orders**

A purchase order is the preferred method for procuring materials or services. The Purchasing Department will issue contracts only if:

- (a) The accounting distribution may be different for each procurement event; or
- (b) The number of procurement events or the total cost of the procurements under the contract cannot be reasonably estimated (Note – purchase order total cost estimates need not be exact, a projected not-to-exceed amount is sufficient).

A Contract in itself does not commit BWL funds nor does it authorize or obligate the contractor to supply materials or services. Actual procurement events are initiated by generating Contract Releases, called ZRELs within SAP. These Contract Releases are in fact purchase orders. Contract Releases specify the details of the purchase such as quantities, time of performance and other relevant information including the payment accounting distribution.

## **INITIATING AND MAINTAINING CONTRACTS**

### **Initiating a Contract**

BWL employees may request that a contract be established by the Purchasing Department. The Purchasing Department does not initiate contracts without a specific request. Request can be provided via a Purchase Requisition (PR) or by discussion with a member of the Purchasing Department.

### **Contract Validity Period (Term)**

All contracts have a specific start date and expiration date which makes up the Contract Validity Period. Contract Releases can be generated only during the Contract Validity Period.

Contracts can only be valid for a maximum of thirty-six (36) consecutive months. Any contract that exceeds the thirty-six (36) month maximum must be approved by the General Manager or designee and reported to the Board of Commissioners.

### **Monitoring and Renewing Contracts**

It is the responsibility of the Buyer to monitor a contract's expiration date and arrange for renewals with the appropriate BWL department in advance of its expiration. Sufficient time must be provided to competitively bid products or services expected to exceed \$15,000 over the term of the contract.

In the interest of meeting client needs and interest, Clients are encouraged to also monitor and notify the Buyer of any renewals.

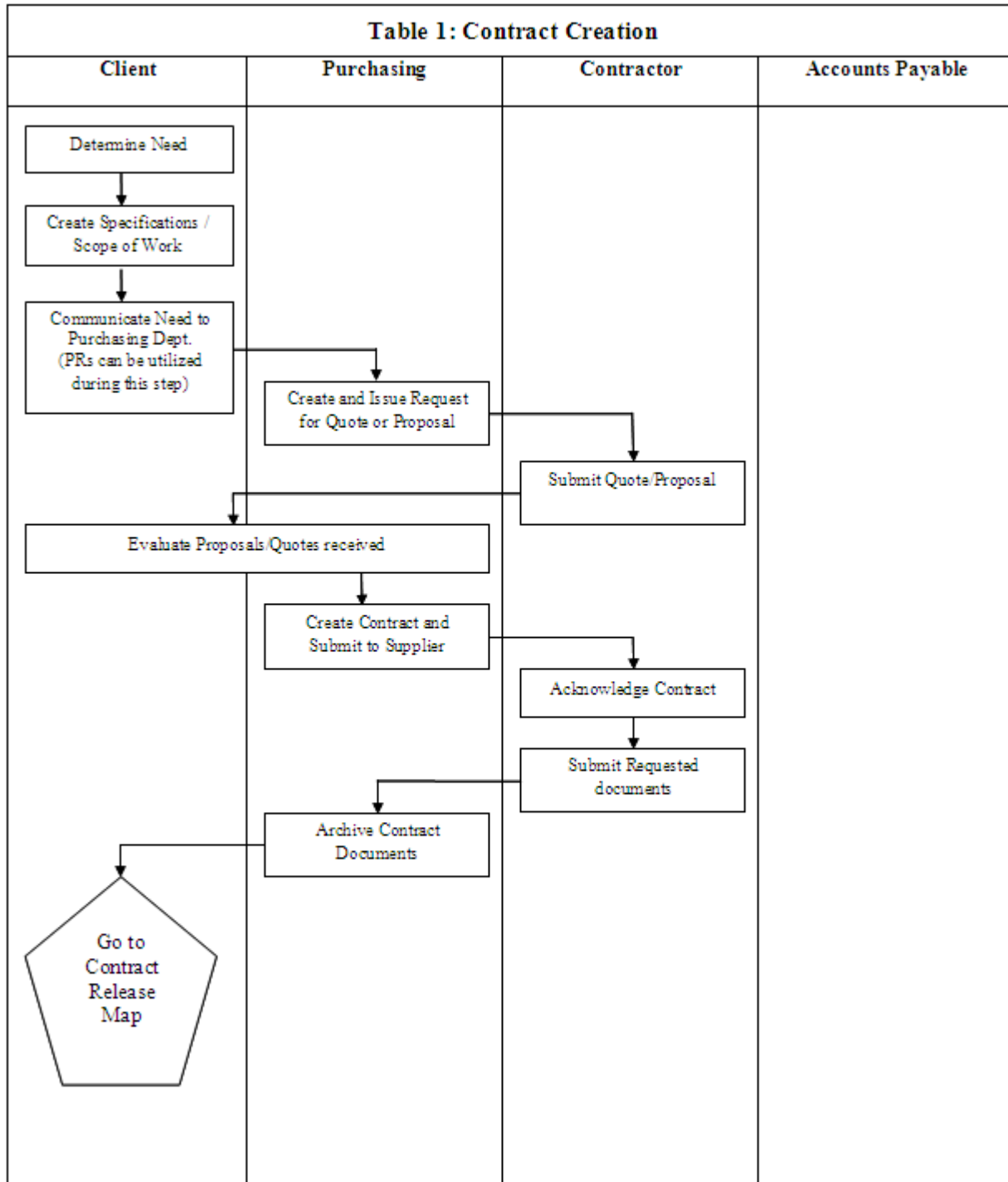
The renewals of contracts that equal or exceed thirty-six (36) months require public bidding, unless the same is otherwise exempt per Procedure no. 8.. Otherwise, the renewal must be approved by the General Manager or designee and reported to the Board of Commissioners.

To the extent a contract is renewed and the aggregate consecutive renewals exceed thirty-six (36) months, the contract may be subject to public bidding, unless the same is otherwise exempt per Procedure no. 8.

Otherwise the renewal must be approved by the General Manager or designee and reported to the Board of Commissioners.



Table 1 below shows the various steps of the Contract creation process. Once this process is complete, a Contract has been established in SAP and Contract Releases can now be utilized.



**CLIENTS**

Clients are BWL employees that are responsible for identifying materials and services needed in support of their department/responsibility areas.

Client’s responsibilities within the Contract creation process are as follows:

**Determine Need**

- (a) Identifying a need to procure material or services for BWL operations.

### **Create Specifications / Scope of Work**

- (a) The Purchasing Department will need documentation from the Client specifying the materials or services desired that will serve as the premise for developing a contract
- (b) Specifications/Scope of Work documents will be included in RFQs or RFPs along with other relevant documents such as terms and conditions and instructions to bidders utilized by the Purchasing Department.

### **Communicate Need to Purchasing Department**

- (a) Purchase Requisitions (PR) can be utilized to communicate the need to establish a Contract to the Purchasing Department.
- (b) The need for a Contract can also be established through discussion with a member of the Purchasing Department.
- (c) The Client needs to provide the Specification / Scope of Work documentation to the Purchasing Department at the time the need is communicated to the Purchasing Department. Specifications for non-stock materials and services may be entered in the PR Header Notes / Item Notes or attached to the PR as a file for routine procurements.

### **Evaluate Quotes / Proposals (Bids) in conjunction with Buyer**

- (a) Material and service quotes received for RFQs will be evaluated by the Buyer with input from the Client and the best evaluated quote will be selected.
- (b) Material and service proposals received for RFPs will be evaluated by the Client with Buyer oversight and the best evaluated proposal will be selected.

## **PURCHASING DEPARTMENT**

The following are the responsibilities of the BWL Purchasing Department in the Contract creation process:

### **Create and Process Request for Quotes (RFQ) or Request for Proposals (RFP)**

- (a) RFQs can be processed using the SAP RFQ transaction (screen ME41).
- (b) Complex material RFPs and all service RFPs are typically created outside the SAP process and have unique documentation requirements described in the Procurement Procedure 3 – Public Bidding. . RFPs estimated to be greater than \$250,000 shall be sent to the BWL General Counsel for legal review prior to public posting.

### **Evaluate Quotes / Proposals (Bids) in conjunction with Clients**

- (a) Material and service quotes received for RFQs will be evaluated by the Buyer with input from the Client and the best evaluated quote will be selected.
- (b) Material and service proposals received for RFPs will be evaluated by the Client with Buyer oversight and the best evaluated proposals will be selected.
- (c) If a vendor answers yes to the proposal form question, “Have you ever defaulted on a contract or been involved in litigation with any other client in the past five years?” , the BWL General Counsel shall be consulted prior to further consideration of doing business with the vendor.

### **Source and Create Contract**

- (a) After the contractor is selected, the Buyer will create a SAP Contract (ME31K) with all the necessary references and attachments. The Buyer will transmit the Contract to the awarded Contractor for acknowledgement.
- (b) Buyers may send an award letter to the participating contractors if multiple bids were submitted.

### **Archive Purchase Order Support Documents**

- (a) The Purchasing Department will be responsible for obtaining contract acknowledgements, insurance, bonding and other requested documentation from the awarded Contractors.

- (b) The Purchasing Department will maintain all purchase supporting documents in the BWL Document Management System according to the BWL Document Retention and Disposal Schedule (see Procedure 6 – Record Keeping).

## **CONTRACTOR**

The following are the responsibilities of the Contractor in the Contract creation process:

### **Submit Quote/Proposal**

Contractors will submit quotes and proposals for work detailed in BWL Request for Quotes (RFQ) and Request for Proposals (RFP).

### **Acknowledge Contract**

Contractors are required to return all Contract acknowledgements. Note: Acknowledgements for Contract Releases (ZREL) are not required since the Contractor has already acknowledged the terms of the Contract agreement.

### **Submit Requested Documents**

Contractors are required to submit all contract documentation such as contract acknowledgements, insurance certificates, bond forms and other items stated in the Contract agreement.

## **CONTRACT RELEASES**

A Contract in itself does not commit BWL funds nor does it authorize or obligate the contractor to supply materials or services. Actual procurement events are initiated by generating Contract Releases, called ZRELs within SAP. These Contract Releases are in fact purchase orders. Contract Releases specify the details of the purchase such as quantities, time of performance and other relevant information including the payment accounting distribution.

