

**REQUEST FOR PROPOSALS (RFP)**  
**INTERNAL AUDITING SERVICES**  
**CITY OF MENLO PARK PURCHASING AND PROCUREMENT POLICY**  
**AND PROCEDURES**

Proposals due:  
3:00 PM Pacific Daylight Time (PDT) on  
September 7, 2018

Attn: Dan Jacobson, Finance and Budget Manager  
Finance Division  
701 Laurel St.  
Menlo Park, CA 94025  
[dcjacobson@menlopark.org](mailto:dcjacobson@menlopark.org)  
650-330-6649

Encl: City of Menlo Park Purchasing Policies and Procedures  
Agreement template

**Purpose**

The City of Menlo Park is soliciting proposals from qualified firms providing policy and procedure audits for Citywide practices regarding the City's Purchasing Policies and Procedures and to make recommendations for improvements to efficiency and effectiveness.

**Scope of Work**

The City of Menlo Park is seeking analysis of and recommendations for improvement to the City's Purchasing Policies and Procedures in the following aspects:

- Recommendations to update the current Purchasing Policies and Procedures to conform to Federal and State procurement standards
- Recommendations to conform to industry best practices in procurement
- Recommendations for improvement in process efficiency and end-to-end approval time
- Recommendations on adoption strategies for collective purchasing agreements with other local government agencies

**Schedule**

RFP issued	August 10, 2018
Due date	September 7, 2018
Estimated approval	September 28, 2018
Estimated engagement start date	January 15, 2019
Estimated engagement end date	June 15, 2019

**Request for Proposal content**

Proposals should contain, but need not necessarily be limited to, information regarding the following:

1. Eligibility – demonstrated ability and expertise regarding procurement policy and procedure audits.
2. A description of your firm's experience with procurement and purchasing audits, including a description of the scope of the audits performed.
3. A list of similar local government agencies and/or similar clients served by your firm.
4. Your staff assignments and availability to complete the audit on a timely basis, including:
  - a. Degree of participation of senior audit personnel to be assigned to the engagement.
  - b. Proposed frequency and type of contact with City personnel.
  - c. Availability of your staff to respond to questions within the scope of the engagement and the hourly charges, if any, for services outside the scope of the audit.
5. Audit firm staff stability history - what assurances can you provide the City regarding the assignment of your permanent personnel to the engagement.
6. Procedures used to transmit audit findings and recommendation/improvement to the policies and the reasons for them along with management recommendations to the responsible personnel within the City structure.
7. Detailed audit plan including time frame (preferably between January 15, 2019 to June 15, 2019, but the City may consider any time outside the above prior to signing of the contract).

8. Fee proposal to conduct the audit function, along with the fee schedule for additional services that may be required beyond the scope of the audit engagement. The proposal should also state that any increase in the audit fee will be immediately disclosed to the auditee's Finance and Budget Manager. This disclosure should include an estimation of the increased fees and the reason for the increase.
9. Estimated number of hours to complete the audit by classification of your employees, i.e. partners, senior, junior, and their hourly charge.
10. Detail of expenses expected to be incurred, i.e. hotel, mileage, per diem, telephone, etc.
11. Proposed form of reports and presentations to be produced and provided regarding findings and recommendations and related policy improvements.

Proposals should be no more than 10 pages in length.

### **Selection process**

Submit one electronic copy of the full RFP no later than September 7, 2018 at 3:00 p.m. PDT to:

City of Menlo Park  
Attn: Dan Jacobson  
701 Laurel St.  
Menlo Park, CA 94025  
[dcjacobson@menlopark.org](mailto:dcjacobson@menlopark.org)

All submittals received by the specified deadline will be reviewed by the City of Menlo Park for content, completeness, proposals and experience. After those firms deemed the most qualified are selected, further evaluation and interviews of the selected firms may be conducted as part of the final selection process. However, the City of Menlo Park reserves the right to complete the selection process without proceeding to an interview phase, and may choose to select the contractor based upon information supplied in the proposer's qualification statement.

The following criteria will be used to evaluate responses to this RFP:

1. Responsiveness to the RFP, breadth and depth of response
2. Reputation of the company, its subcontractors and key personnel
3. Satisfaction of prior and current clients (references)
4. Proven experience related to project responsibilities
5. Overall cost

For further information, please contact Patricia Barboza, Senior Accountant, at 650-330-6632 or [pobarboza@menlopark.org](mailto:pobarboza@menlopark.org).

### **Contract process**

The City intends to execute an agreement with the most qualified firm for an estimated term of January 15, 2019 through June 15, 2019. The agreement will be awarded at the recommendation of the City's Finance and Audit Committee and City Finance Division staff, and at the discretion of the City Manager or the Menlo Park City Council. The City of Menlo Park reserves the right to accept or reject any or all proposals received as a result of this request, to negotiate with any qualified source, or to cancel in part or in its entirety this RFP. Proposals and materials submitted will become the property of the City and will not be deemed confidential or proprietary and are subject to public record and may be released upon request.

# City of Menlo Park

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Department

Administrative Services Department

Subject

PURCHASING POLICIES  
AND PROCEDURES

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Approved by:

\_\_\_\_\_  
City Manager

Effective Date

03/16/2001

Procedure #

**FIN 2001-0001**

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### INTRODUCTION

This manual is a compilation of City policies and procedures to be used when purchasing supplies and materials, fixed assets and non-professional services. The purpose of the manual is to articulate those policies, responsibilities, and procedures, and to describe and explain the various forms involved, in order to create a procedural framework that will standardize the purchasing process throughout the City.

The manual is designed to serve as a general handbook which is applicable to all departments; divided into several sections, it can serve as either a detailed procedural breakdown or a quick reference. If departments wish to break the procedures down further, they are free to do so. If the methods or procedures outlined here are not applicable to the particular circumstances, the department may consult the Awarding Authority for the proper procurement procedure.

Section I provides general instructions on how to use the manual.

Section II is a glossary of terms that are used in the manual.

Section III offers general purchasing strategies for cost savings, which all personnel should consider whenever making a purchase.

Section IV is an overview of the purchasing process. It describes general tasks, providing procedural breakdowns for quick reference, look-up tables which list parameters for the different purchasing procedures, and descriptions of the various forms and their processing.

Section V contains detailed descriptions and step-by-step breakdowns of the vendor selection procedures.

Section VI contains detailed descriptions and step-by-step breakdowns of the purchasing procedures.

Section VII contains detailed descriptions and step-by-step breakdowns of the receiving procedures.

In addition, each subsection includes statements of general and specific policies relevant to the particular procedures.

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### SECTION I - GENERAL INSTRUCTIONS

All authorized personnel should familiarize themselves with this entire purchasing manual. Then one will already have had some experience with the reference and will know the locations of the information one needs to make a purchase. It will be especially helpful to become familiar with the general purchasing strategies so that one has a broad concept of the purchasing policy as more than just a means of obtaining equipment and services. Thereafter the manual can be used both as a quick reference and as a procedural check.

The format of this manual is such that terms are not repeatedly defined but are instead listed in a glossary (Section II). In order to use this manual efficiently, personnel should fully understand these definitions.

### SECTION II - DEFINITION OF TERMS

This section provides definitions of terms used in the manual which may need clarification.

**Awarding Authority.** The Awarding Authority is determined by the amount of the purchase. He or she must approve of the need to purchase an item or service before initiating procurement action and has the authority to award bids. After a vendor receives a bid award, the authority must also give the final authorization to process the purchase.

**Bid.** A bid is a proposal submitted by an outside firm in response to a department or City request. A bid includes price quotations, terms and conditions, such as freight or other charges, and detailed descriptions of the item(s) or service(s) which the firm will provide should they receive the bid award.

**Bidders' List.** A bidders' list is a list of potential bidders for a particular service or product. It should include a breakdown of qualified and disqualified bidders (see Qualified Bidder). Such lists should be maintained by the Requesting Departments.

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The **Bid Waiver**. The bidding process may only be waived with the approval of the proper Awarding Authority and the completion of a Bid Waiver Form and even then only under particular conditions:

- a) The purchase must be executed immediately for the continued operation of a department, for the health, safety, and welfare of people, or for the protection of property.
- b) There is only a limited number of suppliers willing or capable of making a bid.
- c) Clear and accurate specifications or technical requirements for the material, product, or service are not available.
- d) It is necessary in order to maintain standardization, quality, or other considerations.
- e) There is insufficient time to carry out the bid procedure.

**Consolidation** Consolidation is the combining of requirements in order to take advantage of quantity pricing or "buyer's markets".

**Credit Card**. See Purchasing Card.

**Data File**. A data file is a list of pre-qualified consultants for various types of recurring professional services. Such lists should be kept by the Requesting Departments.

**Evaluation**. Evaluation is a part of the vendor selection process in which submitted bids are analyzed to determine the lowest or best received.

**Fixed Asset**. A fixed asset is a piece of equipment or furniture with a total cost (value), including taxes and shipping and installation, of at least \$1,000 and has an estimated life of at least three years. Every fixed asset must have a registration sticker attached and a completed information sheet on file with Finance.

**Formal Bidding**. Formal bidding is the vendor selection process used for purchases over \$25,000. Bid invitations must be publicly announced, and submitted bids must be sealed and then opened only at a specified, advertised time and place. Any deviation from such procedure must first be reviewed and approved by the City Council.

**Informal Bidding**. Informal bidding is the vendor selection process used for selected purchases under \$25,000. Bid invitations need not be publicly announced, but bid submissions must be in written form.

