



# Administrative Directive

<b>Title:</b> Purchasing and Payment Requirements		<b>Index Number:</b> AD 4.08
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## 1.0 **Purpose and Need**

The Finance Department/Purchasing Division ("Purchasing Division") is responsible for establishing procedures that the City follows for purchasing goods and services. The Finance Department/Comptroller's Division/Accounts Payable Unit ("Accounts Payable") is responsible for paying vendors. This administrative directive will identify procedures and financial requirements designed to provide fiscal control and accountability for purchasing and payments.

## 2.0 **Administrative Directive**

To ensure compliance with all provisions of law, agencies and departments shall administer their encumbrance and expenditure financial activities in accordance with this directive.

## 3.0 **Purchasing Division Requirements**

- A. The Purchasing Agent has authority for purchasing all goods and services for the City, exclusive of the Virginia Beach City Public Schools. To the extent permitted by law, the Purchasing Agent may delegate the authority to directly purchase goods or services. The Purchasing Agent may rescind delegated authority if procedures and sound business practices are not followed.
- B. The Purchasing Agent has delegated to all City Department Directors the authority to purchase goods and/or services up to and not exceeding \$1,000 per purchase transaction. A department may be granted procurement authority in excess of \$1,000 upon the written approval of the Purchasing Agent.
- C. The Purchasing Manual, located on BEACHnet/Finance page, provides a general guide to the City's procurement procedures for all City members. Other administrative directives provide information on specific procurement topics as needed. Procurement training is offered on a regular basis through the City of Virginia Beach Training Catalog and is a requirement for all departments. If a member or department requires additional information or answers to questions not covered in the administrative directives or Purchasing Manual, the member or department should contact the Purchasing Division directly.
- D. All departments must process requisitions and purchase orders for goods and services valued over \$1,000 through ViBES, the Virginia Beach Enterprise System, unless specifically authorized by the Purchasing Agent. Departments are expected to originate requisitions and, when appropriate, auto-create purchase orders using ViBES. The Purchasing Division will not provide ViBES data entry services for departments.
- E. Other departments may have budget or asset management requirements not included in this directive. For example, the Communications and Information Technology (ComIT) department has additional software, hardware and computer peripherals requirements posted on BEACHnet, and within the Purchasing Manual.
- F. Department members may apply for the City's Procurement Card (VB ProCard) through the Accounts Payable Unit. VB ProCards are issued to individuals who are responsible for the card's security and proper use. Additional department and individual requirements are listed in the City Procurement Card Manual on the BEACHnet/Finance page.

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### 3.1 **Order Planning**

- A. All goods and services purchased by a department must be necessary for the department to carry out its mission. Departments may not obligate for the expenditure of money except in accordance with the annual appropriation ordinance or legally enacted supplement or resolution enacted by the City Council.

Departments are prohibited from purchasing items for member personal consumption or for use in an unofficial capacity, even in cases where the member will provide reimbursement to the City. Items that should not be procured for exclusive member use, in an unofficial capacity, or outside of a department approved recognition plan, include but are not limited to: golf greens fees or cart rentals, golf equipment, microwave ovens, coffeepots, personal heaters, fans, refrigerators, textbooks for tuition reimbursable classes, bottled water, barber or salon services, personal entertainment such as movies, cable fees, theater, health clubs, night clubs or bowling, personal toiletry articles, medicines, other personal items, airline or trip insurance, passports, money orders, personal postage, reading materials, personal sight-seeing items, childcare, parking or moving violation fines, bail or legal fees, donations or charitable contributions, personal vehicle repairs or towing, or ATM or banking service fees.

If there are questions about the appropriateness of any purchase, the Purchasing Agent should be contacted for approval prior to purchase.

- B. It is the responsibility of all members to promote competition wherever practicable and conduct procurement procedures in a fair and impartial manner with the avoidance of any impropriety or the appearance of impropriety.
- C. No bidders may be arbitrarily or capriciously excluded. It is the City's policy to contribute to the establishment and strengthening of businesses owned by minorities. Departments should encourage small, minority and women-owned business participation in City procurement activities. The Purchasing Division maintains a list of vendors who have indicated that their firm is a minority, small or women-owned business for department reference.