### **Processing Contract Releases**

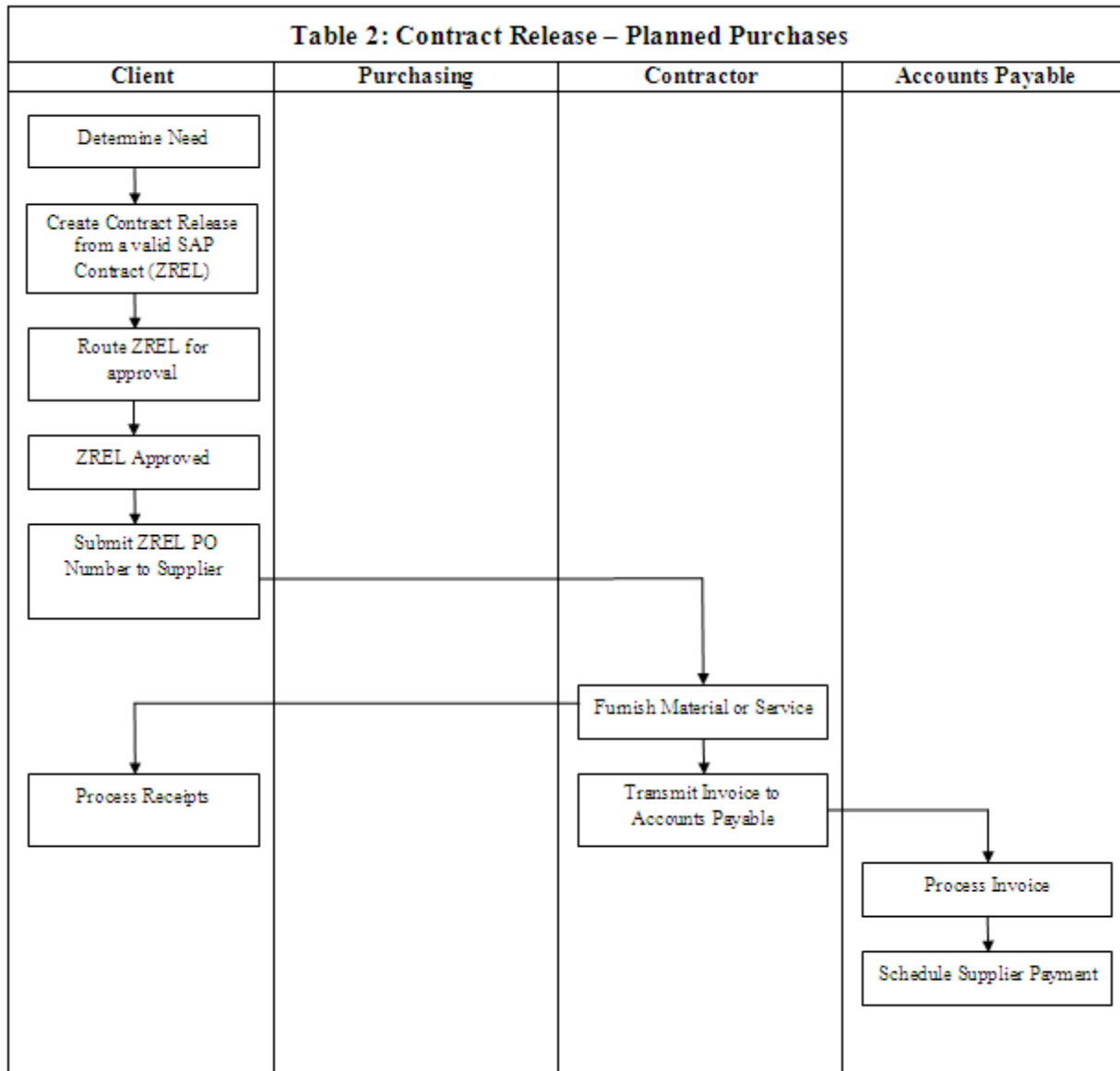
Prepare a contract release using SAP screen ME21N. Select the appropriate line item in a Contract for the product or services (commodity) required. Note: Contracts are not blank checks. If a line item for the commodity is not present on the contract, then the contract is not usable for that commodity and you may not generate a Contract Release against it for that purpose.

The Information Technology (IT) Department provides training for ME21N interpretation and data entry. The IT Help Line (7000) may provide additional assistance.

### Initiating a Contract Release for Planned Purchases

Table 2 below shows the various steps of the Contract Release process for planned purchases. Planned purchases allow the BWL to obtain price quotes prior to committing to purchases. Because of this, a Contract Release should be created and approved prior to committing the work to a Contractor.

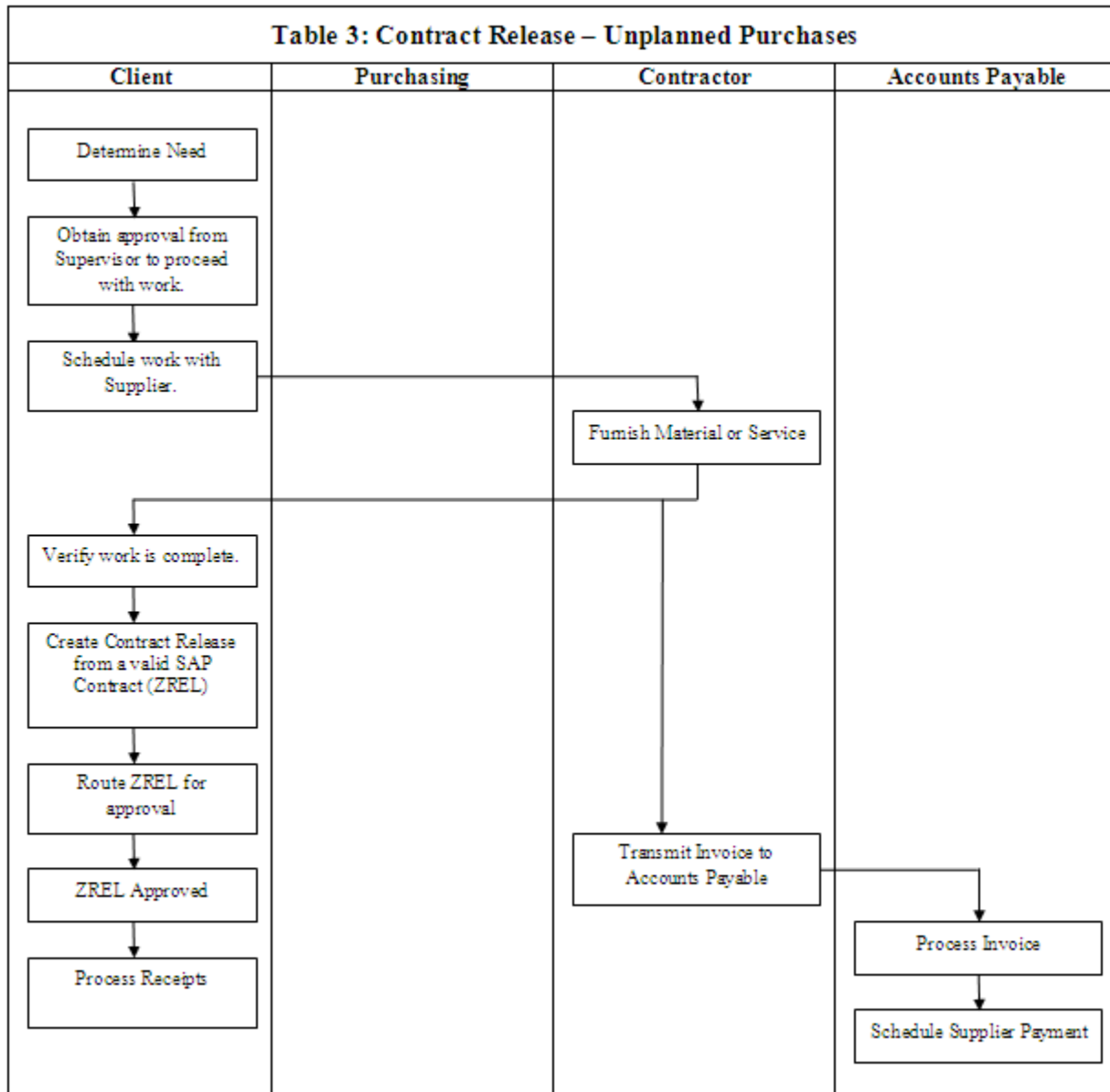
After a Contract Release has been entered into SAP, approved by the appropriate approvers and the work is complete, the Client will need to process a Goods Receipt in the SAP screen, MIGO. This confirms that the work was successfully completed and Accounting is now able to process the invoice associated with the Contract Release.



**Initiating a Contract Release for Unplanned Purchases**

Table 3 below shows the various steps of the Contract Release process for unplanned purchases. Unplanned purchases are urgent purchases that do not allow the BWL to obtain a price quote prior to committing to a purchase. Because of this, a Contract Release will be created and approved after awarding the work to a Contractor. Since a Contract has been established with the Contractor, the risk associated with this process is minimal to the BWL because pricing and contract terms have already been agreed to by both parties.

After a Contract Release has been entered into SAP, approved by the appropriate approvers and the work is complete, the Client will need to process a Goods Receipt in the SAP screen, MIGO. This confirms that the work was successfully completed and Accounting is now able to process the invoice associated with the Contract Release.



|                                   |                              |
|-----------------------------------|------------------------------|
| <b>Procurement Procedures</b>     | <b>Effective: 07/01/2016</b> |
| <b>Procedure 6 Record Keeping</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure describes how the BWL will manage purchasing records to comply with Section 2 of the BWL Procurement Policy.

**GENERAL**

The BWL has developed the BWL Records Retention and Disposal Schedule to serve as its minimum requirement for retention and disposal of records related to the purchase of material and services and disposal of material. The BWL’s Chief Financial Officer may extend the minimum retention periods when it is determined to be in the best interests of the BWL.

**DELEGATION**

The General Manager delegates to the Chief Financial Officer the responsibility to ensure that all purchasing records are created, retained, and disposed of in accordance with applicable State Law and BWL policies and procedures.

**PROTECTION AND STORAGE OF RECORDS**

The BWL shall provide reasonable protection for records subject to these rules from damage by fires, floods, and other hazards and, in the selection of storage spaces, shall safeguard the records from unnecessary exposure to deterioration from excessive humidity, dryness, or lack of proper ventilation. Electronic records shall be safeguarded on multiple backup tapes that are stored in secure locations protected from environmental hazards. Contracts created with personal computer software shall be protected from tampering or destruction.

**RECORD RETENTION SCHEDULE**

The following record retention schedule is derived from the BWL Record Retention and Disposal Schedule and shows record retention for documents related to the procurement process.

| Description of Purchasing and Sale of Material Records   | Retention Period    |
|--|---------------------|
| <p><b><u>Bids and Quotes</u></b><br/>           Bids are received from contractors for contracts that are needed for materials and services. These files may include the Invitation to Bid, the Request for Proposal, the bid documents that are submitted, the reviewer documentation, etc. The SAP database contains digital images of many of these documents, as well as accounting and tracking information. This record series includes awarded and non-awarded bids. E XP = expiration of the contract that is executed after the bid is awarded.</p> | <p><b>EXP+6</b></p> |
| <p><b><u>Acquisitions</u></b><br/>           These records document the acquisition of materials and services. They include requisitions, purchase orders, acknowledgements, receipts, notices of shipment, packing slips, copies of bills of lading, copies of notices to contractors for materials returned for credit and repair, document used to check and trace materials, etc. The SAP database contains digital images of many of these documents, as well as accounting and tracking information.</p>   | <p><b>FY+7</b></p>  |
| <p><b><u>Packing Lists</u></b><br/>           These records include receipts or delivery tickets issued for materials received in installments and subsequently surrendered with, and in support of, invoices or bills that cover complete purchases.</p>  | <p><b>CR+1</b></p>  |
| <p><b><u>Disposition of Scrap and Surplus Materials</u></b><br/>           These records document the disposition (destruction or sale) of scrap and surplus materials. They may include authorizations, correspondence, receipts, inventories, etc.</p>   | <p><b>FY+3</b></p>  |
| <p><b><u>Purchasing Card (P-Cards) User Account Files</u></b><br/>           These records document the administration of the p-card program, including the opening and closing of user accounts and the establishment of purchasing limits. They include correspondence, authorization forms from supervisors, etc. ACT = until individual user account is closed.</p>  | <p><b>ACT+5</b></p> |
| <p><b><u>Warehouse Inventory</u></b><br/>           The SAP database is used to control the inventory of materials in the warehouse. It is used to audit valuations on financial statements, and ensure that adequate supplies are maintained.</p>   | <p><b>SUP</b></p>   |
| <p><b>Legend: EXP – Expiration Date, FY – Fiscal Year, CR – Creation Date, ACT - Active, SUP - Superseded</b></p>  |                     |

Additional documents may be included in bid responses associated with contracts. These documents may include, but are not limited to, insurance certificates, bid bonds, performance bonds, and payment bonds. These documents, or a copy of them, should be distributed and stored as follows:

- (a) Agreements and licenses – Original shall be sent to BWL General Counsel for review and approval prior to award. The General Manager and Corporate Secretary (or their applicable designees) are authorized to sign. The Corporate Secretary will file the original. A copy shall be attached to the purchase order and retained on the same schedule as the purchase order.
- (b) Insurance Certificates – Original shall be filed in the Purchasing Department.