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**Pricing.** Pricing is the process of obtaining complete quotations from qualified vendors in the vendor selection process.

**Purchasing Card.** Is a restricted use credit card issued to selected employees to streamline the purchasing process. The purchasing card should be used when ever possible. Each individual card has specific restrictions on the type and dollar amount of permitted purchases.

**Qualified Bidder.** Bids will only be awarded to qualified bidders. Qualification is based on:

- a) The quality, suitability, and efficiency of the product or service offered and its conformity with the requested specifications;
- b) Delivery, local-vendor sales tax revenues, restocking fee for returned items, discounts, and any other conditions outlined in the bid;
- c) The reputation of the equipment, the service reputation of the bidder, and all information and data in support of the responsibility of the supplier.

A bidder may be disqualified and removed from the bidders' list for a period of up to two years for unsatisfactory service.

Individual departments can take any other measures as they see fit.

**Qualified Consultant.** A qualified consultant is a person or organization proven to have the knowledge, technical capability, facilities, and manpower needed to meet the provisions of the proposal and subsequent negotiations.

**Requesting Department.** The Requesting Department is the department for which the products or services are being purchased. Each department is responsible for its own purchase requests and is thus responsible for properly completing the request forms in compliance with the purchasing procedures.

**Review Board.** A Review Board, comprised of at least three people appointed by the Department Head and approved by the City Manager, handles the review, negotiation, and selection of specific consultant contracts.

**Sourcing.** Sourcing is the collection of appropriate vendors who may be contacted to provide quotations.

**Value.** Total cost to acquire goods or services. Including, taxes, shipping and installation. Credit received for trade-ins should not be considered when determining value.

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### SECTION III - GENERAL PURCHASING STRATEGIES FOR COST SAVINGS

#### 1. COMPETITION

It is possible to achieve considerable savings by relying upon the competitive nature of businesses. Businesses attempt to increase profits by cutting prices below competitors. The City can take advantage of this fact by comparing prices among several vendors.

The most common method of price comparison is a bid (Section IV), either formal or informal. Through bids, the purchaser receives price quotations for supplies and services from two or more firms and can choose the best value. This process is not only prudent, but also required by the City for purchases of \$1,000 or more. For purchases over \$1,000 the City requires at least two bid quotations, and for purchases over \$5,000, at least three bids.

#### 2. MINIMUM ESSENTIAL SPECIFICATIONS

It is important to determine the minimum product quality that will still perform a given function satisfactorily. One cannot justify spending taxpayers' money on products of "Cadillac" quality when "Chevrolet" quality will perform equally well. However, one must also consider the durability of the product. It may be justified to purchase a different product at a higher price if the expected lifetime is sufficiently longer. In order to best utilize public funds the purchaser must be prudent in determining the level of quality necessary.

#### 3. STANDARD SPECIFICATIONS

##### A. GENERAL

Under certain circumstances, the use of standardized uniform specifications may be advantageous to the purchaser. Standardization is the use of an established, uniform quality or type of material. Its advantages include the creation of uniform, well-known specifications and the opportunity to consolidate requirements. The lack of standardization may cause an increase in the number of small purchases, an inability to take advantage of quantity pricing, and difficulty interpreting and evaluating product performance to guide future buying.

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### B. PROCEDURE

In developing standard specifications, one should:

- a) Try to use established, industry wide standards so that products can be acquired from more than one source. To use a product because it is only available from a single vendor gives that vendor a monopoly and leaves the purchaser subject to the pricing whims of that vendor. In addition, the use of an industry wide standard makes the product easy to identify and assures uniform quality of materials.
- b) Be flexible when developing standards if the industry is subject to change. To do otherwise will prevent the purchaser from taking advantage of newer technology and materials. For example, if a particular manufacturer promoted a 3 mm thickness garbage bag in the 70's, this is not sufficient reason to continue to insist on that same type of bag after the industry has moved on to other materials with different specifications. However, the City must not always remain at the cutting edge of technology.

### 4. PLANNING AHEAD

Planning ahead is always prudent. A purchaser cannot take advantage of any of the above cost-saving methods if the users do not place their orders early. Prudent managers will order necessary materials prior to the inflation of prices.

In general, it is always good to look ahead and estimate future purchases and needs. Inflation cannot be avoided, and the longer one waits, the more it will cost.

### 5. INFORMATION

Purchasers should keep informed of price trends in materials that they order frequently. Thus they will be aware of "buyer's markets", special price promotions, and other opportunities to save. Keeping up-to-date with the market or industry will also alert them to the development of new products or materials which may be more suitable, effective, or economical.

Furthermore, sharing this information with other City personnel who use the same products can further reduce costs for the City as a whole.

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### SECTION IV - VENDOR SELECTION PROCEDURE

#### 1. INFORMAL BIDS

##### A. PURPOSE

To articulate policies, responsibilities, and procedures for the purchase of materials and supplies, fixed assets, and maintenance agreements with a value of less than \$25,000.

##### B. POLICY

1. For all purchases of supplies and materials, fixed assets, and non-professional services with a total job value (including both materials and labor costs) between \$1,000 and \$5,000 the City requires that at least two bids be obtained. For all purchases between \$5,000 and \$25,000 at least three bids are required. The lowest bid from a qualified bidder will receive the award. Bids may be solicited by written Request for Quotation (RFQ), which must include, either by telephone, by facsimile, or by public notice, a complete description of the items or services desired from the vendor. All bids for purchases over \$5,000 must additionally be clean copies without manual or hand-written changes and must be supported by confirmation written on the prospective supplier's letterhead and including an authorized signature.
2. The bidding process may only be omitted under certain circumstances (see Section V 2.6 - Bid Waiver) and only with the approval of the Awarding Authority (see Section II - Awarding Authority).
3. The Requesting Department shall compile and maintain a bidders' list and shall solicit bids from responsible prospective suppliers whose names appear on the list for the product or service category specified. Suppliers may be disqualified and removed from the bidders' list for a period of up to two years in cases of unsatisfactory performance or response.
4. Informal bidding shall, whenever possible, be based on at least three bids, solicited by written requests, telephone, facsimile, or public notice.

NOTE: When purchasing items that can be made from recycled materials, it is preferable to purchase from vendors who use recycled products. (Refer to the Recycling Policy and Procurement of Recycled Products, Procedure #CM-90-0001, for guidelines.) The Recycling Policy guidelines should be followed in the case of any conflicts with this manual.

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### C. PROCEDURE

#### 1. The Requesting Department will:

- 1.1 Establish the need to purchase certain goods and/or services. If the purchase is deemed necessary, the Awarding Authority can initiate the procurement process.
- 1.2 Establish and maintain (or update, if already established) a bidders' list to use for all purchases in a given category.
- 1.3 Solicit quotations from bidders for the specific items or services desired. All quotations must be confirmed in writing by the bidder.
- 1.4 Evaluate all bids received and submit a recommendation for the lowest qualified bid to the Awarding Authority for approval.
- 1.5 Complete and submit all appropriate paperwork to Finance. Note if the selected vendor has requested the original purchase order. Paperwork will include:
  - a) Purchase Requisition, Blanket Purchase Order Contract Approval Form, and Purchase Validation Form, if the purchase is a blanket purchase order.
  - b) Purchase Requisition and Purchase Validation Form, if the purchase is for a distinct, specific quantity of supplies or services.
  - c) Bid Waiver Form, if the bidding process has been waived.

#### 2. Requesting Department and Finance will:

Follow proper Receiving Procedure (see Section VI - Receiving and Payment Procedure).

### 2. FORMAL BIDS

#### A. PURPOSE

To articulate in detail, the policies, responsibilities and procedures for the preparation, advertisement, evaluation, and award of formal bids for the purchase of supplies, materials, and equipment.

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### B. POLICY

1. All purchases of and contracts for supplies materials and equipment with a total job value (including both materials and labor costs) greater than \$25,000 will be based on formal competitive bids and awarded to the lowest qualified bidder (see Section II - Qualified Bidder).
2. The Requesting Department shall compile and maintain a bidders' list and shall solicit bids from responsible prospective suppliers whose names appear on that list for the product or service category specified. Suppliers may be disqualified and removed from the bidders' list for a period of up to two years in cases of unsatisfactory performance or response.
3. Per State Contract Act 10140: "Public notice of a project shall be given by publication once a week for at least two consecutive weeks in a newspaper of general circulation published in the county in which the project is located." Notices shall include a general statement of the intent of the bid invitation and a description of the materials and/or services for purchase or contract. Notices shall also state where bid blanks and specifications may be obtained and the date, time, and location for opening bids.

### C. PROCEDURE

1. The Requesting Department will:
  - 1.10 Develop a bidders' list to ensure that all qualified suppliers have equal opportunity to make a bid.
  - 1.2 Prepare an invitation for bids which acquaints the prospective bidders with all contractual requirements, nomenclature, specifications, quantity of products or extent of service, purchase description, delivery schedule, pertinent clauses, bonds, warranties, provisions, instructions, and any other details of the bid. The invitation shall include:
    - a) Date of issuance;
    - b) Name and address of issuing agency;
    - c) Date, hour, and place of bid opening;
    - d) Location and provision for delivery;
    - e) A clear description of the material, supplies, freight or set-up charges, equipment or service required, including quantity, units of measure, and sufficient blanks for unit prices, extensions, applicable tax, and total dollar amount of the bid;

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- f) Period of bid acceptance;
- g) Cash discount schedule;
- h) Name, date of bid, address and phone number of bidder, signature of person authorized to sign, and signer's name and title;
- i) A general-provision section outlining additional information and requirements which are standard to the invitation;
- j) A special-provision section outlining additional information and requirements which are specific to the processing of that particular bid. Departments may also wish to require bidders to submit a performance bond to ensure proper response;
- k) A complete set of detailed specifications on the materials or services required;
- l) An "Instruction to Bidders" section which shall outline the standard procedures for bidding and award.