### 3.2 **City Contracts and Internal Services**

- A. Only the Purchasing Agent, the City Manager or his designee may execute contracts on behalf of the City. All City Manager designations must be formalized in writing.
- B. Departments are required to use established City-wide contracts for goods and services. A listing of current contracts is available on the BEACHnet/Finance page. Exceptions to use of City-wide contracts must be approved by the Purchasing Agent prior to initiating procurement. If there are questions on the specifications of the items or terms of the agreement, contact the Purchasing Division.
- C. Departments are required to use internal service providers. Agencies such as Communications and Information Technology, City/School Printing and Mail Services, Parks and Recreation/Landscape Services, Public Works/Automotive Services or Public Works/Building Maintenance Division (carpentry, painting, electrical or maintenance units) are examples of a few internal service provider divisions. If an internal service provider cannot accommodate or contract for the department's needs, the internal service provider will grant permission to the department to procure outside services, in accordance with purchasing procedures.

### 3.3 **Department Consultant Use Requirements**

On the BEACHnet/Finance page, the Consultant Policy Report provides direction to departments regarding retaining consultants. Consultants should be used only for a limited or specified time when the necessary skills are unavailable in the City or when necessary staff is not available.

- Before initiating procurement, the department shall evaluate the in-house ability, including other departments, to perform all or part of the needed work on a timely basis without adding City staff.

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### 3.3 **Department Consultant Use Requirements** (continued)

- The department should identify the objectives and scope of services to be provided. If the services needed are in response to specific Council direction, the department should inform Council by letter or by briefing regarding this process, including information on the Request for Proposal scope of services.
- Departments must ensure that funds are budgeted for consultant services and ViBES purchase orders are created.
- The Department Director or designee shall appoint a department staff project manager for each consultant contract. All direction to a consultant, including consultants employed for specific Council-directed projects, shall be through the project manager only.

Departments must follow the procedures for procurement of professional services associated with Architectural and Engineering Services specified in Administrative Directive 6.05.

Departments in need of consultant services where the total cost of services does not exceed \$30,000 may solicit proposals if approval is first obtained from the Purchasing Agent. Departments are required to follow appropriate procurement procedures to engage a consultant at the lowest cost commensurate with the requisite knowledge, skills and abilities. Additional consultant service requirements are listed on the BEACHnet/ Finance page.

The Purchasing Division shall procure professional services expected to exceed \$30,000 through competitive negotiations. Departments must initiate a requisition to the Purchasing Division to begin the procurement process.

### 3.4 **Equipment, Goods or Service Leases**

Departments are not authorized to enter into lease agreements for equipment, goods or services. All leases for equipment, goods or services must be processed through the Purchasing Division. Any purchasing or lease agreement beyond the fiscal year creates a debt obligation. Departments are not authorized to create debt.

### 4.0 **Department Vendor Relations**

The City of Virginia Beach does not pay sales tax to Virginia vendors. However, all other taxes (i.e., lodging, meal, excise and those assessed by vendors outside Virginia) should be paid. Departments are asked to eliminate applicable Virginia sales tax from purchasing and payment documents. If there are questions, departments are encouraged to contact the Accounts Payable Unit.

Departments do not have the authority to establish lines of credit, letters of credit, apply for credit cards, establish store credit, establish bank services or establish investment accounts on behalf of the City with any vendor. Departments are prohibited from establishing bank accounts or from referencing the City Employer Identification number on individual banking accounts. The City Treasurer is responsible for banking and investment services, and the Finance Department is responsible for overseeing the City's procurement and payment card services.

To be paid by the City, vendors must have a completed Request for Taxpayer ID and Certification form on file with the Accounts Payable Unit. Departments may access a copy of this form on the BEACHnet/Finance page to provide to vendors. The Accounts Payable Unit will return payment requests to departments to obtain vendor certification forms prior to payment.

Vendors are encouraged to contact the department directly on all department initiated purchases and payments. Departments are responsible for providing vendors with assistance on purchases and invoices. Vendor consolidated invoices are encouraged to decrease the volume of invoices, and should be included as part of the payment terms of the purchase agreement. Departments should work with the Purchasing Division to establish consolidated invoicing services on new agreements.

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#### 4.0 **Department Vendor Relations** (continued)

Vendors should be responsible for providing their own billing and invoice preparation services. Departments should verify that original invoices prepared by the vendor contain a unique invoice number, invoice date, and reference the purchase order number, if applicable.