- (c) Bid Bond - Original for each company shall be filed with the Purchasing Department until it is executed or returned to the bidder. The bid bond shall be returned to the Bidder following acceptance of the purchase order.
- (d) Performance Bond – Original shall be forwarded to BWL General Counsel for review and approval and shall be filed with the Corporate Secretary and retained on the same schedule as the associated contract.
- (e) Payment Bond - Original shall be forwarded to BWL General Counsel for review and approval and shall be filed with the Corporate Secretary and retained on same schedule as the associated contract.



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| <b>Procurement Procedures</b>                       | <b>Effective: 07/01/2016</b> |
| <b>Procedure 7 Audits, Reports and Verification</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure establishes methods for auditing BWL purchases and disposals for compliance with established regulations, policies, and procedures and identifies a schedule for reports to BWL Commissioners.

Additionally, this procedure establishes methods for Payee and Contractor verification.

## **DEFINITIONS APPLICABLE TO THIS PROCEDURE:**

Payee: A person or business that receives money from the BWL.

Contractor: A person who offers a material or service for a price.

Verification: A formal act or statement that confirms the truth or correctness of something.

## **GENERAL**

The BWL shall develop internal audit programs within the BWL procurement process.

## **AUDITS REQUIRED**

The internal audit programs developed by the General Manager or designee shall include the review of a sample of selected BWL purchases and disposals, including, but not limited to:

- (a) Purchases with a value of \$100,000 or more
- (b) Purchases with a value greater than \$15,000 but less than \$100,000
- (c) Purchases with a value less than \$15,000
- (d) Procurement card (P-Card) purchases
- (e) Sole source purchases
- (f) Direct payments
- (g) Purchases with local businesses
- (h) Disposition of personal property

The General Manager or designee will review the purchases or disposals to ensure compliance with approval requirements, documentation and recording requirements, and application of the correct purchasing procedures. The results of the review will be documented and analyzed to determine if administrative controls are sufficient. Where corrective action is required, improvements will be documented.

## **REPORTING TO BWL COMMISSIONERS**

The General Manager shall report the following items to the BWL Commissioners on an annual basis:

- (a) Litigation pertaining to any particular contract covered by the Procurement Policy.
- (b) Sole source contracts in an amount equal to or greater than \$15,000.
- (c) Emergency procurements in an amount equal to or greater than \$15,000.
- (d) Contracts with a term exceeding thirty-six consecutive months (as of June 30) without being competitively re-bid.

## **Contractor verification**

Purchases covered by the BWL Purchasing Policy and Procedures shall be made only from Contractors with a record in the BWL Contractor Database (stored in SAP). General Accounting will not create a separate Payee master record for Contractors. The Manager, Purchasing & Warehousing, is responsible for investigating and verifying that new Contractors are legitimate, and setting up a new Contractor in the Contractor Database. All businesses wishing to do business with the BWL shall comply with the investigation and verification process. The

following is a list of resources to be used to investigate and/or verify new Contractors, but it is not all inclusive. A BWL Contractor Application form shall be completed and the verification process shall be completed prior to the BWL contracting with the business.

- (a) BWL Contractor Application
- (b) Review of financial statements
- (c) Dun & Bradstreet (or equivalent) reports
- (d) Internet or telephone verification
- (e) Government registrations, licenses, etc.
- (f) Inspection of premises
- (g) Ability to provide insurance certificates
- (h) Credit ratings
- (i) Reference checks
- (j) Environmental/safety policies
- (k) Taxpayer ID, W-9 form
- (l) BWL and City of Lansing lists of contractors in default to the BWL or City of Lansing
- (m) Verification of Insurance

The Manager, Purchasing & Warehousing, reserves the right to determine that a business is not an acceptable Contractor based on the findings of the investigation and verification process, and therefore will not be added to the Contractor Database. The reasons for the determination will be documented in writing.

#### **B. Payee verification**

The Manager of General Accounting or designee shall insure that any or all of the following verifications are complete prior to issuing a check:

- (a) Check the Contractor Database to determine if the proposed Payee is already listed as a Contractor and that appropriate information is available. The Contractor information will be linked to the Payee information.
- (b) If the payee is not already in the contractor database, request that the proposed payee complete a W-9 form and submit it to General Accounting.
- (c) Conduct an internet search and/or telephone verification that the payee is valid, and obtain either a Social Security Number or Employee Identification Number.

The Manager of General Accounting or designee reserves the right to determine that a person or business is not an acceptable Payee and therefore will not be added to the payee database based on the results of the Payee verification process. The reasons for the determination will be documented in writing.

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| <b>Procurement Procedures</b> | <b>Effective: 07/01/2016</b> |
| <b>Procedure 8 Exclusions</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

Certain payments are necessarily excluded from the purchasing policy by the nature of the material or service purchased, primarily because the price is not subject to competition. This procedure describes the process to amend the following list of excluded purchases specified in BWL Procurement Policy, Section 4.

- (a) Advertisements
- (b) Utility Bills, including gas, electric, water, sewage, local/cell phone service, and internet service
- (c) Charitable Sponsorships
- (d) Collective Bargaining Agreements
- (e) Conferences, Seminars, Tuition, and Training
- (f) Employment Contracts
- (g) Federal Express, UPS, US Postal Service, and Other Similar Shipping Services
- (h) Intergovernmental or Inter-utility Agreements, including permits
- (i) Legal Services
- (j) Financial Services
- (k) Real Property, including Easements
- (l) Subscriptions, Publications, and Membership Dues
- (m) Travel Expenses
- (n) Workers Compensation Medical Payments and Medical Services
- (o) Purchases made pursuant to the Energy Risk Management Policy
- (p) Software Licensing and Maintenance Agreements after the original purchase was competitively bid
- (q) OEM (Original Equipment Manufacturer) parts and services only available from the OEM or exclusive distributor specified by the OEM after the original purchase was competitively bid
- (r) Materials where the BWL has standardized on one manufacturer, where the manufacturer or exclusive distributor specified by the manufacturer is the only source
- (s) Damage Claims, Government Fees, Penalties, Licenses, and Taxes .

## **GENERAL MANAGER'S DESIGNEE**

The Chief Financial Officer is the General Manager's designee with responsibility for determination and documentation of necessary exclusions from this policy, or necessary exclusions from provisions of this policy.

## **REQUESTS FOR ADDITIONAL APPROVED EXCLUSIONS**

Requests for exclusion from all BWL Procurement Policy and Procedures, or specific provisions of the BWL Procurement Policies and Procedures, shall be made by BWL management (manager level or above), in writing to the Chief Financial Officer for evaluation and approval/disapproval. The written request shall describe the specific policy or procedure exemption being sought and document reasons why the purchase cannot be made in compliance with the BWL Procurement Policy and Procedures.

The Chief Financial Officer will consult with the Manager, Purchasing & Warehousing to evaluate requests for exclusion against the following standards; all decisions either approving or denying such requests will be made in writing.

- (a) Would the exclusion have a negative impact on open competition?
- (b) Would the exclusion have a negative impact on obtaining the best-value procurement?
- (c) Would the exclusion limit notification of the opportunity to do business with the BWL?

(d) Would the exclusion increase risk exposure to the BWL?

All new exclusions shall be added to the Additional Approved Exclusions section of this procedure.

### **REPORTING**

All Additional Approved Exclusions made under this procedure shall be reported to the General Manager, at the time of exclusion, by the Chief Financial Officer.

Additional Approved Exclusions shall be added to this procedure by issuing a Revised Procedure on a timely basis.

### **DOCUMENTATION OF ADDITIONAL APPROVED EXCLUSIONS**

The Chief Financial Officer has determined that the following payments or purchases are excluded from the BWL Purchasing Policy and Procedures, for the documented reasons listed with each exemption.

#### **Additional Approved Exclusions**

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| <b>Procurement Procedures</b>              | <b>Effective: 07/01/2016</b> |
| <b>Procedure 9 Streamlined Procurement</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure identifies procurement processes that reduce the cost associated with procurement activities and transactions. This procedure also assigns responsibility for use of streamlined procurement processes to all employees involved in making or approving purchases.

## **DEFINITIONS**

Consolidated purchases – Planned periodic purchases of specified materials or services required across the BWL to achieve best value and economies associated with volume and standardization.

Cooperative purchasing contracts – Public entities may identify common goods and services and enter into cooperative contracts to reduce purchase costs. For example, BWL can utilize contracts negotiated by the State of Michigan, or other public utilities, or public utility purchasing groups.

E-commerce - Electronic commerce is the buying and selling of goods and services on the Internet. In practice, this term, and other terms such as e-business and e-procurement, are often used interchangeably.

Online catalog – A web site where approved purchasers may make purchases directly from the contractor, usually with procurement card payment.

Streamlined procurement processes – A term referring to various methods implemented to make purchasing cost-effective, designed to reduce the total cost of doing business.

## **RESPONSIBILITY FOR STREAMLINED PROCUREMENT**

The Chief Financial Officer shall promote corporate support of streamlined procurement practices as appropriate.

The Manager, Purchasing & Warehousing shall investigate, recommend and implement methods to streamline procurement processes. Investigation of potential streamlined processes will include benchmarking, identification of best practices, and cost/benefit analysis.

All BWL employees involved in purchases are responsible for using the most cost effective purchasing transaction or process available consistent with BWL Procurement Policy and Procedures.

## **GENERAL**

The following streamlined procurement processes are available to BWL employees and purchasing staff:

- (a) Procurement cards for repetitive small dollar purchases
- (b) Purchase orders
- (c) SAP Contracts and Contract Releases
- (d) Online contractor catalogs
- (e) Consolidated BWL purchases
- (f) Cooperative purchasing contracts

## **CONTINUOUS IMPROVEMENT**

The Manager, Purchasing & Warehousing, shall investigate additional streamlined procurement processes, and make recommendations (including cost/benefit analysis) to the Chief Financial Officer those processes that will result in a reduction in the cost of doing business or improve the value of the purchases made by the BWL. The Chief Financial Officer shall be responsible for approval and implementation of new processes.

## **TRAINING**

The Chief Financial Officer delegates responsibility for training of BWL employees in the use of streamlined procurement processes to the Manager, Purchasing & Warehousing.