- 1.3 Mail copies of the bid request to all interested suppliers.
- 1.4 Notify all prospective bidders by written amendment of any alterations or changes in the bid provisions, specifications, or date of opening which occur after the original mailing.
- 1.10 Receive the bids, record the time and date received on the bid envelope, and file the sealed bid.
- 1.11 Open the bids on the date and at the time and place specified in the bid invitation. Read the pertinent information aloud at public bid meetings.
- 1.7 Evaluate the bids to determine the lowest qualified bidder.
- 1.8 Prepare a written, documented review and recommendation on the bid, and submit it to the Awarding Authority.
- 1.9 Award the contract to the successful bidder and notify unsuccessful bidders of the results.
- 1.10 After verification that budgeted funds are available, submit an authorized requisition, specifically describing the products or services requested and the date required, to Finance. If the purchase has specifications, submit them along with the requisition.

### 2. Finance will:

- 2.1 Review the requisition to verify that all required information has been completed and budget funds are available.
- 2.2 Send properly executed Purchase Order back to the requesting dept.

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### SECTION V - THE PURCHASING PROCESS

The purpose of this section is to describe the general tasks, procedures, and forms involved in making a purchase.

#### 1. THE GENERAL PROCESS

The different tasks will require different amounts of time and attention depending upon the purchase. However, they are described here to give insight into the purpose of each task. Later in the manual, these tasks will be further broken down according to particular parameters.

##### 1.1 TASK DEFINITIONS

**A. REVIEW OF SPECIFICATIONS.** Specifications are examined to ensure clarity, accuracy, and completion so that there is no ambiguity to the buyer, seller or user. Detailed information such as size, color, units, etc. should be specified.

At this time, the approximate dollar amount of the purchase, the appropriate vendor selection method, and the purchasing method should be determined. These procedures should then be followed to complete the purchase.

**B. SOURCING.** Sourcing (see Section II - Sourcing) is part of the vendor selection process and can be accomplished in different ways (i.e., formal and informal bid). It is helpful for departments to maintain bidders' lists for items that are purchased frequently.

**C. PRICING.** Pricing (see Section II - Pricing) is also part of the vendor selection process.

**D. EVALUATION.** Factors of evaluation (see Section II - Evaluation) can vary but generally include prices, applicable discounts, applicable taxes, freight charges, and performance criteria. Other factors such as reputation or service history may also be included.

**E. AWARD.** Award of the purchase bid is the final part of the vendor selection process. The purchase is awarded to the vendor who has offered the best bid as evaluated per specifications.

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### 1.2 GENERAL INFORMATION

#### A. ALL PURCHASES.

1. The Requesting Department will be responsible for following the necessary procurement procedures, proper authorizations, and budgetary provisions **before** making a purchase.
2. All purchases must have the proper authorization before the procurement process may be initiated.
3. All purchases should involve the solicitation of competitive quotes to as great an extent as possible. For any purchase over \$1,000 some type of bidding process is required. This requirement will only be waived given certain circumstances (see Section IV - Bid Waiver).
4. All purchases of computer software, hardware, copiers, facsimiles, Audio Visual (Televisions, Overhead Projectors, Projectors, Digital Cameras, Still Cameras, Video Cameras and Video recorders and players), supplies and repair services are to be coordinated and approved by Information Services Division (MIS) of the Administrative Services Department.
5. The acquisition of pagers, cellular telephone equipment and services is coordinated through the Finance Division of the Administrative Services Department. Please review the Pager and Cellular Telephone Policy for program guidelines.
6. Any purchase made in violation of purchasing policy and procedure must have the approval of the City Manager before payment is requested.

#### B. PURCHASES UNDER \$25.

1. Bid quotes are not required or encouraged.
2. Use Blanket Order procedures for repeated-use vendors if the fiscal year total purchases will be between \$1,000 and \$5,000.
3. City provided credit card should be used whenever possible.
4. Use Petty Cash procedure for one-time or infrequently-used vendors who do not accept credit cards.
5. Payment by Check Requisition is not encouraged.

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### C. PURCHASES UNDER \$1,000.

1. Written or verbal bid quotes are recommended to insure the best price. However, a determination must be made if the time spent on this process will cost more than any potential savings.
2. Use Blanket Order procedures for repeated-use vendors if the fiscal year total purchases will be between \$1,000 and \$5,000.
3. City provided credit card should be used whenever possible.
4. All other payments by Check Requisition.

### D. PURCHASES UNDER \$5,000.

1. Two written or verbal bid quotes for purchases between \$1,000 and \$5,000 are required. This requirement will only be waived given certain circumstances (see Section V 2.6 - Bid Waiver).
2. Follow Purchase Requisition procedure for purchases of distinct, specific quantities of supplies, services, and/or equipment.
3. Use Blanket Order procedures for repeated-use vendors if the fiscal year total purchases will be between \$1,000 and \$5,000.
4. City provided credit card should be used whenever possible. At this dollar level credit card restrictions will be in place. Verify individual card restrictions prior to placing order.
5. All other payments by Check Requisition.

### E. PURCHASES FROM \$5,000 - \$25,000.

1. Department Head approval authority \$5,000 to \$15,000. Professional services and fixed asset purchases limit \$5,000. City Manager approval required from \$15,000 to \$25,000 including professional services, and fixed assets over \$5,000.
2. Use the informal bidding procedure (Section IV) to select the most qualified bidder. A Purchase Validation Form, which must include at least three bid quotations, is required. This bidding procedure can only be waived given certain circumstances (Section V 2.6 - Bid Waiver).
3. An annual service contract may be used for repeated purchases of supplies or non-professional services from a particular vendor. The vendor selection procedure is different for professional and non-professional services.
4. All payments by Check Requisition.

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### F. PURCHASES OVER \$25,000.

1. City Council approval required.
2. Use the formal bidding procedure (Section IV) to select the most qualified vendor. This bidding procedure can only be waived given certain circumstances (Section V 2.6 Bid Waiver).
3. An annual service contract may be used for repeated purchases of supplies or services from a particular vendor. The vendor selection procedure is different for professional and non-professional services.
4. All payments by Check Requisition.

### G. ANNUAL SERVICE CONTRACT.

1. Use either the informal or formal bid process to select the most qualified bidder unless conditions exist to waive the bidding process. The type of bid will depend upon the amount of the service contract.
2. The selection process must be completed before June 30th preceding the fiscal year for which the contract is to be valid.

## 2. PURCHASING PROCEDURES, FORM PREPARATION & PROCESSING

### 2.1 PETTY CASH VOUCHER

#### A. PURPOSE

To articulate in detail the policies, responsibilities and procedures for the purchase of supplies and services through petty cash transactions.

#### B. POLICY

1. Purchase of supplies or services with a value of \$25 or less which has been pre-expended by City employees may be reimbursed through petty cash procedures.
2. Repeated purchases of under \$25 from a single vendor should be handled by an Open/Blanket Purchase Order.
3. Meeting and related travel expenses will not be reimbursed through the petty cash process.

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### C. PROCEDURE

1. City personnel making petty cash purchases will contact the vendor in person to obtain the supplies or services desired.
2. Vendor will give the purchaser a cash register receipt or invoice as proof of purchase.
3. The Petty Cash Voucher must be completed and submitted to Finance or to the department with its own petty cash fund along with the appropriate proof of purchase. Only then can one receive reimbursement from the petty cash fund.
4. The purchaser will then be reimbursed for the amount of purchase, using the Petty Cash Voucher, which includes the following:
  - a) Total amount of purchase;
  - b) Petty cash tag number(issued by the petty cash custodian);
  - c) Date of reimbursement;
  - d) Name of vendor or payee;
  - e) Department expenditure code;
  - f) Signature of authorized personnel approving reimbursement;

The person receiving the cash and the petty cash custodian must sign at the time of reimbursement.
5. The original copy of the Petty Cash Voucher will be attached to the vendor invoice or cash register receipt and periodically submitted to Finance for proper allocation of departmental expenditures and reimbursement of petty cash funds.

### D. FORM PARTS (SEE EXHIBIT #1) - To describe the parts, completion, and processing of the Petty Cash Voucher.

1. Voucher No. The voucher number, assigned by the Petty Cash Custodian at the time of disbursement, keeps track of and registers Petty Cash Vouchers.
2. Cash Requested By. Enter the name of the person who purchased the item and is requesting reimbursement by the City. This should be written neatly and legibly.
3. Date. Enter the date that reimbursement is requested.

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4. **Department.** Enter the department of the person who made the petty cash purchase.
5. **Organization No.** So that the proper account will be charged, enter the department code number. It is the prefix of the charge account code.
6. **Account No.** Enter the number of the account that will be charged for the petty cash reimbursement.
7. **Amount.** Enter the amount of the petty cash reimbursement.
8. **Description.** A clear and complete description of the item purchased must be written in the space provided.
9. **Cash Received By.** The employee receiving the cash at the time of reimbursement must sign here.
10. **Purchase Authorization.** The Department Head must sign here before any money can be reimbursed.
11. **Petty Cash Custodian.** The Petty Cash Custodian must sign here at the time of reimbursement, when the "Cash Received By" is signed.