Departments and members performing procurement functions are obligated by professional ethics, the Virginia Public Procurement Act and the Conflict of Interests Act to decline personal gifts and gratuities from vendors. If there are questions about the application of these policies, please contact the City Attorney's Office.

Departments that are not satisfied with the performance of a vendor may report the vendor's non-responsive or non-responsible behavior to the Purchasing Division. Only the Purchasing Agent shall have the authority to debar a vendor and remove the vendor from the bidders list.

#### 5.0 **Department Payment Requirements**

- A. Department Directors or their designees may not approve a payment voucher, invoice or expenditure unless there are available funds. Additionally, Department Directors may not expend any funds for the construction of, or addition to, capital facilities without the project having been authorized and funds appropriated by City Council.
- B. It is the City's policy to pay in arrears for goods or services provided to the City. Limited exceptions, including some travel purchases and some VB ProCard purchases, are detailed in other Administrative Directives or Finance procedures. Departments wishing to pay vendors in advance of the City's receipt of the goods or services for all other purchases will need to request approval in writing from the Comptroller.
- C. Members of the City who are providing services for the City shall be paid through the Finance Department/Payroll Division ("Payroll Division"). Departments that contract directly with City employees must arrange for payment through the Payroll Division with the Payroll Administrator. It is the employee's responsibility to identify himself as a City employee when proposing to provide contracted services to any department, either directly or through a secondary employer. The employee must disclose all pertinent facts to the City Attorney's Office and obtain a written opinion from the City Attorney's Office regarding whether any of the following proposed contracts would be in violation of the Virginia Conflict of Interests Act:
  1. Any contract directly between the employee or his/her spouse and the City.
  2. Any contract between the City and a business for which the employee or his/her spouse works or which the employee or his/her spouse owns (either partially or entirely).
  3. Any contract between the City and a City contractor if a business for which the employee or his/her spouse works or which the employee or his/her spouse owns (either partially or entirely) is providing subcontracting services to the City contractor.

By making the request for an opinion, the employee authorizes the City Attorney's Office to disseminate the opinion as the City Attorney deems necessary and proper. The employee must provide a copy of the City Attorney's written opinion to the department with which he proposes to contract prior to execution of any contract. The employee may only provide contracted services if: (1) the services are not related to salaried duties; (2) the services are not provided during the employee's work hours; (3) the services are not provided to the employee's department; (4) the secondary employment has been authorized by the employee's department in accordance with HR Policy 1.03 Employment in Second Jobs; and (5) the City Attorney's Office has opined in writing that the proposed contract would not violate the Virginia Conflict of Interests Act. Failure by the employee to notify the department of current City employment or to follow the procedures detailed in this section may result in disciplinary action. Violation of the Virginia Conflict of Interests Act also could subject the employee to criminal prosecution and/or additional disciplinary action, up to and including termination of employment.

- D. Payments for goods and services are subject to federal tax reporting regulations for the City. Departments are required to issue payments for goods or services through VIBES accounts payable or through the VB Pro Card. Cash payments to vendors are restricted to non-recurring petty cash payments.

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- E. Departments are required to inspect and accept goods and/or services before making payments. Only authorized department staff may approve expenditure documents, certify the receipt of goods and/or services and certify that the expenditure is a proper charge. Department signature on the payment document certifies the accuracy of the information provided. No officer or employee may authorize a request for payment for which they have a direct monetary interest.
- F. Departments must submit original vendor invoices along with the department-completed payment voucher form to the Accounts Payable Unit for payment. The accounts payable stamp may be used in lieu of a payment voucher form. Payments without discounts are generally issued thirty (30) days after the latter of receipt of the invoice or receipt of goods or services. By state law, the City is required to promptly pay bills and invoices for goods or services. It is the department's responsibility to submit payment vouchers and vendor's invoices completely and correctly and within ten (10) days of receipt to the Accounts Payable Unit. The department should expedite processing payment vouchers after receipt and acceptance if there is a prompt payment discount offered by the vendor.
- G. Departments must prepare travel advance settlements, to be received by the Accounts Payable Unit within twenty (20) working days of the travel taken. Local mileage travel reimbursements must be submitted to Accounts Payable within a reasonable time frame, preferably no longer than six (6) months. However, any travel reimbursements that pertain to travel beyond the current fiscal year will not be reimbursed regardless of circumstances. Also, local mileage travel reimbursements up to \$50 can be, and is encouraged to be, paid from petty cash funds. Additional procedural guidance regarding travel is provided in the Administrative Directive 4.06 Member Allowable Travel and Related Cost.
- H. Departments are requested to direct vendors to the Accounts Payable Unit for issues with lost or destroyed checks. City Code section 2-191 Issuance of Duplicate Checks prohibits the Finance Department from issuing a duplicate check within thirty (30) days of issuance of the original check.