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| <b>Procurement Procedures</b> | <b>Effective: 07/01/2016</b> |
| <b>Procedure 10 Ethics</b>    | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

Consistent with the intent of its policy, the BWL will take all necessary steps to prevent, discover, investigate, and remedy violations of the BWL’s Ethics policy or the City’s Ethics Ordinance No. 953 and Chapter 290 of the Code of the City of Lansing.

**GENERAL:**

The BWL Ethics Policy states that the BWL will comply with both the letter and the spirit of the City’s Ethics Ordinance. The City’s Ethics Ordinance includes, but is not limited to, the following guideline:

Non-Monetary Gifts: BWL employees may accept unsolicited non-monetary gifts from contractors, as long as the total gifts from any one contractor does not exceed \$50.00 in value in any year. A gift is anything of value given without the expectation of receiving something in return. Members of the BWL Purchasing & Warehousing Department are not allowed to accept any non-monetary gifts regardless of value. Furthermore, BWL employees shall not accept any non-monetary gifts regardless of value during times that they are involved with the bidding and evaluation processes.

Personal Discounts from Suppliers: BWL employees may utilize personal discounts that are included in cooperative agreements that are available to other government employees within the Lansing area. Employee discounts shall not be a part of supplier contract considerations. The City’s Ethics Ordinance may be referenced on the following website: <http://www.municode.com/resources/gateway.asp?sid=22&pid=13231>

**DISCLOSURE OF CONFLICT OF INTEREST:**

In accordance with the City’s Ethics Ordinance, disclosure of Conflict of Interest will be performed as follows:

At least ten (10) days prior to the first of any of the events set forth in (a), (b), (c), (d), or (e) below, BWL employees who may derive any income or benefit, directly or indirectly, from a contract with the BWL or City of Lansing or from any BWL or City of Lansing action, shall file an affidavit with the Lansing City Clerk detailing such income and benefit to be derived:

- (a) The bidding of the contract;
- (b) The negotiation of the contract;
- (c) The solicitation of the contract;
- (d) The entry into the contract;
- (e) Any BWL or City action by which the BWL employee may derive any income or benefit, directly or indirectly.

**ETHICS TRAINING:**

Human Resources will provide Ethics training to all new employees as part of new employee orientation. Human Resources will provide Ethics training to all other employees on a schedule they see fit.

A committee consisting of the BWL General Counsel, Director of Human Resources and the Internal Auditor will act as a resource to address specific employee questions.

**ETHICS INVESTIGATION - GENERAL:**

Allegation or complaint of an Ethics Policy violation will be treated as a potential violation of the BWL Rules of Employee Conduct #41 – “violations of BWL employment agreement or BWL policies.” Violation of Rule 41 may subject an employee to non-progressive discipline up to and including discharge. In addition, the violator will be subject to any other punishment allowed by law. Each complaint or allegation of an ethics violation will result in the issuance of a Notice of Possible Disciplinary Action (NPDA) and discipline will follow if the allegation or complaint is proven. Except as otherwise stated below, the Director of Human Resources will be responsible to log, investigate, and report on the ultimate disposition of all allegations or complaints of ethics violations.

## **ETHICS INVESTIGATION - PROCEDURE:**

Reporting of Suspected Violation – For ease of access, ethics complaint forms are available on the BWL's intranet. If a BWL employee suspects or is aware of a violation of the City's Ethics Ordinance, it will be reported as below:

- (a) If the suspected violation involves a Board appointee (General Manager, Corporate Secretary, or Internal Auditor) or a member of the Board of Commissioners, it should be reported to the Director of Human Resources who will refer it to the Ethics Board.
- (b) If the suspected violation involves a manager or director, it should be directly reported to the Director of Human Resources.
- (c) If the suspected violation involves an employee of Human Resources, it should be reported to the Chief Financial Officer.
- (d) If the suspected violation involves any employee except as noted above, it should be reported to the employee's manager or director. The manager or director will, in turn, report the matter to the Director of Human Resources.

Issuance of Notice of Possible Disciplinary Action (NPDA) and Investigation - The NPDA will be issued and the investigation performed as noted below:

- (a) If the complaint involves a Director or a Human Resource employee, the NPDA will come from the office of the Chief Financial Officer. In addition, the Chief Financial Officer will be responsible for the investigation.
- (b) The Director of Human Resources will be responsible for the issuance of all other Ethics NPDAs and their investigations.

### **Review of Investigation Findings**

- (a) Upon completion of the investigation, the investigation findings will be submitted to the BWL General Counsel for timely legal review and advice as to whether the Ethics Ordinance or BWL Ethics Policy was violated. If the complaint is against the BWL General Counsel, the City Attorney should be consulted for legal review.
- (b) Following legal review, the investigation findings will be reviewed by a committee consisting of the BWL General Counsel, Director of Human Resources and the Internal Auditor, for a determination as to follow up measures.

### **Reporting of Investigation Findings**

- (a) In all instances where a violation is determined to have occurred, the Board of Commissioners and the Ethics Board will receive written notification from the Director of Human Resources.
- (b) Where appropriate, the concerned employee will be instructed to file the City of Lansing disclosure statement with the City Clerk. For ease of access, this form can be found on the BWL's intranet.
- (c) If the employee fails or refuses to file the disclosure, then Human Resources should notify the Ethics Board. The employee is responsible to confirm that the disclosure has been received and is on file with the City Clerk. The Director of Human Resources shall also be responsible to determine the extent of disciplinary action to be imposed and issue it accordingly.

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| <b>Procurement Procedures</b> | <b>Effective: 07/01/2016</b> |
| <b>Procedure 11 Inclusion</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

The BWL seeks to increase the diversity of our contractor base who bid on material and services purchases to provide opportunities for companies that reflect the diversity of the BWL's ratepayers. This procedure establishes guidelines to develop and administer initiatives to meet inclusion objectives for diverse businesses.

**DEFINITIONS**

Diverse Contractor – means a minority-owned business, a woman-owned business or a businesses owned by persons with disabilities.

**GENERAL**

The BWL generates its revenues from a broad cross-section of ratepayers, representing a diverse community of people.

The BWL will aggressively support the growth and development of a diverse pool of Contractors, including, without limitation, businesses owned by persons with disabilities, minorities or women.

The BWL's goal is to create an environment which values the contributions of multi-cultural, racial and gender diverse groups as detailed in the BWL Inclusion, Equity and Diversity Plan. The inclusion of such diverse groups enhances the products and services the BWL offers to its ratepayers. BWL's management will be held accountable to carry out pro-active initiatives to ensure Diversity in its workforce and Contractor base.

**CONTRACTOR INCLUSION VISION/MISSION**

Our vision is to attract Diverse Contractors to enhance and diversify our Contractor base. We believe this gives the BWL a competitive advantage and helps to support the communities we serve. We are committed to continued development of mutually beneficial business relationships with a Diverse Contractor base.

Our mission is to ensure fair and equal competition for procurement opportunities. We will actively seek to eliminate barriers and build Contractor relationships with business enterprises owned by minorities, women, and the disabled that can provide competitive prices, quality and service. Our mission is to match Contractors with the specific BWL department that can benefit from their products and services.

**OUTREACH TO DIVERSE CONTRACTORS**

The BWL's buyers will be active participants in diverse contractor outreach organizations and events in order to develop business relationships and to identify additional sources of supply.

The BWL may post solicitations and advertisements for Contractors in trade journals and newspapers aimed at diverse contractor groups. The BWL will also advertise its interest in doing business with Diverse Contractors in various ethnic publications, association event programs, and various community and Contractor outreach meetings.

The Purchasing staff will attend Diverse Contractor and business development forums and trade fairs throughout the year to meet new Diverse Contractors and identify if their material or services are a match for BWL needs.

The BWL will participate as a corporate member of associations that represent diverse contractors and will assist in identifying members of these organizations who provide material or services that the BWL needs.

The BWL may subscribe to web sites, magazines, and directories that highlight diverse contractors, and use these resources as sources of contact information for Contractors that provide material and services needed by the BWL.

**NON-DISCRIMINATION CLAUSE**

The BWL shall include in all procurement contracts a provision obligating the contractor not to discriminate against any qualified employee or qualified applicant for employment with respect to hire, terms, conditions or privileges of employment, or a matter directly or indirectly related to employment because of age, race, color, religion, national origin, sex, height, weight, disability, marital status or any other class protected by law, and shall require such contractor to include a similar provision in all subcontracts.



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| <b>Procurement Procedures</b>       | <b>Effective: 07/01/2016</b> |
| <b>Procedure 12 Risk Management</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure describes the process of risk management related to purchases by BWL employees with purchasing authority.

## **DEFINITIONS**

**Bid Security** – A guarantee, in the form of a bond, letter or credit or deposit, that the bidder, if awarded a contract, will accept the contract as bid. Otherwise, the bidder (in the case of a deposit) or his/her guarantor (in the case of a bond or letter of credit) will be liable for the amount of the bond or deposit.

**Bond** – A written instrument executed by a bidder or contractor (the person performing work or providing service) and a second party (the surety) to assure fulfillment of the principal's obligation to a third party.

**Contract** – An agreement between two or more persons or entities creating legal obligations between the parties and the right to damages for the failure to meet those obligations. A purchase order with terms and conditions is a contract.

**Indemnity** - legal exemption from liability for damages

**Liability** - Legal responsibility for one's acts or omissions. Failure of a person or entity to meet that responsibility leaves him/her/it open to a lawsuit for any resulting damages or a court order to perform (as in a breach of contract or violation of statute).

**Payment Bond** – A form of bond that assures that the contractor will pay all Contractors or subcontractors.

**Performance Bond** – A form of bond that assures the principal will fulfill all the undertakings, covenants, terms, conditions, and agreements contained in the Contract.

**Warranty** – An assurance of the existence of some fact or a promise that some fact will exist in the future that is given by one contracting party to the other. When one party makes a warranty, the other party may rely on that warranty and may recover damages—i.e. hold the warrantor liable—should the fact prove to be untrue. There are two general types of warranties: express and implied.

## **DELEGATION**

The General Manager designates responsibility for risk management associated with purchasing and disposal of obsolete BWL personal property to the Chief Financial Officer.

The BWL's General Counsel shall be responsible for contract review and issuing legal opinions related to purchases.

## **MANAGING RISK-RELATED CONTRACT CLAUSES**

The BWL assesses the risks associated with various contracts and mitigates these risks through several provisions, including but not limited to the following:

- (a) Consulting with the Risk Management department where appropriate.
- (b) Consulting with BWL General Counsel regarding proper insurance coverage and bonding.
- (c) Insuring that the appropriate terms and conditions are part of all contracts and received prior BWL General Counsel review and approval .
- (d) Insuring that modifications of previously agreed upon terms and conditions have received prior approval by BWL General Counsel.
- (e) Insuring that BWL General Counsel reviews and approves all contracts that do not utilize the BWL's General Counsel approved standard terms and conditions.

The policy further states that there are some risks that the BWL will not accept without additional approval of the General Manager, which is accompanied by an Executive Director recommendation and has been reviewed by the BWL General Counsel. These risks are:

- (a) Full payment in advance of receipt of products and services, excluding insurance payments, various licenses, including software licenses; and equipment maintenance agreements;
- (b) Agreements under which the BWL assumes liability other than for its own acts or omissions; or
- (c) Acquisition of material or service which expressly excludes a warranty.