### **E. PROCESSING PATH**

1. The requestor will properly complete the Petty Cash Voucher and submit the form with the proper receipts or invoices to the Petty Cash Custodian.
2. The Petty Cash Custodian will review the submitted forms and, if they are completed properly, will assign a Voucher Number, reimburse the purchaser and obtain the proper signatures at that time.
3. The Petty Cash Custodian will keep and maintain the Petty Cash Vouchers.

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### 2.2 PURCHASE REQUISITION

Once a vendor has been selected to supply specific items or services, a Purchase Requisition must be completed and submitted to Finance so that a Purchase Order can be generated. The requisition must have a complete listing and description of the items/services and have the proper authorization.

#### A. PURPOSE

To articulate policies, responsibilities, and procedures for the preparation and processing of Purchase Requisitions.

#### B. POLICY

1. The Requesting Department will be responsible for ensuring that the necessary procurement procedures, proper authorizations, and budgetary provisions are followed **before** making a purchase.
2. Finance must have a requisition with the proper authorization before it can initiate the procurement procedure (see Section II - Awarding Authority).
3. The department should anticipate needs far enough in advance to allow for the proper securing of bids and delivery by the vendor.
4. No changes may be made to the original order without the approval of authorized Finance personnel.

#### C. PROCEDURE

1. Once an item has proper approval, the Requesting Department will:
  - 1.1 Follow the proper vendor selection procedure (See Section IV).
  - 1.2 Get a quotation reflecting "FOB (Free on Board) Menlo Park", which indicates that that freight charges are included in the quotation price.
  - 1.3 Give a price preference of 10% to recycled products and take into consideration the 1% sales tax revenue return for local vendors when evaluating bids.
  - 1.4 Determine whether or not there is a cash discount.

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- 1.5 Submit appropriate paperwork (Purchase Requisition and Purchase Validation Form, both with written quotations) to Finance.
2. The Finance Department will:
  - 2.1 Review paperwork and do batch processing once a week, issuing purchase orders each Tuesday for all requests received by previous Friday. On an emergency basis only Finance may issue a manual purchase order earlier than this schedule. If paperwork is not satisfactory, however, it will be returned to the department.
  - 2.2 Encumber the necessary funds to cover future payments for items purchased.
  - 2.3 The Finance Director (or an authorized representative) will approve and sign the Purchase Order.
  - 2.4 If the purchase is a fixed asset, a fixed asset decal and an information sheet will be included with those copies of the Purchase Order which are returned to the Requesting Department.
  - 2.5 Distribute copies of Purchase Orders:
    - a) Original Copy - to the Requesting Department. If "Mail Original P/O to Vendor" box is checked, original will be mailed by the Finance Department.
    - b) Receiving Copy - to the Requesting Department;
    - c) 3rd copy and copy of Purchase Requisition form - to the Requesting Department;
    - d) 4th copy - to Finance Department.
3. Finance Department and Requesting Department will follow Receiving Procedure.

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**D. FORM PARTS** (SEE EXHIBIT #2) - To describe the parts,  
proper completion and processing of the Purchase Requisition Form.

1. **P/O No. (Purchase Order Number).** After the form has been properly completed and approved, Finance will assign a purchase order number.
2. **Order Type.** (In the shaded area below the P/O No. space.) Provided are three boxes, used to indicate whether the order is original, confirming or modified.
3. **Date.** Enter the date that the Purchase Requisition is being made.
4. **Vendor No.** Enter the number that has been assigned to the particular vendor.
5. **Vendor Name.** Enter the name of the vendor from whom the purchase will be made.
- 6 & 7. **Address and Zip Code.** Enter the correct address to which the purchase order should be sent.
8. **Tax ID No.** If this is a service purchase, enter the vendor's Tax ID Number on this line.

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9. **Checklist.** (The un-shaded area to the right of the vendor information.) There are several items on the checklist which are important to note for particular purchases:
  - a) **Vendor Address Change.** Check this box if the vendor has a new address.
  - b) **Add to Vendor List.** Check this box if the vendor is new and should be added to the master file.
  - c) **Mail Original P/O to Vendor.** Check this box if the original P/O needs to be sent to the vendor. If not, Finance will return the original P/O to the Requesting Department.
  - d) **Fixed Asset.** Check this box if the purchase is of a fixed asset.
  - e) **Blanket Order.** Check this box for repeated purchases, not to exceed \$2000 each, from a particular vendor.
10. **Item No.** If the purchase includes more than one item, number and list the items so that they can be easily identified.
11. **Description.** The item must be clearly and completely described so that it can be easily identified by both the purchaser and the vendor.
12. **Quantity Ordered.** Enter the quantity which is being requested.
13. **Unit of Issue.** Describe the way in which the item is packaged and priced; for example, pencils may be sold in boxes of one dozen, paper may be sold by the pound, etc. Note, however, that one vendor may sell paper clips in boxes of 50 while another sells them in boxes of 5,000.
14. **Unit Price.** Enter the proper price per unit of issue.

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15. **CST/NT (California Sales Tax/Nontaxable).** Enter CST or NT to indicate whether the item purchased is taxable in California or not. This column should be marked 'NT' for blanket orders. The system will default to CST if left blank.
16. **Amount.** Enter the total amount for the particular item. (The quantity ordered times the unit price.)
17. **Organization. No. (Organization Number).** Enter the Requesting Department's organization number or the account code prefix.
18. **Account Code.** Enter the proper account code to which the purchase will be charged.
19. **Freight.** Enter any freight charges which may apply.
20. **Deliver To.** Important: If a specific delivery address is not filled in, the purchase will be delivered to the administrative building rather than to the Requesting Department.
21. **Department Name.** Enter the name of the Requesting Department.
22. **Purchase Authorization.** Obtain the signature of the proper authority (see Section II - Awarding Authority).
23. **Finance Approval.** Finance must review and approve the Purchase Requisition before it is assigned a P/O number.

### **2.3 PURCHASE VALIDATION**

After a vendor has been selected, a Purchase Validation Form must be completed and submitted to Finance to confirm satisfactory completion of the proper vendor selection procedure.

#### **A. PURPOSE**

To articulate procedures for the preparation, usage, and processing of the Purchase Validation Form and describe the various parts of the form.

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## **B. POLICY**

The Requesting Department will:

- 1) Encourage a competitive atmosphere and obtain at least three bids.
- 2) Invite bids from local vendors, if available. Take into consideration the 1% sales tax revenue the City receives from the State of California.
- 3) Include recycled products in the RFQ, if available. Recycled products receive a 10% price preference in evaluation.

## **C. FORM PARTS** (SEE EXHIBIT #3)

1. **Nomenclature.** There are three check-boxes which allow for classification of the purchase as either supply, equipment, or service.
2. **Date.** Enter the date that the Purchase Validation Form is being completed.
3. **Description.** Enter a clear and complete description of the item being requested. This is especially important if the item is not a standard purchase and therefore requires a detailed description in order to be identified by both the purchaser and the vendor.
4. **Pricing Source.** There are three check boxes which indicate the method in which the price quotations were obtained: either in writing, by fax, or by telephone. For purchases over \$100 there must be least two quotations, and for purchases over \$1,000 there must be at least three.
5. **Recycled Products.** Check the appropriate boxes as they apply to the purchase.
6. **Vendor Name.** Enter the name of the vendor from whom the bid is being obtained.

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7. **Freight.** Freight is an important part of the cost of an item. By specifying "FOB Destination" (Free On Board Destination) the vendor will include the freight charges in the price quote.
8. **Unit.** The unit size is especially important for comparing prices among vendors. For example, vendors may specify boxes of an item, but one vendor may have 20 per box, while another may have 24.
9. **Quantity.** The quantity requested is used to determine the total amount of the purchase. Some vendors will give a quantity discount for large purchases.
10. **Unit Price.** The unit price is especially important for comparing vendors.
11. **Tax.** Sales tax, if applicable.
12. **Total Amount.** The total amount is the quantity multiplied by the unit price, plus freight and sales tax.
13. **Awarded To.** Enter the name of the vendor to whom the purchase has been awarded. Also enter the street address and city/state/zip.
14. **Reason.** Provided are check-boxes which give reasons for awarding the bid to a particular vendor. The reasons may vary: only one applicant, equal bids (awarded to the Menlo Park vendor because of sales tax return), specialty item, discounts, lower price, no freight, etc. This section is important to keep purchasing costs as low as possible.
15. **Purchase Authorized By.** Obtain the signature of the person who authorized the purchase. The proper authority will vary in accordance with the amount of the purchase.
16. **Department Name.** Enter the name of the department making the purchase.
17. **Purchased By.** Enter the name of the person within the department who is making the purchase.

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**D. PROCESSING PATH**

1. For all purchases over \$1000 and all fixed assets, the Purchase Validation Form must be completed and submitted to Finance along with any other appropriate forms.
2. Finance will review and retain the Purchase Validation Form.

**2.4 BLANKET PURCHASE AND BLANKET PURCHASE ORDER APPROVAL FORM**

The department must complete a Blanket Purchase Order Approval Form and submit it to Finance along with the Blanket Purchase Request and/or a contract for service or material purchase. This form will be forwarded to the selected vendor, confirming his position as the successful vendor under the terms and conditions specified for the particular purchase.

**A. PURPOSE**

To articulate policies, responsibilities, and procedures for the preparation and processing of Blanket Purchase Orders.