## **6.0 Emergency Purchases and Payments**

An emergency is a situation in which the immediate public health, safety or welfare is involved or the purchase is required to protect or preserve public properties without delay.

### **Emergency Purchases**

In all cases of emergency, the department shall submit to the Purchasing Agent a written report with all supporting purchasing documentation and signed by the Department Director. In cases where the emergency is within normal working hours, the department shall contact the Purchasing Agent. The Purchasing Agent will decide whether to purchase supplies or services or will provide authority to the department to purchase supplies or services. Department Directors are authorized to secure supplies or services for emergencies not within normal working hours.

### **Emergency Payments**

Departments should anticipate payment needs for vendors and employees. Immediate payments, meaning payments that must be generated within three (3) days of entry, require approval and authorization for processing by the Accounts Payable Supervisor. Immediate payments or check pick-up payments will not be considered for non-critical purchases or services. ViBES purchase order terms are vendor contractual obligations.

Emergency or rush payments, meaning next-day payments through ViBES, require the approval of the Comptroller or the Comptroller's designee. The Department Director or designee must provide a written justification identifying the extreme case of emergency.

The Purchasing Agent or the Comptroller may approve increasing the limits of the VB ProCard for emergency or critical applications. Departments will be required to submit a written justification identifying the unusual need.

## **7.0 Definitions**

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**Conflict of Interests Act for State and Local Government** - The Act addresses the financial interests of government officers and employees in transactions of, or contract with, their governmental agency. The Act also addresses the receipt of gifts by public employees, the use of confidential information not available to the general public, and the employment of relatives. (Virginia Code 2.2-3100 to 3127)

**Contract(s)** – For the purposes of this directive, an agreement between the City and a vendor where the vendor agrees to provide goods or services to the City. A contract generally establishes prices, terms, conditions, and the period covered. In purchasing, a contract may be referred to as a price agreement contract, a blanket contract, a purchase order, or a change order.

**Human Resources (HR) Policy** – The City of Virginia Beach Human Resources policy developed and administered by the Human Resources Department. HR Policy 4.02 addresses disciplinary action, and HR Policy 1.03 addresses employment in second jobs.

**Payment Voucher Form** – The City of Virginia Beach Accounts Payable Form that is completed and authorized by the department, attached to a vendor’s invoice and submitted to the Accounts Payable Unit. This form provides verification to the Accounts Payable Unit that the department received and accepted the goods or services and provides instruction to the Accounts Payable Unit regarding the account and amounts to be paid.

**Requisition** - The City’s official form to requisition goods and/or services.

**VB Pro Card** - The Virginia Beach Small Purchase Travel Card that is issued by the Finance Department to provide flexibility to members for City-related expenses. VB Pro Card Policies and Procedures are on BEACHnet/Finance and must be followed by all users.

**Vendor** – One who is selling something (labor or materials); a “seller.”

**Vendor’s Invoice** – The itemized billing document created by the vendor and containing detailed information on quantity, unit costs and total costs. Vendors are required to provide a unique invoice number on each individual vendor’s invoice. The vendor’s invoice is different from the vendor’s statement. A vendor’s statement is a financial summary of activity that lists all unpaid invoices, payments and balances due. The City does not issue payment based on a vendor’s statement.

**Virginia Beach Enterprise System, ViBES** – The City’s financial enterprise system, which contains financial and accounting data related to City purchases and payments.

**Virginia Public Procurement Act (VPPA)** – Code of Virginia sections 2.2-4300 through 2.2-4377 that governs purchasing transactions by localities.

Approved as to Content: Patricia A. Phillips 12/20/06  
Director, Department of Finance Date

Approved as to Legal Sufficiency: Leslie L. Lilley 12/26/06

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City Attorney's Office

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Date

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Chief of Finance and Technology

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