**CERTIFICATES OF INSURANCE**

The Purchasing Department shall insure that contractors provide appropriate insurance certificates when applicable. The Purchasing Department shall consult with BWL General Counsel for specific insurance review and recommendations.

BWL employees involved in purchases shall insure that contractually related activity shall not commence until adequate proof of insurance is obtained that meets the requirements of the Contract. The Purchasing Department will advise the BWL employees when all contract documentations has been accepted.

**BONDING AND BID SECURITY REQUIREMENTS**

The Purchasing Department shall insure compliance with the State of Michigan requirement that public agencies, including the BWL, limit risk by requiring performance and payment bonding on construction projects with a dollar value over \$50,000.

Performance and Payment Bonding shall also be considered for all service contracts valued at \$100,000 or more.

Bid security may also be utilized if determined in the best interest of the BWL prior to submittal of a Request for Proposal.

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| <b>Procurement Procedures</b>                             | <b>Effective: 07/01/2016</b> |
| <b>Procedure 13 Purchases Valued at \$100,000 or More</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes permissible methods for purchasing materials and services valued at \$100,000 or more.

**DEFINITIONS APPLICABLE TO THIS PROCEDURE**

Best and final offer – A variation of the competitive sealed proposal method involving negotiation with all bidders. Upon the completion of negotiation in the RFP process, all bidders still being considered for award may be given the opportunity to submit a best and final offer. Where appropriate, a common date and time for receipt of best and final offers shall be identified.

Bidder – Any person or Contractor submitting a bid in response to a Request for Proposal.

Competitive Response – a quotation, bid or proposal submitted by a bidder in response to a BWL solicitation (i.e. RFQ, ITB, RFP).

Designated Evaluator – a BWL employee or a team of BWL employees responsible for evaluating proposals and creating recommendations for purchases of materials and services.

Local business – means an entity with a plant or office located within the BWL’s service area for water, steam, electricity or such other utility services provided by the BWL.

Offeror – See “Bidder” definition.

Public notice – A declaration of what the BWL proposes to purchase via methods that are intended to give notice to interested parties. These methods may include, but are not limited to, publication using the Internet, e-mail, and advertisement in various publications or electronic bulletin boards. The General Manager or designee has discretion under appropriate circumstances to waive public notice and to determine the length of notice.

Responsive Contractor – Any Contractor who submits a proposal, bid, or statement of qualifications that conforms in all material respects to the requirements of the solicitation.

Responsible Contractor – Any Contractor who has the capability in all respects to perform the contract requirements and the integrity and reliability that will assure good-faith performance.

Contractor – A prospective bidder.

Contractor agreement – An agreement prepared by the Contractor and presented to the BWL for signature. Only the General Manager is permitted to sign a Contractor agreement.

**COMPETITIVE SEALED PROPOSALS / BIDS**

**General Guidelines**

The following section describes the competitive bidding methods utilized for soliciting sealed responses for purchases valued at \$100,000 or more. Each step identified in these procedures must be documented and retained in the contract file in accordance with Procedure No. 6, Record Keeping.

**Solicitation of Competitive Sealed Proposals/Bids**

The following are permissible methods of making purchases valued at \$100,000 or more in accordance with Procedure 2, Public Bidding:

- (a) Invitations to Bid
- (b) Request for Proposals

Purchases shall not be subdivided to avoid these procedures.

Bid security may be required on purchases valued at \$100,000 or more if deemed appropriate by the BWL Purchasing Department.

Unless waived by the General Manager, public notice must be provided. The BWL must solicit a minimum of three (3) proposals from Contractors whenever practicable. At least one (1) of those proposals must be solicited

from a Local business, unless no such business can be identified after a good faith effort. Contractors may be identified from the BWL's Contractor database or other public information.

### **Responses to Request for Proposals and Invitations to Bid**

Proposals submitted in response to a RFP or ITB shall be submitted sealed, identified on the outside of the envelope by a reference to the BWL RFQ or ITB name or number, and accompanied by any affidavits or security identified in the solicitation.

The BWL may permit a Contractor to modify or withdraw a proposal at any time before the proposals are opened upon the written request of an authorized representative of the responsive Contractor.

Late proposals will not be considered and will be returned unopened. It is the Contractor's responsibility to ensure the timely arrival of proposals at the designated place.

Proposals shall be opened at the time, place, and date designated in the RFP. The BWL shall compile a list of the names of all Contractors submitting a proposal for public inspection. Price is not revealed at the opening.

If a Contractor makes a material error in a proposal that is discovered before award, the Contractor will be permitted to withdraw the proposal without penalty. A Contractor will not be permitted to correct a mistake in a manner improving its competitive position. No material change may be made to a proposal after award without the BWL's express written consent.

Failure by a pre-qualified Contractor to respond to three (3) consecutive solicitations shall result in removal from the pre-qualified Contractor list for one (1) year. After one (1) year, the Contractor may reapply to be placed upon the pre-qualified Contractor list. The BWL Purchasing Department shall administer the pre-qualification of Contractors and maintenance of the Contractor list.

Proposals shall be evaluated to determine which provides the best value to the BWL. Only criteria designated in the RFP or ITB can be considered in the proposal's evaluation.

The Designated Evaluator(s) shall determine the responsiveness and responsibility in accordance with the RFP requirements. If the Designated Evaluator(s) concludes that a Bidder is not responsive or responsible, the proposal/bid will be excluded from further evaluation. That conclusion must be documented and made part of the contract file. The bidder will be informed of the BWL's conclusion.

If it is determined to be in the best interest of the BWL to make a material change in specifications, all proposals must be rejected and a new solicitation sent out.

The BWL may reject any or all proposals, waive irregularities or technicalities in any proposal, and accept any proposal in whole or in part.

### **Negotiation of Competitive Sealed Proposals**

When evaluating responses to a Request for Proposals, negotiation for items such as price, delivery terms, and performance terms is permitted with the best-evaluated contractor that meets the evaluation criteria. Negotiators may not disclose information from other competitive sealed proposals.

### **Variations Permitted**

**Best and Final Offer** - If the Designated Evaluator(s) determines after initial evaluation of proposals that a number of proposals are acceptable, a variation of the competitive sealed proposal evaluation process called "Best and Final Offer" may be used. The BWL Purchasing Department will facilitate the "best and final offer" process in negotiation of competitive sealed proposals to insure that proper steps are followed.

All Contractors with acceptable proposals must be given equal opportunity to negotiate and revise their proposals. Negotiation discussions must not reveal information about the proposals of competing bidders. Following negotiation discussions, bidders are instructed to submit written "best and final offers" modifying their proposal to reflect the negotiations. Where appropriate, a common date and time for receipt of best and final offers shall be identified and all offers will be kept confidential until that time. If an acceptable bidder chooses not to submit a best and final offer, their initial proposal will be considered their complete proposal. If negotiations have been successful, one or more of the bidders will submit a final offer that meets the highest expectations of the BWL. To determine the highest-ranked final offer the evaluation should be made on 1) performance criteria 2) price-related factors and 3) determining the overall best value to the BWL. Negotiations shall be documented and included in the contract file.

**Request for Statement of Qualifications** – If the Designated Evaluator(s) determines that it is in the best interests of the BWL to issue a request for proposal with evaluation criteria limited to Contractor qualification (without price

as an evaluation factor), a variation of the competitive sealed proposal process called "Request for Statement of Qualifications" may be used.

In this method, price is addressed in negotiation discussions only after the best-qualified Contractor is determined. Responsive Contractors are ranked in order of most qualified to least qualified, and price negotiation is conducted first with the most qualified Contractor. If an agreement is negotiated with the most qualified Contractor, an award is made to that Contractor and no further negotiation takes place. If an agreement is not reached with the most qualified Contractor then negotiation with the second highest ranked Contractor takes place and if agreement is reached, an award is made. This process continues until an award can be made. Once negotiation with a Contractor is terminated, it cannot be reopened. Negotiations shall be documented and included in the contract file.

### **Award of a Competitive Sealed Proposal**

Once the Designated Evaluator(s) fully evaluates the proposals, including any Local business preference, the Designated Evaluator(s) shall prepare a written statement making the award by selecting the recommended proposal and detailing the reasons for the recommendation. The written statement shall be made available for public inspection per the Freedom of Information Act.

### **Consummation of the Purchase**

Purchases of materials and services valued at \$100,000 or more may be consummated by:

- (a) A standard contract, including purchase order, using terms and conditions previously approved by the BWL General Counsel.
- (b) A non-standard contract, including a Contractor agreement, approved by BWL General Counsel for a specific purchase. A non-standard contract prepared by a Contractor may contain terms and conditions that do not conform to BWL standard terms and conditions and therefore require approval by the BWL General Counsel and signature by the General Manager.

### **LOCAL PREFERENCE**

When the BWL sends out a request for proposal valued equal to or greater than \$100,000, the Purchasing Department must solicit at least one (1) response from a Local business, unless no such business can be identified after a good faith effort.

Local businesses shall be given the following advantage when the BWL receives a sealed proposal pursuant to Section 9 of the BWL Procurement Policy:

- (a) After the proposals are evaluated and the best-evaluated response is selected, the BWL shall determine whether the best-evaluated bidder was a Local business.
- (b) If a Local business was not selected as the best-evaluated bidder due entirely to its proposal price being higher than the price of the best-evaluated proposal, the BWL shall determine whether the best-evaluated Local business's proposal was within 5% of the proposal price of the best evaluated bid or proposal.
- (c) If so, this Local business shall then have the opportunity to agree to reduce its price to match the price of the original best-evaluated bidder, and upon such agreement, shall be deemed the best-evaluated proposal.
- (d) If more than one Local business is within 5% of the price of the best-evaluated proposal and is otherwise equal with the best-evaluated bid or proposal, and the Local business identified in (c) refuses to lower its bid or proposal price, the same opportunity shall be afforded to the other qualifying Local Businesses, in order of ascending price.
- (e) If no Local Business agrees to the conditions described above, the contract shall be awarded to the person or business originally deemed the best-evaluated bidder.

The BWL may also take affirmative measures to enhance the ability of Local businesses to receive solicitations. Such measures may include, but are not limited to the following:

- (a) The BWL may eliminate bid security requirements (if applicable) where deemed appropriate.
- (b) The BWL may eliminate performance and payment bonding requirements (if applicable) where deemed appropriate, except for construction contracts over \$50,000.

- (c) The BWL may allow for joint ventures or other documented business arrangements to enable Local Businesses to meet bonding requirements for construction contracts over \$50,000.

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| <b>Procurement Procedures</b>   | <b>Effective: 07/01/2016</b> |
| <b>Procedure 14 Purchases of \$15,000 or More but Less than \$100,000</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes permissible methods for purchasing materials and services valued at \$15,000 or more but less than \$100,000.

**DEFINITIONS**

Bidder – Any person or Contractor submitting a bid in response to a Request for Proposal.

Competitive Response – a quotation, bid or proposal submitted by a bidder in response to a BWL solicitation (i.e. RFQ, ITB, RFP).

Designated Evaluator – a BWL employee or a team of BWL employees responsible for evaluating proposals and creating recommendations for purchases of materials and services.

Local business – means an entity with a plant or office located within the BWL’s service area for water, steam, electricity or such other utility services provided by the BWL.