**B. POLICY**

1. The Requesting Department will be responsible for ensuring that the necessary procurement procedures, proper authorizations, and budgetary provisions are complied with **before** making a purchase.
2. Finance must have a Purchase Requisition with the proper authorization before it can initiate the procurement process. (See Section II - Awarding Authority for proper authority.)
3. Blanket purchase orders may be used for repeated purchases from a particular vendor. The maximum amount for a Blanket Purchase Order is \$2,000 and shall be made by authorized personnel only.
4. All Blanket Purchase Orders shall specify a limited period of time, within the fiscal year, for which it is valid and shall establish a total amount to be encumbered for that period of time.

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## C. PROCEDURE

1. The Requesting Department will:
  - 1.1 Establish the need for a Blanket Purchase Order for a specific category of items or services.
  - 1.2 Contact prospective suppliers to evaluate their capabilities, negotiate prices and review the blanket purchase order procedure. Selection should be made through a bidding process.
  - 1.3 Select the supplier and prepare a requisition, which shall include a description of the basic products or services requested, a specific time period, and a total dollar amount to be encumbered.
  - 1.4 Submit the appropriate paperwork to Finance. The following information should be included:
    - a) Supplier name and address;
    - b) A clear description and classification of products or services requested;
    - c) A specific time period for which the open purchase order shall remain valid;
    - d) A specific total dollar amount, which may not exceed \$2,000.
    - e) Reference to negotiated price agreements and/or quantity discounts;

The appropriate forms are: Request for Quotation, Purchase Requisition, Purchase Validation, and Blanket Purchase Order Approval Form.

2. The Finance Department will:
  - 2.1 Review paperwork to verify satisfactory completion. If completed as required, assign a Blanket Purchase Order Number to the requisition.
  - 2.2 Encumber funds in the appropriate account.

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- 2.3 Send the original Blanket Purchase Order, Blanket Purchase Approval Form and a cover memo to the vendor.
- 2.4 Forward departmental copy and receiving copy of the Blanket Purchase Order to the Requesting Department.
3. The Authorized Employee will:
  - 3.1 Provide the supplier with the Blanket Purchase Order Number against which the purchase is made.
  - 3.2 Endorse the supplier's sales receipt and enter the appropriate department code for which the material or service is being purchased.
  - 3.3 Obtain the signature of the Department Head or authorized representative on the supplier's sales receipt.
  - 3.4 Submit the supplier's sales receipt and/or the invoice covering the transaction to accounts payable.
4. The Supplier will:
  - 4.1 Provide the products or services requested.
  - 4.2 Verify the identification of the city employee.
  - 4.3 Submit a copy of the sales receipt and/or invoice covering the material, supplies or service order to accounts payable via the city employee making the transaction.
  - 4.4 Mail the invoice directly to accounts payable if it was not submitted to city employee at time of purchase.
5. The Requesting Department will:
  - 5.1 Match supplier invoices with appropriate sales receipts.
  - 5.2 Audit invoice for:

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- a) Proper unit price and price extensions;
- b) Proper quantity discounts if applicable;
- c) Proper tax;
- d) Proper purchase order number and departmental account charge number.

5.3 Audit sales receipt for:

- a) Proper account charge number;
- b) Employee signatures.

5.4 Compare all invoices with monthly statement, if provided by supplier.

5.5 Call supplier to clarify any discrepancies found in the audit.

5.6 Update receiving copy to reflect the purchase amount and make sure that total purchase does not exceed the dollar limit.

5.7 Submit original invoice and check request, with the appropriate blanket order number clearly marked, to Finance for payment.

6. Finance will:

6.1 Batch and process invoices for weekly payment.

**D. FORM PARTS** (SEE EXHIBIT #4) - To describe the parts, completion and processing of the Blanket Purchase Order Approval Form.

1. **Department Name.** Enter the name of the Department that requested the Blanket Purchase Order.
2. **Date.** Enter the date that the form is being completed.
3. **Supplier.** Enter the name of the vendor with whom the order is established.
4. **BO No.** Enter the blanket purchase order number that is assigned to this account.

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5. **Street Address, City/State/Zip and Phone.** Enter the appropriate information.

6. **Purchase Description.** Check the appropriate box for the type of purchase: either supply, equipment, or service.
7. **Specifications.** Enter complete and clear specifications of the item(s)/service(s) to be purchased under the blanket purchase order.
8. **Blanket Purchase Conditions.** Enter the appropriate blanket purchase conditions: the period for which the blanket purchase order will be valid and the total amount of the combined purchases (the maximum allowable being \$2000).
9. **Authorized Personnel to Make Purchase.** Neatly print or type the names of the personnel who are authorized to make purchases under the open purchase order. Provide samples of their signatures.
10. **Negotiated Price Agreements.** Enter "yes" if price agreements have been included with the form, and "no" if not. In most cases, the price agreements should be included with the form as documentation of the agreed prices and terms and for confirmation from the vendor. If the price terms are not included, state the reasons why.
11. **Purchase Authorized By.** Obtain the signature of the proper authority for the blanket purchase order (Department Head).

**D. PROCESSING PATH**

1. Submit the completed Blanket Purchase Order Approval Form, with any other appropriate forms, to Finance.
2. Finance will review the form for proper completion.
3. After Finance has approved the form, they will send it to the vendor to confirm the establishment of a blanket purchase order under the specified conditions and to provide sample signatures of personnel authorized to make purchases.

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## 2.5 BID WAIVER

If the Awarding Authority determines that a bidding process is not feasible for a particular purchase, then a Bid Waiver Form must be completed and submitted to Finance. The form ensures that the bidding process is followed whenever possible and is only waived under certain circumstances.

### A. PURPOSE

To articulate policies, responsibilities and procedures for preparation and processing of a bid waiver and to describe the parts of the Bid Waiver Form.

### B. POLICY

1. The Requesting Department will be responsible for obtaining competitive bids, formal or informal, before selecting the final vendor. If the department determines that a bidding process is not feasible, they should discuss the reason with the appropriate Awarding Authority and secure the Authority's signature on the Bid Waiver Form.

### C. FORM PARTS (SEE EXHIBIT #5)

1. Department Name. Enter the name of the department that is requesting the bid waiver.
2. Date. Enter the date that the form is being completed.
3. Supplier. Enter the name of the vendor for whom the bid will be waived.
4. Street Address, City/State/Zip, and Phone. Enter the appropriate information.
5. Reasons for Waiver. Check the appropriate space to explain why the bid is being waived.
6. Explanation. Enter a complete and detailed explanation of the reasons for waiving the bidding process for this particular purchase.

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7. **Purchase Description.** Check the appropriate space for the type of purchase: either material, contract, or equipment.
8. **Description.** Enter a complete and detailed description of the purchase.
9. **Purchase Amount.** Enter the amount of the purchase.
10. **Department Head.** Obtain the signature of the department head.
11. **Authorization to Waive.** Obtain the signature of the appropriate Awarding Authority to waive the bidding process.

#### **D. PROCESSING PATH**

1. Submit the completed Bid Waiver form, along with any other required forms, to Finance.
2. Finance will review the form for proper completion and evaluate the reasons for waiving the bidding procedure.
3. Finance will keep the Bid Waiver form as a record that the Bid Waiver was properly executed and is justified under the particular circumstances. It will then process the purchase request.

#### **2.6 CHECK REQUISITION**

A Check Requisition must be completed and submitted to Finance for payment of purchases that cannot be accomplished through other purchasing methods

##### **A. PURPOSE**

To articulate policies, responsibilities, and procedures for the preparation and processing of Check Requisitions.

##### **B. POLICY**

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1. Finance must have a requisition with the proper authorization in order to process payment.
2. Check Requisitions shall only be used when the purchase cannot efficiently be made through petty cash or purchase requisition.

**C. PROCEDURE**

1. The Requesting Department will:
  - 1.1 Follow the proper vendor selection procedure (formal or informal bidding).
  - 1.2 Submit a Check Requisition with an authorized signature along with appropriate invoice and/or other supporting documents, to Finance for payment. (Coding and approving on the invoice itself, with the purpose of using it as a payment request, is not acceptable. Pre-coded worksheets, such as dental reimbursements, water refunds, and routine splits between various accounts, will be accepted as payment requests as long as all necessary information is provided on the worksheet.)
2. The Finance Department will:
  - 2.1 Review PAPER WORK and process for payment.

**D. FORM PARTS** (SEE EXHIBIT #6). To describe the parts, proper completion and processing of the Check Requisition Form.

The Check Requisition must be properly and **completely** filled out before Finance can issue an approval. All appropriate spaces must be filled in. Otherwise Finance will return the form.

1. **Vendor No.** Enter the number which has been assigned to the particular vendor to keep track of the various vendors used throughout the City.
2. **Payee Name.** Enter the name of the vendor to whom payment will be made.

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3. **Address and Zip.** Enter the proper address and zip code of the vendor.
4. **Tax ID No.** Enter the vendor's tax ID number. This is especially important for vendors who are not incorporated or who provide a service rather than a product. The Requesting Department should obtain the tax ID number when they first purchase something from that vendor. Thereafter, the number should remain on file, and changes must be updated as soon as possible.
5. **Vendor Information.** Check the appropriate boxes if the vendor is new and needs to be added to the vendor masterfile or if the address needs to be changed.
6. **Department Name (Department Name).** Enter the name of the Requesting Department.
7. **Date.** Enter the date that the Check Requisition is completed.
8. **Date Check is Needed.** Enter the date by which the check is needed, as indicated on the invoice. Unless specified otherwise the normal term for payment is within 30 days of the invoice date.
9. **Blanket/Purchase Order No.** Enter the assigned blanket or purchase order number. Differentiate between the two types either by circling the appropriate word on the form or by entering the appropriate identifying prefix (i.e. BO ##### or PO #####).
10. **Contract on File.** Check this box if there is a valid contract on file with the vendor for that particular purchase.
11. **Manual Check.** Check this box if Finance has **pre-approved** a manual check because of an emergency.
12. **Check No.** Finance will enter the assigned check number when the check is cut.
13. **Check Pick-Up.** Check this box if the check should be

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## ADMINISTRATIVE POLICY

Department

Administrative Services Department

Subject

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sent to the Requesting Department. Otherwise, the check will be sent directly to the vendor by the due date.

14. **Vendor Invoice No.** Enter the appropriate vendor invoice numbers if there is an invoice for the purchase. If not, use the date of the event or any other reference which might be helpful for retrieving information in the future.
15. **Invoice Date (mmddy).** Enter the invoice date if available; if not, use the date of the request.
16. **Organization No.** Enter the Requesting Department's organization number or prefix code.
17. **Account Code.** Enter the proper account code to which the expenditure will be charged.
18. **Amount.** Enter the amount of the invoice or request.
19. **Description.** Enter a clear and complete description of the item/service that is to be purchased.
20. **Fixed Asset.** Enter either "yes" or "no" (see Section II - Fixed Asset).
21. **Location of Fixed Asset.** If the purchase is a fixed asset, then describe where the fixed asset will be located.
22. **Total Request.** Enter the total amount of request. The check will be made out for this amount.
23. **Prepared By.** The person who prepared the check requisition form should sign here.
24. **Payment Authorization.** Obtain the signature of the appropriate payment Approving Authority.
25. **Finance Department Approval.** Finance will approve if the check requisition meets all requirements.

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#### **E. PROCESSING PATH**

1. After proper completion, submit the Check Requisition and any other appropriate forms to Finance.
2. Finance will review the requisition for proper completion.
3. After approving the requisition, Finance will process for payment and issue checks. The second (yellow) copy of the Check Requisition, including the check number, will be returned to the Requesting Department with attachments as requested. Finance will keep the original copy of the Check Requisition, invoice and/or other support documents for payment.
4. Unless the department requested that the check be returned to them, Finance will release the check to the vendor, as per the terms of the invoice, with the appropriate payment stubs provided by the department.

#### **2.7 ANNUAL CONTRACT**

An annual contract for supplying materials and service (e.g. auto parts, service maintenance, and office supplies) may be awarded by the appropriate Awarding Authority to the successful bidder.

##### **A. PURPOSE**

To articulate policies, responsibilities, and procedures for the preparation and award of Annual Service Contracts.

##### **B. POLICY**

1. Annual Contracts will be awarded through a bidding process so that no qualified applicant is denied the opportunity to compete.
2. Every year, departments will obtain at least three competitive bids for the next fiscal year's service contract, which will be and be valid for that fiscal year only unless circumstances provide a legitimate reason for extension or cancellation.

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4. No payment will be made until Finance receives the required copy of the contract, new or renewed.

**C. PROCEDURE**

1. The Requesting Department will:
  - 1.1 Establish the need for an Annual Service Contract and obtain proper authorization. (See Section II - Awarding Authority)
  - 1.2 Follow proper vendor selection procedure (Section IV).
  - 1.3 Submit appropriate paperwork to Finance.
2. Finance Department will:
  - 2.1 Review, check paperwork, and update contract file.
3. The Requesting Department and Finance will follow receiving procedure.

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## SECTION VI - RECEIVING AND PAYMENT PROCEDURE

### 1. RECEIVING MERCHANDISE AND PAYMENT OF INVOICE

#### A. PURPOSE

To articulate policies, responsibilities and procedures for the receipt of merchandise and payment of invoice.

#### B. POLICY

1. The Requesting Department is responsible for making sure that the order is complete, that the merchandise is received in good condition and that the terms on the invoice match the initial quotation and agreement.
2. Finance will make sure that the appropriate paperwork is submitted before initiating payment. If the original order is changed Finance will not make payment without an appropriate explanation from the Department Head and the approval of the City Manager

#### C. PROCEDURE

1. Departments verify the purchase with the order and check for damage in shipment and partial delivery.
2. If the purchase is a fixed asset, the fixed asset decal that was sent to the requesting department at the time of purchase request must be affixed to the item. The information sheet which accompanied the decal must be completed and returned to Finance at the time of payment request.
3. For payment, do appropriate coding and price extension on the invoice and send it to Finance with the original invoice, the remittance copy, if any, and the receiving copy of the purchase order.
4. If payment is requested for a partial shipment and the requesting department needs to keep the purchase order open for future completion, follow the same procedure as in section 3. The receiving copy of the purchase order will only be sent upon completion of the order. The column on the check request for the

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Purchase Order number column should list the PO number and "partial", e.g., PO20001-partial.

4. Payment requests received by Finance before Wednesday 5:00 p.m. will be processed by Friday, and checks will be disbursed to the vendors directly as per the terms of the invoice. Or, if requested, the checks can be released to the department on Monday. This schedule may change as holidays or the end of month approach.

## 2. AUTOMATIC MONTHLY PAYMENTS

### A. PURPOSE

To articulate responsibilities and set procedures for the payment of automatic monthly payments.

### B. POLICY

Upon the request of a department, Finance may approve automatic monthly payments for recurring invoices. Approval will be made on a case-by-case basis according to the following criteria:

- a) The Check Requisition has an attachment (e.g., lease payment schedule) which specifies the actual or estimated dates on which payments are to be made, with a minimum of 12 months (every fiscal year).
- b) The automatic monthly payment must be the same each month. Any variation in the invoice amount will halt automatic payments and require the departmental approval before payment will resume.

### C. PROCEDURE

1. The Requesting Department will:
  - 1.1 Determine annual contracts for which this procedure may be applicable.
  - 1.2 Prepare Check Requisition as specified above, and inform Finance of the desire to make automatic payments.

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2. The Finance Department will:

2.1 Approve or deny request for automatic payments.

2.2 Initiate automatic payments and maintain documentation by circling each month for which payment has been made.

3. Requesting Department will:

Notify Finance immediately if the performance of any contractor is not satisfactory. This will suspend automatic payment until the department informs Finance that satisfactory performance has resumed.

4. Finance will:

Monitor all automatic payment requests prior to processing.

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**APPENDIX**

1. Sample RFQ
2. Exhibits
3. Quick Reference

Choose an item.

City Manager's Office  
701 Laurel St., Menlo Park, CA 94025  
tel 650-330-6620



<b>Contract #:</b>
<b>AGREEMENT FOR SERVICES BETWEEN THE CITY OF MENLO PARK AND <a href="#">click here to enter text</a></b>
THIS AGREEMENT made and entered into at Menlo Park, California, this <a href="#">click here to enter text</a> day of <a href="#">click here to enter text</a> , <a href="#">click here to enter text</a> , by and between the CITY OF MENLO PARK, a Municipal Corporation, hereinafter referred to as "CITY", and <a href="#">first party</a> , hereinafter referred to as "FIRST PARTY."
<p>WITNESSETH:</p> <p>WHEREAS, CITY desires to retain FIRST PARTY to provide certain professional services for CITY in connection with that certain project called: <a href="#">click here to enter text</a></p> <p>WHEREAS, FIRST PARTY is licensed to perform said services and desires to and does hereby undertake to perform said services.</p> <p>NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, PROMISES AND CONDITIONS of each of the parties hereto, it is hereby agreed as follows:</p>
<b>1. SCOPE OF WORK</b>
In consideration of the payment by CITY to FIRST PARTY, as hereinafter provided, FIRST PARTY agrees to perform all the services as set forth in Exhibit "A", Scope of Services.
<b>2. SCHEDULE FOR WORK</b>
<p>FIRST PARTY's proposed schedule for the various services required pursuant to this agreement will be as set forth in Exhibit "A", Scope of Services. CITY will be kept informed as to the progress of work by written reports, to be submitted monthly or as otherwise required in Exhibit "A". Neither party shall hold the other responsible for damages or delay in performance caused by acts of God, strikes, lockouts, accidents or other events beyond the control of the other, or the other's employees and agents.</p> <p>FIRST PARTY shall commence work immediately upon receipt of a "Notice to Proceed" from CITY. The "Notice to Proceed" date shall be considered the "effective date" of the Agreement, as used herein, except as otherwise specifically defined. FIRST PARTY shall complete all the work and deliver to CITY all project related files, records, and materials within one month after completion of all of FIRST PARTY's activities required under this Agreement.</p>
<b>3. PROSECUTION OF WORK</b>
FIRST PARTY will employ a sufficient staff to prosecute the work diligently and continuously and will complete the work in accordance with the schedule of work approved by the CITY. (See Exhibit "A", Scope of Services).