Solicitation – A Request for Quotation, Invitation to Bid or Request for Proposal issued by the BWL for the intended purpose of purchasing material or services.

Contractor agreement – An agreement prepared by the Contractor and presented to the BWL for signature to consummate a purchase. Requires review by BWL General Counsel and only the General Manager is permitted to sign a Contractor agreement.

**PERMISSIBLE METHODS OF MAKING PURCHASES VALUED AT \$15,000 OR MORE BUT LESS THAN \$100,000**

Bid security may be required if deemed appropriate by the BWL Purchasing Department.

**COMPETITIVE RESPONSES**

**General Guidelines**

The following section describes the competitive bidding methods utilized for soliciting sealed responses for purchases valued at \$15,000 or more but less than \$100,000. Each step identified in these procedures must be documented and retained in the contract file in accordance with Procedure No. 5, Record Keeping.

**Solicitation of Competitive Responses**

The following are permissible methods of making purchases valued at \$15,000 or more but less than \$100,000 in accordance with Procedure 2 – Public Bidding:

- (a) Request for Quotations
- (b) Invitations to Bid
- (c) Request for Proposals

Purchases shall not be subdivided to avoid this procedure.

Public notice is not required. Where practicable, the BWL shall solicit a minimum of three (3) quotations from prospective contractors, including a Local business if one can be identified. Contractors will be identified from the BWL’s pre-qualified lists, the BWL’s contractor database, and other applicable sources.

The BWL may modify a solicitation in the form of an addendum, which shall be sent to all bidders receiving a solicitation. The bidder shall identify the addendum in its competitive response. The addendum shall be documented and retained in the contract file.

**Responses to Solicitations:**

Contractors may respond to BWL solicitations by mail, email or facsimile when sealed responses are not required. Sealed responses must be provided by mail or emailed to sealedbids@lbwl.com The responses must be identified as quotations/bids/proposals and accompanied by any required affidavit or security identified in the solicitation.

The BWL may permit the modification or withdrawal of a quotation at any time before the proposals or bids are due upon the written request of an authorized representative of the responsive Contractor.

If a Contractor makes a material error in a quotation that is discovered before award, the Contractor will be permitted to withdraw the quotation without penalty. A Contractor will not be permitted to correct a mistake in a manner improving its competitive position. No material change may be made to a quotation after award without the BWL's express written consent.

### **Evaluation of Responses**

Responses shall be evaluated in accordance with Procedure 3, Public Bidding.

The BWL may, in its discretion, seek clarification from responsive bidders. The clarification request must be documented and retained in the contract file.

If, after the solicited responses have been received and evaluated, the Designated Evaluator(s) determines that it is in the best interest of the BWL to make a material change in specifications, all responses must be rejected and a new solicitation sent out.

The BWL may reject any or all responses, waive irregularities or technicalities in any quotations, and accept any response in whole or in part.

### **Award of a Competitive Response**

Once the Designated Evaluator(s) fully evaluate the responses, they shall prepare a written statement selecting the recommended response and detailing the reasons for the recommendation. The written statement will be made available for public inspection through the Freedom of Information Act.

### **Consummation of the Purchase**

Purchases of materials and services valued at \$15,000 or more but less than \$100,000 may be consummated by:

- (a) A standard contract, including purchase order, using BWL standard terms and conditions previously approved by the BWL General Counsel.
- (b) A contract, using non-standard terms and conditions specifically approved by the BWL General Counsel for a specific purchase. An agreement prepared by a Contractor may contain terms and conditions that do not conform to BWL standard terms and conditions and therefore require approval by the BWL General Counsel and can only be signed by the General Manager or designee.

### **LOCAL PREFERENCE**

When the BWL sends out a request for proposal or quotation valued less than \$100,000 but greater than \$15,000, the BWL is encouraged to solicit at least one (1) response from a Local business, unless no such business can be identified after a good faith effort.

The BWL may also take affirmative measures to enhance the ability of Local businesses to receive solicitations. Such measures may include, but are not limited to the following:

- (a) The BWL may eliminate bid security requirements (if applicable) where deemed appropriate.
- (b) The BWL may eliminate performance and payment bonding requirements (if applicable) where deemed appropriate, except for construction contracts over \$50,000.
- (c) The BWL may allow for joint ventures or other documented business arrangements to enable Local Businesses to meet bonding requirements for construction contracts over \$50,000.



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| <b>Procurement Procedures</b>                              | <b>Effective: 07/01/2016</b> |
| <b>Procedure 15 Purchases Valued at Less than \$15,000</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes permissible methods for purchasing materials and services valued at less than \$15,000.

**DEFINITIONS**

Direct Payment – means 1) a method used by BWL’s General Accounting-Accounts Payable to streamline the payment process for specific items defined in this procedure, and 2) a method used by BWL departments to authorize payment by General Accounting-Accounts Payable for specific items that are not covered by the BWL Procurement Policy.

Emergency – A sudden and unexpected situation beyond the control of the BWL that requires immediate action to protect the health, welfare or safety of individuals; to protect public property from damage or loss; or to prevent or minimize serious disruption of BWL services.

Local business (bidder) – means an entity with a plant or office located within the BWL’s service area for water, steam, electricity or such other utility services provided by the BWL.

SAP Contract – A framework or outline agreement established by the Purchasing Department to support repetitive purchases of materials or services. A SAP Contract is a unique transaction not to be equated with other types of purchasing contractual agreements.

Petty Cash – means a cash fund established in an amount approved by the General Manager or designee, used by authorized employees to make or provide reimbursement for small value, one-time purchases when immediate cash payment is the only accepted method of purchase.

Procurement card (P-Card) – means a credit card issued to specified BWL employees to make purchases of materials within that employee’s prescribed spending limits.

**GENERAL**

Authorized BWL employees may make purchases of supplies and services having an estimated cost of less than fifteen thousand dollars (\$15,000) in the open market without competitive quotations, unless it is in the best interest of the BWL to obtain competitive quotations. Individual purchases of a commodity or service that total more than \$15,000 annually will be evaluated by the Manager, Purchasing & Warehousing, to determine if competitive quotations are in the best interest of the BWL.

Prior to authorizing any service performed at the BWL, a purchase requisition must be entered into SAP and written purchase order must be issued to and acknowledged by a contractor. The BWL Purchasing Department must also have a valid insurance certificate on file for the awarded contractor. This is required to minimize risk to the BWL by establishing insurance requirements prior to the beginning of work.

Request for Quotations can be utilized in accordance with Procedure 2 – Public Bidding to obtain quotations. Public notice of purchases of material and services with a value less than \$15,000 is not required.

**PERMISSIBLE METHODS OF MAKING PURCHASES VALUED AT LESS THAN \$15,000:**

**Purchases of Materials**

Purchase Order. Purchases shall be made by entering a purchase requisition in SAP prior to the purchase and a written purchase order with standard BWL terms or non-standard agreement specifically approved by the BWL General Counsel will be issued. All purchase orders shall have documentation of the transaction in the PO file. Documentation shall be a quotation from the contractor including the name of the contractor representative, a description of the item, the price of the item, and any warranty information. Utilizing Purchase Orders is the preferred procurement method at the BWL.

Procurement Cards. P-Cards can be used for purchasing materials within the cardholders’ transaction limits, particularly when issuing a purchase order will not add value to the purchasing process, or the cost of a competitive bid and purchase order process outweigh any potential price saving. P-Cards may not be utilized if there are risks associated with the purchase that should be addressed by purchase order terms

and conditions or a non-standard agreement specifically approved by the BWL General Counsel. P-Card usage shall follow the instructions and regulations delineated in Procedure 19, Procurement Cards, and the P-Card User Manual. P-Card purchases may be made by telephone, internet, facsimile, or directly with the contractor. A receipt from the contractor is required as documentation of the transaction.

Non-standard Agreement. Some purchases may be unique and require a non-standard agreement (i.e. terms and conditions presented by a contractor). These non-standard agreements must be approved by the BWL General Counsel.

Petty Cash. Petty cash may be used only when no other method is available in accordance with Procedure 21, Petty Cash, and under the following conditions:

- (a) the purchase is valued at less than \$250, or at a limit determined by the Chief Financial Officer, and
- (b) no other permissible method, including P-Card, may be used to make the purchase, and
- (c) the purchase requires payment in cash at the time of purchase, and
- (d) the purchase is documented.

SAP Contract. A limited number of SAP Contracts may be issued for specific purchases as authorized by the Manager, Purchasing & Warehousing, when the nature of the purchase involves direct receipt of materials at BWL locations or other approved circumstances. The determination to issue a SAP Contract will be documented in writing by the Manager, Purchasing & Warehousing and shall include the business reasons that necessitate this type of purchasing method. The following conditions shall apply:

- (a) All purchases made under these contracts will be documented by a contract release with supervisory approvals and an invoice or receipt.
- (b) If the contract release is being charged to another department, the contract release shall be forwarded to a supervisor in the other department for approval.
- (c) Documentation in the form of an invoice or receipt will be reviewed by the initiator's supervisor(s) and then will be forwarded to General Accounting for record keeping.
- (d) General Accounting shall not pay for the material until they have received the approved invoice or receipt and matched it to the approved contract release.

#### **Purchases of Services:**

Purchase Order. All non-emergency purchases of services performed at the BWL must be made by written contract prior to giving verbal authorization to a contractor to perform the service. The actual performance of the service shall not take place prior to the written purchase order because the purchase of services involves assignment of risk and liability between a contractor and the BWL that is addressed by the purchase order. All purchases will be documented by a purchase requisition with appropriate approvals and an invoice and receipt.

In the event of an emergency service purchase, authorization to a contractor to perform work may be given prior to a written contract being issued. The BWL employee in need of the emergency service should enter a Purchase Requisition within twenty-four (24) hours after the emergency has been mitigated.

Non-standard Agreement. Some purchases may be unique and require a non-standard agreement specifically approved by the BWL General Counsel.

SAP Contract. A limited number of SAP Contracts may be issued for specific, repetitive services, and similar services performed at multiple BWL locations, as authorized by the Manager, Purchasing & Warehousing. The determination to issue an Open Contract shall be documented in writing by the Manager, Purchasing & Warehousing and shall include the business reasons that necessitate this type of purchasing method. The following conditions shall apply:

- (a) All purchases made under these contracts will be documented by a contract release approved by supervisory employees.
- (b) If the contract release is being charged to another department, the contract release shall be forwarded to a supervisor in the other department for approval.
- (c) Documentation in the form of an invoice or receipt will be reviewed by the initiator's supervisor(s) and then will be forwarded to General Accounting for record keeping.

- (d) General Accounting shall not pay for the service until they have received the approved invoice or receipt and matched it to the approved contract release in SAP.

P-Card. A P-Card may be used in the process of purchasing services under the following conditions in accordance with Procedure 19, Procurement Cards:

- (a) The P-Card may be used for payment of services performed at the contractor's site when terms and conditions are not necessary to reduce risk to the BWL and insurance certificates are not required prior to the start of work

Direct payment. BWL employees are permitted to request direct payments of specific items excluded from the Procurement Policy and Procedures because they are items with pricing that is not subject to competition. The check request form located on the General Accounting Intranet page shall be used by the appropriate department involved in the direct payment purchase. The check request shall be approved by an employee with the appropriate purchasing authority. An invoice or other documentation shall be provided to General Accounting-Accounts Payable prior to payment. The following are the specific items approved for this direct payment procedure.