#### 4. COMPENSATION AND PAYMENT

- A. CITY shall pay FIRST PARTY an all-inclusive fee that shall not exceed **enter amount** as described in Exhibit "A", Scope of Services. This compensation shall be based on the rates described in Exhibit "A". All payments, including fixed hourly rates, shall be inclusive of all indirect and direct charges to the Project incurred by FIRST PARTY. The CITY reserves the right to withhold payment if the City determines that the quantity or quality of the work performed is unacceptable.
- B. FIRST PARTY's fee for the services as set forth herein shall be considered as full compensation for all indirect and direct personnel, materials, supplies and equipment, and services incurred by FIRST PARTY and used in carrying out or completing the work.
- C. Payments shall be monthly for the invoice amount or such other amount as approved by CITY. As each payment is due, a statement describing the services performed shall be submitted to CITY by the FIRST PARTY. This statement shall include, at a minimum, the project title, Agreement Number, the title(s) of personnel performing work, hours spent, payment rate, and a listing of all reimbursable costs. CITY shall have the discretion to approve the invoice and the work completed statement. Payment shall be for the invoice amount or such other amount as approved by CITY.
- D. Payments are due upon receipt of written invoices. CITY shall have the right to receive, upon request, documentation substantiating charges billed to CITY. CITY shall have the right to perform an audit of the FIRST PARTY's relevant records pertaining to the charges.

#### 5. EQUAL EMPLOYMENT OPPORTUNITY

- A. FIRST PARTY, with regard to the work performed by it under this Agreement shall not discriminate on the grounds of race, religion, color, national origin, sex, handicap marital status or age in the retention of sub-consultants, including procurement of materials and leases of equipment.
- B. FIRST PARTY shall take affirmative action to insure that employees and applicants for employment, are treated without regard to their race, color, religion, sex, national origin, marital status or handicap. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment advertising; layoff or termination; rates of pay or other forms of compensation and selection for training including apprenticeship.
- C. FIRST PARTY shall post in prominent places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.
- D. FIRST PARTY shall state that all qualified applications will receive consideration for employment without regard to race, color, religion, sex, national origin, marital status or handicap.
- E. FIRST PARTY shall comply with Title VI of the Civil Rights Act of 1964 and shall provide such reports as may be required to carry out the intent of this section.
- F. FIRST PARTY shall incorporate the foregoing requirements of this section in FIRST PARTY's agreement with all sub-consultants.

#### 6. ASSIGNMENT OF AGREEMENT AND TRANSFER OF INTEREST

- A. FIRST PARTY shall not assign this Agreement, and shall not transfer any interest in the same (whether by assignment or novation), without prior written consent of the CITY thereto, provided, however, that claims for money due or to become due to the FIRST PARTY from the CITY under this Agreement may be assigned to a bank, trust company, or other financial institution without such approval. Notice of an intended assignment or transfer shall be furnished promptly to the CITY.
- B. In the event there is a change of more than 30% of the stock ownership or ownership in FIRST PARTY from the date of this Agreement is executed, then CITY shall be notified prior to the date of said change of stock ownership or interest and CITY shall have the right, in event of such change in stock ownership or interest, to terminate this Agreement upon notice to FIRST PARTY. In the event CITY is not notified of any such change in stock ownership or interest, then upon knowledge of same, it shall be deemed that CITY has terminated this Agreement.

## 7. INDEPENDENT WORK CONTROL

It is expressly agreed that in the performance of the service necessary for compliance with this Agreement, FIRST PARTY shall be and is an independent contractor and is not an agent or employee of CITY. FIRST PARTY has and shall retain the right to exercise full control and supervision of the services and full control over the employment, direction, compensation and discharge of all persons assisting FIRST PARTY in the performance of FIRST PARTY's services hereunder. FIRST PARTY shall be solely responsible for its own acts and those of its subordinates and employees.

## 8. CONSULTANT QUALIFICATIONS

It is expressly understood that FIRST PARTY is licensed and skilled in the professional calling necessary to perform the work agreed to be done by it under this Agreement and CITY relies upon the skill of FIRST PARTY to do and perform said work in a skillful manner usual to the profession. The acceptance of FIRST PARTY's work by CITY does not operate as a release of FIRST PARTY from said understanding.

## 9. NOTICES

All notices hereby required under this Agreement shall be in writing and delivered in person or sent by certified mail, postage prepaid or by overnight courier service. Notices required to be given to CITY shall be addressed as follows:

**Department Head**  
**Department**  
**City of Menlo Park**  
**701 Laurel St.**  
**Menlo Park, CA 94025**  
**650-330-xxxx**  
**Email**

Notices required to be given to FIRST PARTY shall be addressed as follows:

**Name**  
**Company**  
**Address**  
**City, State Zip**  
**Phone**  
**Email**

Provided that any party may change such address by notice, in writing, to the other party and thereafter notices shall be addressed and transmitted to the new address.

## 10. HOLD HARMLESS

The FIRST PARTY shall defend, indemnify and hold harmless the CITY, its subsidiary agencies, their officers, agents, employees and servants from all claims, suits or actions that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the FIRST PARTY brought for, or on account of, injuries to or death of any person or damage to property resulting from the performance of any work required by this Agreement by FIRST PARTY, its officers, agents, employees and servants. Nothing herein shall be construed to require the FIRST PARTY to defend, indemnify or hold harmless the CITY, its subsidiary agencies, their officers, agents, employees and servants against any responsibility to liability in contravention of Section 2782.8 of the California Civil Code.

## 11. INSURANCE

- A. FIRST PARTY shall not commence work under this Agreement until all insurance required under this Section has been obtained and such insurance has been approved by the City, with certificates of insurance evidencing the required coverage.
- B. There shall be a contractual liability endorsement extending the FIRST PARTY's coverage to include the contractual liability assumed by the FIRST PARTY pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to the CITY, at the address shown in Section 9, of any pending cancellation of the policy. FIRST PARTY shall notify CITY of any pending change to the policy. All certificates shall be filed with the City.
1. Worker's Compensation and Employer's Liability Insurance:  
The FIRST PARTY shall have in effect during the entire life of this Agreement Worker's Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, the FIRST PARTY makes the following certification, required by Section 18161 of the California Labor Code: "I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement" (not required if the FIRST PARTY is a Sole Proprietor).
  2. Liability Insurance:  
The FIRST PARTY shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance (Commercial General Liability Insurance) on an occurrence basis as shall protect it while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as claims for property damage which may arise from the FIRST PARTY's operations under this Agreement, whether such operations be by FIRST PARTY or by any sub-consultant or by anyone directly or indirectly employed by either of them. The amounts of such insurance shall be not less than One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) in aggregate, or One Million Dollars (\$1,000,000) combined single limit bodily injury and property damage for each occurrence. FIRST PARTY shall provide the CITY with acceptable evidence of coverage, including a copy of all declarations of coverage exclusions. FIRST PARTY shall maintain Automobile Liability Insurance pursuant to this Agreement in an amount of not less than One Million Dollars (\$1,000,000) for each accident combined single limit or not less than One Million Dollars (\$1,000,000) for any one (1) person, and One Million Dollars (\$1,000,000) for any one (1) accident, and Three Hundred Thousand Dollars, (\$300,000) property damage.
  3. Professional Liability Insurance:  
FIRST PARTY shall maintain a policy of professional liability insurance, protecting it against claims arising out of the negligent acts, errors, or omissions of FIRST PARTY pursuant to this Agreement, in the amount of not less than One Million Dollars (\$1,000,000) per claim and in the aggregate. Said professional liability insurance is to be kept in force for not less than one (1) year after completion of services described herein.
- C. CITY and its subsidiary agencies, and their officers, agents, employees and servants shall be named as additional insured on any such policies of Commercial General Liability and Automobile Liability Insurance, (but not for the Professional Liability and Worker's Compensation), which shall also contain a provision that the insurance afforded thereby to the CITY, its subsidiary agencies, and their officers, agents, employees, and servants shall be primary insurance to the full limits of liability of the policy, and that if the CITY, its subsidiary agencies and their officers and employees have other insurance against a loss covered by a policy, such other insurance shall be excess insurance only.
- D. In the event of the breach of any provision of this Section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, CITY, at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.
- E. Prior to the execution of this Agreement, any deductibles or self-insured retentions must be declared to and approved by CITY.

## 12. PAYMENT OF PERMITS/LICENSES

Contractor shall obtain any license, permit, or approval if necessary from any agency whatsoever for the work/services to be performed, at his/her own expense, prior to commencement of said work/services or forfeit any right to compensation under this Agreement.

## 13. RESPONSIBILITY AND LIABILITY FOR SUB-CONSULTANTS AND/OR SUBCONTRACTORS

Approval of or by CITY shall not constitute nor be deemed a release of responsibility and liability of FIRST PARTY or its sub-consultants and/or subcontractors for the accuracy and competency of the designs, working drawings, specifications or other documents and work, nor shall its approval be deemed to be an assumption of such responsibility by CITY for any defect in the designs, working drawings, specifications or other documents prepared by FIRST PARTY or its sub-consultants and/or subcontractors.

## 14. OWNERSHIP OF WORK PRODUCT

Work products of FIRST PARTY for this project, which are delivered under this Agreement or which are developed, produced and paid for under this Agreement, shall become the property of CITY. The reuse of FIRST PARTY's work products by City for purposes other than intended by this Agreement shall be at no risk to FIRST PARTY.

## 15. REPRESENTATION OF WORK

Any and all representations of FIRST PARTY, in connection with the work performed or the information supplied, shall not apply to any other project or site, except the project described in Exhibit "A" or as otherwise specified in Exhibit "A".