- (a) Advertisements
- (b) Utility Bills, including gas, electric, water, sewage, local/cell phone service, and internet service
- (c) Charitable Sponsorships
- (d) Collective Bargaining Agreements
- (e) Conferences, Seminars, Tuition, and Training
- (f) Employment Contracts
- (g) Federal Express, UPS, US Postal Service, and other similar shipping
- (h) Intergovernmental or Inter-utility Agreements, including permits
- (i) Legal Services
- (j) Financial Services
- (k) Real Property, including Easements
- (l) Subscriptions, Publications, and Membership Dues
- (m) Travel Expenses
- (n) Workers Compensation Medical Payments and Medical Services
- (o) Purchases made pursuant to the Energy Risk Management Policy
- (p) Damage Claims, Government Fees, Penalties, Licenses, and Taxes

#### **LOCAL PREFERENCE**

When the BWL makes a purchase valued under \$15,000, the BWL is encouraged to obtain their purchase from a Local business.

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| <b>Procurement Procedures</b>                        | <b>Effective: 07/01/2016</b> |
| <b>Procedure 16 Disposition of Personal Property</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes methods for disposing of BWL surplus personal property.

**DEFINITIONS APPLICABLE TO THIS PROCEDURE**

Best available return - Recovery of as much of the BWL’s purchase investment as possible.

Competitive sale – means the sale of property through the use of: 1) sealed bids, with public notice, through a solicitation offered to at least two potential bidders where practicable, awarded to the highest bidder, and consummated with a sales agreement, or 2) public auction.

Disposition – transferring, trading-in, selling, recycling, or destroying personal property that is surplus or scrap.

Donation – transfer of personal property from the BWL to a non-profit agency, governmental entity or agency, or charity.

Hazardous waste- means an item or compound defined as “hazardous” by regulation or statute, which must be disposed of in accordance with applicable law.

Non-saleable – means personal property that has no material value in the open market.

Personal property – means a right or interest in all tangible items other than real estate.

Public notice – may include, but is not limited to, publication using the Internet, e-mail, and advertisement in various publications or electronic bulletin boards.

Public sale – a competitive bid or auction proceeded by public notice with award to highest bidder consummated with a sales agreement.

Recycling – means the re-use of materials for the manufacture of new products.

Saleable – means personal property having some material value in the open market.

Sales agreement – means a sales contract defining the seller’s terms of sale, signed by the buyer’s authorized representatives.

Scrap – means personal property that has no value except for its basic material content.

Sole source sale – means a negotiated sale to the only prospective buyer identified after a good faith effort to identify multiple prospective bidders, consummated with a sales agreement.

Surplus – means personal property that the BWL cannot use or the cost of selling or relocating the property is greater than its value.

Trade-in – means property given to a Contractor in exchange for credit when new property is purchased from the Contractor.

Trash disposal – means the process of moving waste to an appropriate disposal facility.

Warranty – means assurance by the seller that the goods to be sold are as represented or will perform as promised.

**GENERAL**

The disposition of surplus BWL personal property must comply with BWL policy, the Lansing City Charter, sales tax requirements, any applicable BWL safety, environmental, or hazardous material-handling procedures, and federal or state law.

BWL employees may only acquire surplus BWL personal property through a competitive sale or disposition, which is open to the public.

The disposal process must be documented and available for public inspection.

Methods of disposal using fair and open competition are always preferred to achieve the best available net return when selling saleable items, and best value when disposing of non-saleable items. Competitive sale or

disposition is accomplished by public auction or by public notice and sealed bids solicited from at least two (2) buyers where practicable, awarded to the highest bidder.

## **AUTHORITY**

The General Manager shall have the authority to dispose of personal property purchased by the BWL. The General Manager's designee is a BWL employee with delegated authority to approve the sale of BWL personal property.

BWL Procedure 1, Delegation of Authority, documents the General Manager's delegation of authority to the Manager, Purchasing & Warehousing.

The General Manager and the Corporate Secretary are authorized to sign sale contracts.

## **PERMISSIBLE METHODS OF DISPOSITION OF PERSONAL PROPERTY**

The BWL shall:

- make a good faith attempt to use all personal property within the BWL system before recommending disposal;

- identify in writing personal property that can no longer be used within the BWL system and is no longer required for the operations of the BWL;

- make a written determination of whether or not the property is saleable or non-saleable;

- provide public notice of a minimum of fifteen (15) calendar days.

- conduct a competitive bid process or negotiate for the best value in disposing of the surplus property,

- prepare a sales or disposal agreement incorporating the conditions of sale listed below, as appropriate.

- consummate the sales or disposal agreement,

- assure that proceeds from the disposition of property are credited in accordance with BWL accounting procedures.

If the property is saleable, select one of the following disposal options, as most appropriate:

- (a) Competitive sale (including auction)
- (b) Sole source sale
- (c) Trade-in
- (d) Donation
- (e) Scrap

If the property is non-saleable, select one of the following disposal options, as most appropriate:

- (a) Recycling
- (b) Hazardous waste removal
- (c) Donation
- (d) Trash disposal

## **CONDITIONS OF SALE**

Conditions of sale should be included in public notice, solicitations, notices posted at the site of a sale, and in the sales agreement.

Conditions of sale may include, but are not limited to:

- (a) a description of the property;
- (b) a statement that it is the buyer's responsibility to remove the property within a stipulated time after the purchase agreement is signed;
- (c) a statement that the BWL takes no responsibility and makes no warranty or guarantee for property sold;

- (d) a listing of major defects, if known, and the statement that the BWL makes no claim that all defects are known;
- (e) the statement that all sales are final. No sale will be invalidated by defects discovered after the sale;
- (f) the requirement that an authorized representative of the buyer sign a sales agreement in a form approved by BWL General Counsel;
- (g) the requirement that payment will be made in cash or other approved methods of payment; and
- (h) a statement that the BWL will collect sales tax unless the buyer provides a copy of their sales tax exemption form.

### **CONTRACT**

A sales agreement approved by the BWL General Counsel must be used to consummate the sale of personal property.

The Manager, Purchasing & Warehousing, with review by BWL General Counsel, is authorized to prepare sale contracts and associated documents for personal property that has been approved for sale.

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| <b>Procurement Procedures</b>     | <b>Effective: 07/01/2016</b> |
| <b>Procedure 17 Award Appeals</b> | <b>Replaces: 01/03/2011</b>  |

## **PURPOSE**

This procedure establishes methods for appeal of a contract award recommendation or contract award.

## **DEFINITIONS**

Award – acceptance of a bid, proposal, or quotation by the BWL, formalized by the presentation of a contract to the selected Contractor.

## **GENERAL**

Only a Contractor who submitted a bid, proposal, or quotation and was determined to be responsive may protest an award recommendation or contract award. Manufacturers or Contractors selling through distributors, or businesses listed as subcontractors in a Contractor's proposal may not appeal.

## **METHOD OF APPEAL**

The Contractor must follow these steps to appeal:

- (a) The Contractor must submit a written appeal to the Chief Financial Officer within fifteen (15) calendar days after the day the award recommendation or award was made. If the fifteenth day is a Saturday, Sunday or legal holiday, the date shall be extended to the next business day.
- (b) The written appeal should include the BWL bid, proposal, or quotation name or number and state the facts believed to constitute an error in the award recommendation or contract award, and the Contractor's desired remedy.

The Chief Financial Officer will acknowledge receipt of the appeal to the Contractor in writing.

The Chief Financial Officer will investigate the facts provided by the Contractor and make a written decision. If the Chief Financial Officer requires more information from the Contractor, an informal meeting will take place before a decision is issued. The Chief Financial Officer will mail the decision to the Contractor.

The Contractor may appeal the decision of the Chief Financial Officer or designee by making a written request to the BWL's Corporate Secretary within seven (7) calendar days after the day the decision was mailed to the Contractor. The BWL's Corporate Secretary will forward the appeal to the BWL Commissioners.

The BWL Commissioners will review the Contractor's appeal and the Chief Financial Officer's written statement of decision to determine if the Chief Financial Officer's decision was supported by competent evidence.

The decision of the BWL Commissioners shall be final.

## **ITEMS EXCLUDED FROM APPEAL**

An appeal cannot be made if a Contractor is determined to be non-responsive unless the Contractor specifically seeks and receives permission from the Chief Financial Officer to bring the appeal. The following are examples of non-responsiveness:

- (a) Failure of a Contractor to properly complete sealed bid or sealed proposal instructions;
- (b) Failure of a Contractor to submit sealed bids or sealed proposals on time;
- (c) Failure of a Contractor to provide documents required by sealed bids or sealed proposals by the date and time specified;
- (d) Failure of a bidder to provide required bid security or required bonds by the date and time specified; and
- (e) Failure of a bidder to submit an appeal within the time defined in this procedure.

The Chief Financial Officer has discretion to permit the appeal of non-responsive bids, proposals, or quotations, but will only do so if he or she determines that the appeal is in the BWL's best interest. The failure of a Contractor to submit sealed bids or proposals on time can never be appealed for purchases valued at \$100,000 or more.

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| <b>Procurement Procedures</b> | <b>Effective: 07/01/2016</b> |
| <b>Procedure 18 Debarment</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes permissible methods for debarment of a contractor.

**GENERAL**

The BWL may bar a business from consideration for award if, within the past three (3) years, the contractor, an officer of the company, or an owner of a 25% or more share of the business meets the following criteria, or additional criteria as may be added to this procedure.

- (a) Been convicted of a criminal offense incident to the application for or performance of a contract or subcontract;
- (b) Been convicted of any offense, which reflects on the contractor’s business integrity, such as embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes;
- (c) Failing to substantially perform a BWL contract or subcontract according to its terms, conditions, or specifications within specified time limits;
- (d) Failure to comply with the solicitation process or violating the terms of a solicitation after bid or proposal submission;
- (e) Past or current default to the City of Lansing or the BWL; and
- (f) If, in the General Manager’s discretion, it is in the best interests of the BWL to bar the contractor from consideration for award.

**METHODS**

Solicitations for bids, proposals or quotations may require that responsive entities provide information concerning any of the criteria listed above. In addition, at any time during the competitive solicitation process or the life of a resulting contract, the BWL may require additional information related to the criteria listed above. The failure to fully and timely provide that information is sufficient grounds for the BWL to reject a bid, proposal or quotation, deem a contract to be in material breach, and bar the entity from further contracting with the BWL until the information is provided.

The Chief Financial Officer or designee will investigate the facts regarding the potential debarment and make a written decision. If the Chief Financial Officer requires more information from the Contractor, an informal meeting will take place before a decision is issued. When the Chief Financial Officer finds that debarment is appropriate, the BWL will send the contractor a written notice of proposed debarment. The debarment period may be of any length, but usually will not exceed three years.

The Contractor may appeal the decision of the Chief Financial Officer or designee by making a written request to the BWL’s Corporate Secretary within seven (7) calendar days after the day the decision was mailed to the Contractor. The BWL’s Corporate Secretary will forward the appeal to the BWL Commissioners.

The BWL Commissioners will review the Contractor’s appeal and the Chief Financial Officer’s written statement of decision to determine if the Chief Financial Officer’s decision was supported by competent evidence.

The decision of the BWL Commissioners shall be final.

After the debarment period expires, the Contractor may reapply for inclusion on bidder lists through the regular application process.



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| <b>Procurement Procedures</b>         | <b>Effective: 07/01/2016</b> |
| <b>Procedure 19 Procurement Cards</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes guidelines to supplement the P-Card Manual regarding the proper use of BWL-issued credit cards.

**DEFINITIONS**

Account Maintenance Form – the form used to make changes to the credit card holder’s account.

Emergency – A sudden and unexpected situation beyond the control of the BWL that requires immediate action to protect the health, welfare or safety of individuals; to protect public property from damage or loss; or to prevent or minimize serious disruption of BWL services.

Procurement Card (P-Card) – is a method of making purchases using a credit card issued to the BWL and assigned to specified BWL employees. It is used to make purchases of approved services and materials within that employee’s prescribed spending limits.

Procurement Card (P-Card) Authority – a type of purchasing authority delegated by the General Manager to specified employees by issuance of a BWL P-Card. BWL employees who are issued P-Cards have authority to make business related purchases within specified dollar and transaction limits in accordance with applicable policies, procedures, and manuals.

Program Administrator – an employee in the BWL Purchasing Department that will handle daily administrative activities regarding the P-card program.

**DELEGATION OF PROCUREMENT CARD (P-CARD) AUTHORITY**

BWL management shall approve the issuance of a P-Card for specific employees under their supervision, with concurrence of the Chief Financial Officer.

A P-Card may be issued to an employee with job responsibilities that can be met by the use of the P-Card. BWL Management has determined the following transaction limits for cardholders:

| <b>Employee Classification</b>        | <b>Single Transaction Amount Limit</b> | <b>Cycle (Monthly) Amount Limit</b> | <b>Daily Transaction Limit</b> | <b>Cycle (Monthly) Transaction Limit</b> |
|---------------------------------------|--|-------------------------------------|--------------------------------|--|
| General Manager                       | \$100,000                              | \$100,000                           | 10                             | 50                                       |
| Chief Financial Officer               | \$100,000                              | \$100,000                           | 10                             | 50                                       |
| Executive Directors                   | \$25,000                               | \$50,000                            | 10                             | 50                                       |
| Directors                             | \$10,000                               | \$25,000                            | 10                             | 50                                       |
| Manager                               | \$5,000                                | \$10,000                            | 10                             | 50                                       |
| Supervisor / Non-Managerial Employees | \$1,000                                | \$5,000                             | 10                             | 50                                       |

Any exception to the limits stated above must be approved by the Chief Financial Officer.

See the Procurement Card Manual for detailed information.

**GUIDELINES FOR APPROPRIATE USE**

As with all methods for making purchases, P-Cards should be used only for reasonable, legitimate business expenses that directly and immediately benefit the BWL. Employees shall:

- (a) use discretion and common sense when using their P-Cards.
- (b) be frugal with public funds and avoid purchasing unnecessary items.
- (c) consider how it would look if the purchase were reported in the newspaper.
- (d) not use the P-Card if they are not sure the use is appropriate.

- (e) not use the P-Card to pay for any of the items set forth in the “Prohibited Uses” section of this procedure:

Each individual P-Card transaction must not exceed the employee’s preset limit (including shipping), based on current purchasing authority. Transactions greater than the employee’s limit will be denied at the point of sale (this includes any shipping or handling charges that may apply). It is not permissible to make multiple charges in the same day to the same merchant in order to facilitate a charge exceeding the employee’s spending limit. Attempts to circumvent this policy will be monitored and may result in card revocation.

The Procurement Policy requires that purchases of \$15,000 and over have three competitive bids. Non-managerial employees are not permitted to use their P-card for purchases over \$1,000. Purchases that exceed \$1,000 can be made utilizing the P-cards of managerial employees under approved special circumstances (i.e. travel, office supply orders) and in emergency situations.

The purchase of services should not be made with a P-card, unless it is an emergency situation. In the event of an emergency, the BWL employee is able to use their P-card but, if possible, should also consult with the Purchasing Department to verify that the appropriate insurance requirements are on file.

In conjunction with the employee’s per transaction limit, each card will have a monthly spending limit. The Manager, Purchasing & Warehousing and the employee’s supervisor will set the monthly spending limits based on current needs. If an employee’s monthly limit needs to be increased, the employee and the employee’s supervisor must sign an Account Maintenance Form and send it to the Program Administrator. All limit changes must be approved by the Chief Financial Officer.

The BWL is tax exempt and our Federal Tax Identification Number (38-6005774) is embossed on the bottom line of the P-Card. It is the employee’s responsibility to ensure that tax is not charged. If tax is charged, the employee should contact the merchant and request a credit for that amount.

Only the authorized cardholder may use the card. Delegation of authority is not permitted. Merchants require that the signature on the card match the signature on the receipt. P-Cards should always be treated with at least the same level of care as employees’ own personal credit cards. Cards should be kept in an accessible, but secure location. If the cardholder is absent from the office for an extended period, depending on the situation, the manager may request that a new card be issued to a different person assuming the responsibilities.

Managers are required to monitor P-Card use in their areas to confirm appropriate usage, and sign the reconciliation reports of the employees under their supervision on a monthly basis. Managers must ensure that their employees with assigned P-Cards are trained, familiar with the P-Card manual, and understand the appropriate uses of the P-Card.

Report lost or stolen P-Cards to the Program Administrator.

Managers are responsible for informing the Program Administrator, as soon as possible, of any change of employee status, included but not limited to:

- (a) Transfer to a different BWL department;
- (b) Termination of employment;
- (c) Job responsibilities no longer require the use of the P-card.

The Program Administrator will deactivate the P-card as soon as notice has been provided that there has been a change to an employee’s status at the BWL. The P-card shall then be returned to the Program Administrator for destruction.

## **PROHIBITED USES**

The following items are strictly prohibited from being purchased on the P-Card:

- (a) Alcohol (consumable);
- (b) Cash advances;
- (c) Drugs/Narcotics (controlled or other);
- (d) Gas cylinders (due to associated demurrage charges);
- (e) Personal purchases (even if the intent is to repay the BWL);
- (f) Radioactive material;

(g) Non-Emergency services performed on BWL or Customer property.

**TRAINING**

No BWL employee shall be issued a P-Card without completing P-Card Training provided by the staff of the Purchasing & Warehousing Department. Training sessions shall include a review of this procedure, as well as, training on how to reconcile P-card transactions in the BWL P-card System.

**CONSEQUENCES FOR MISUSE**

Misuse or fraudulent use of the P-Card may result in disciplinary action and possible termination of employment. A manager's failure to monitor P-Card use monthly may also result in disciplinary action and possible termination. Managers shall conduct periodic reviews of P-card use by employees under their supervision.

**AUDITS**

The Manager, Enterprise Risk Management, may conduct audits of P-Card usage.

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| <b>Procurement Procedures</b>            | <b>Effective: 07/01/2016</b> |
| <b>Procedure 20 Multi-Year Contracts</b> | <b>Replaces: 01/03/2011</b>  |

**PURPOSE**

This procedure establishes permissible methods for purchasing materials and services using multi-year contracts.

**DEFINITIONS**

Fiscal year – The BWL’s one-year budget period from July 1 to June 30. Expenditures are approved only for the currently budgeted fiscal year.

Multi-year contract – A contract with a term exceeding twelve (12) consecutive months.

**GENERAL**

The BWL may authorize multi-year contracts.

Before authorizing a multi-year contract, the BWL must determine that:

- (a) the estimated requirements for the purchase of materials or services cover the term of the contract and are reasonably firm and continuing; and
- (b) such a contract will serve the best interests of the BWL by allowing the consolidation of annual requirements to improve purchasing power, reduce administrative overhead, or otherwise promote savings for the BWL; and
- (c) such a contract will not adversely affect competition; and
- (d) The General Counsel shall be responsible to approve all multi-year purchase and sale contracts. Standard terms and conditions approved by the General Counsel shall be deemed approved. Before entering into a multi-year purchasing or sale contract including terms other than standard terms and conditions, the BWL employee with designated authority shall submit the contract to the BWL Counsel for review.

The BWL may enter into a contract for any period of time deemed to be in the best interests of the BWL. However, the BWL recognizes that contracts with a term exceeding three (3) calendar years may adversely impact competition. Therefore, the BWL shall report all contracts with a term exceeding thirty-six (36) consecutive months to the BWL Commissioners on an annual basis.

**SOLICITATION AND CONTRACT**

Multi-year bid solicitations shall include the initial contract term and conditions of renewal or extension. In addition, bidders shall be notified that the BWL’s payment and performance obligations for fiscal years beyond the initial fiscal year are subject to the availability of funds. Solicitations and Contracts shall include a 30-day notice of cancellation at the end of each fiscal year.

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| <b>Procurement Procedures</b>  | <b>Effective: 04/01/2016</b> |
| <b>Procedure 21 Petty Cash</b> | <b>Replaces: 01/03/2011</b>  |

**GENERAL**

BWL employees shall use Petty Cash in accordance with the Petty Cash Responsibilities document approved by the Manager of Finance & Planning and the Manager of General Accounting.

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| <b>Procurement Procedures</b>                         | <b>Effective: 07/01/2016</b> |
| <b>Procedure 22 Equipment Demonstration/Trial Use</b> | <b>Replaces: NEW</b>         |

**PURPOSE**

This procedure establishes permissible methods for managing risks involved with equipment demonstrations.

**DEFINITIONS**

**EQUIPMENT DEMONSTRATION – EQUIPMENT PROVIDED BY A VENDOR TO BE UTILIZED BY THE BWL ON A DEMONSTRATION OR TRIAL BASIS TO GAIN FAMILIARITY WITH THE PRODUCT.**

**GENERAL**

- (a) When equipment is left by a vendor or potential vendor for demonstration or testing purposes, they should be informed that the BWL assumes no responsibility for its loss or damage from any source and that if a purchase is made as a result of this demonstration, the equipment so purchased shall be new, unused and (when appropriate) in original unbroken condition, not the equipment demonstrated unless used items are specified in the request prior to the event of the demonstration and cost reflects the applicable depreciated cost.
- (b) A demonstration is a short term event. It is completed within a period no greater than 3 months, does not include training, and the equipment leaves BWL property after the demonstration. There should be no cost or obligation to the BWL associated with the demonstration.
- (c) Equipment left in the custody of the BWL is considered to be on loan. If equipment remains on BWL property for testing after a demonstration conducted or performed by the vendor or potential vendor, the vendor or potential vendor must agree to the BWL’s standard Terms and Conditions approved by BWL General Counsel, which will be supplemented with written documentation that fully describes the equipment, its estimated value and duration of the loan.
  - a. The vendor or potential vendor must provide appropriate insurance coverage and evidence of such coverage with acceptable insurance certificates.
  - b. Certain situations will be exempt from requiring a written agreement between the vendor or potential vendor and the BWL, which will be as determined by the Manager of Purchasing and Warehousing:
- (d) Clients and/or BWL employees are prohibited from signing or agreeing to any documents related to the demonstration or loan without prior approval from the Manager of Purchasing and Warehousing.
- (e) If a decision is made to purchase the type of equipment demonstrated, such purchase will continue to be subject to the Procurement Procedures.