## 16. TERMINATION OF AGREEMENT

- A. CITY may give thirty (30) days written notice to FIRST PARTY, terminating this Agreement in whole or in part at any time, either for CITY's convenience or because of the failure of FIRST PARTY to fulfill its contractual obligations or because of FIRST PARTY's change of its assigned personnel on the project without prior CITY approval. Upon receipt of such notice, FIRST PARTY shall:
1. Immediately discontinue all services affected (unless the notice directs otherwise); and
  2. Deliver to the CITY all data, drawings, specifications, reports, estimates, summaries, and such other information and materials as may have been accumulated or produced by FIRST PARTY in performing work under this Agreement, whether completed or in process.
- B. If termination is for the convenience of CITY, an equitable adjustment in the contract price shall be made, but no amount shall be allowed for anticipated profit on unperformed services.
- C. If the termination is due to the failure of FIRST PARTY to fulfill its Agreement, CITY may take over the work and prosecute the same to completion by agreement or otherwise. In such case, FIRST PARTY shall be liable to CITY for any reasonable additional cost occasioned to the CITY thereby.
- D. If, after notice of termination for failure to fulfill Agreement obligations, it is determined that FIRST PARTY had not so failed, the termination shall be deemed to have been effected for the convenience of the CITY. In such event, adjustment in the contract price shall be made as provided in Paragraph B of this Section.
- E. The rights and remedies of the CITY provided in this Section are in addition to any other rights and remedies provided by law or under this Agreement.
- F. Subject to the foregoing provisions, the CITY shall pay FIRST PARTY for services performed and expenses incurred through the termination date.

**17. INSPECTION OF WORK**

It is FIRST PARTY's obligation to make the work product available for CITY's inspections and periodic reviews upon request by CITY.

**18. COMPLIANCE WITH LAWS**

It shall be the responsibility of FIRST PARTY to comply with all State and Federal Laws applicable to the work and services provided pursuant to this Agreement, including but not limited to compliance with prevailing wage laws, if applicable.

**19. BREACH OF AGREEMENT**

- A. This Agreement is governed by applicable federal and state statutes and regulations. Any material deviation by FIRST PARTY for any reason from the requirements thereof, or from any other provision of this Agreement, shall constitute a breach of this Agreement and may be cause for termination at the election of the CITY.
- B. The CITY reserves the right to waive any and all breaches of this Agreement, and any such waiver shall not be deemed a waiver of any previous or subsequent breaches. In the event the CITY chooses to waive a particular breach of this Agreement, it may condition same on payment by FIRST PARTY of actual damages occasioned by such breach of Agreement.

**20. SEVERABILITY**

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified by the mutual consent of the parties.

**21. CAPTIONS**

The captions of this Agreement are for convenience and reference only and shall not define, explain, modify, limit, exemplify, or aid in the interpretation, construction, or meaning of any provisions of this Agreement.

**22. LITIGATION OR ARBITRATION**

In the event that suit or arbitration is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to litigation costs and reasonable attorneys' fees. The Dispute Resolution provisions are set forth on Exhibit "B", 'Dispute Resolution' attached hereto and by this reference incorporated herein.

**23. RETENTION OF RECORDS**

Contractor shall maintain all required records for three years after the City makes final payment and all other pending matters are closed, and shall be subject to the examination and /or audit of the City, a federal agency, and the state of California.

**24. TERM OF AGREEMENT**

This Agreement shall remain in effect for the period of [click here to enter a date](#) through [click here to enter a date](#) unless extended, amended, or terminated in writing by CITY.

**25. ENTIRE AGREEMENT**

This document constitutes the sole Agreement of the parties hereto relating to said project and states the rights, duties, and obligations of each party as of the document's date. Any prior Agreement, promises, negotiations, or representations between parties not expressly stated in this document are not binding. All modifications, amendments, or waivers of the terms of this Agreement must be in writing and signed by the appropriate representatives of the parties to this Agreement.

**26. STATEMENT OF ECONOMIC INTEREST**

Consultants, as defined by Section 18701 of the Regulations of the Fair Political Practices Commission, Title 2, Division 6 of the California Code of Regulations, are required to file a Statement of Economic Interests with 30 days of approval of a contract services agreement with the City of its subdivisions, on an annual basis thereafter during the term of the contract, and within 30 days of completion of the contract.

Based upon review of the Consultant's Scope of Work and determination by the City Manager, it is determined that Consultant **IS / IS NOT** required to file a Statement of Economic Interest. A statement of Economic Interest shall be filed with the City Clerk's office no later than 30 days after the execution of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

**FIRST PARTY:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Tax ID#

**APPROVED AS TO FORM:**

\_\_\_\_\_  
William L. McClure, City Attorney

\_\_\_\_\_  
Date

**CITY OF MENLO PARK:**

\_\_\_\_\_  
Signature

[click here to enter text](#)

\_\_\_\_\_  
Date

[click here to enter text](#)

\_\_\_\_\_  
Name

\_\_\_\_\_  
Choose option

\_\_\_\_\_  
Title

**ATTEST:**

\_\_\_\_\_  
Pamela Aguilar, City Clerk, City of Menlo Park

\_\_\_\_\_  
Date

**EXHIBIT "A" – SCOPE OF SERVICES****A1. SCOPE OF WORK**

FIRST PARTY agrees to provide consultant services for CITY's **Enter Department**. In the event of any discrepancy between any of the terms of the FIRST PARTY's proposal and those of this Agreement, the version most favorable to the CITY shall prevail. FIRST PARTY shall provide the following services:

Provide general consultant services for projects as determined by the CITY. The detailed scope of work for each task the CITY assigns the consultant shall be referred to as Exhibit A -1, which will become part of this Agreement. A notice to proceed will be issued separately for each separate scope of work agreed to between the CITY and FIRST PARTY.

FIRST PARTY agrees to perform these services as directed by the CITY in accordance with the standards of its profession and CITY's satisfaction.

**A2. COMPENSATION**

CITY hereby agrees to pay FIRST PARTY at the rates to be negotiated between FIRST PARTY and CITY as detailed in Exhibit A-1. The actual charges shall be based upon (a) FIRST PARTY's standard hourly rate for various classifications of personnel; (b) all fees, salaries and expenses to be paid to engineers, consultants, independent contractors, or agents employed by FIRST PARTY; and shall (c) include reimbursement for mileage, courier and plan reproduction. The total fee for each separate Scope of Work agreed to between the CITY and FIRST PARTY shall not exceed the amount shown in Exhibit A-1.

FIRST PARTY shall be paid within thirty (30) days after approval of billing for work completed and approved by the CITY. Invoices shall be submitted containing all information contained in Section A5 below. In no event shall FIRST PARTY be entitled to compensation for extra work unless an approved change order, or other written authorization describing the extra work and payment terms, has been executed by CITY prior to the commencement of the work.

**A3. SCHEDULE OF WORK**

FIRST PARTY'S proposed schedule for the various services required will be set forth in Exhibit A-1.

**A4. CHANGES IN WORK -- EXTRA WORK**

In addition to services described in Section A1, the parties may from time to time agree in writing that FIRST PARTY, for additional compensation, shall perform additional services including but not limited to:

- Change in the services because of changes in scope of the work.
- Additional tasks not specified herein as required by the CITY.

The CITY and FIRST PARTY shall agree in writing to any changes in compensation and/or changes in FIRST PARTY's services prior to the commencement of any work. If FIRST PARTY deems work he/she has been directed to perform is beyond the scope of this Agreement and constitutes extra work, FIRST PARTY shall immediately inform the CITY in writing of the fact. The CITY shall make a determination as to whether such work is in fact beyond the scope of this Agreement and constitutes extra work. In the event that the CITY determines that such work does constitute extra work, it shall provide compensation to the FIRST PARTY in accordance with an agreed cost that is fair and equitable. This cost will be mutually agreed upon by the CITY and FIRST PARTY. A supplemental agreement providing for such compensation for extra work shall be negotiated between the CITY and the FIRST PARTY. Such supplemental agreement shall be executed by the **FIRST PARTY** and may be approved by the City Manager upon recommendation of the **enter position here**

**A5. BILLINGS**

FIRST PARTY's bills shall include the following information: A brief description of services performed, project title and the Agreement number; the date the services were performed; the number of hours spent and by whom; the current contract amount; the current invoice amount; Except as specifically authorized by CITY, FIRST PARTY shall not bill CITY for duplicate services performed by more than one person. In no event shall FIRST PARTY submit any billing for an amount in excess of the maximum amount of compensation provided in Section A2.

The expenses of any office, including furniture and equipment rental, supplies, salaries of employees, telephone calls, postage, advertising, and all other expenses incurred by FIRST PARTY in the performances of this Agreement shall be incurred at the FIRST PARTY's discretion. Such expenses shall be FIRST PARTY's sole financial responsibility.

## EXHIBIT "B" - DISPUTE RESOLUTION

- B1.0** All claims, disputes and other matters in question between the FIRST PARTY and CITY arising out of, or relating to, the contract documents or the breach thereof, shall be resolved as follows:
- B2.0 Mediation**
- B2.1** The parties shall attempt in good faith first to mediate such dispute and use their best efforts to reach agreement on the matters in dispute. After a written demand for non-binding mediation, which shall specify in detail the facts of the dispute, and within ten (10) days from the date of delivery of the demand, the matter shall be submitted to a mutually agreeable mediator. The Mediator shall hear the matter and provide an informal opinion and advice, none of which shall be binding upon the parties, but is expected by the parties to help resolve the dispute. Said informal opinion and advice shall be submitted to the parties within twenty (20) days following written demand for mediation. The Mediator's fee shall be shared equally by the parties. If the dispute has not been resolved, the matter shall be submitted to arbitration in accordance with Paragraph B3.1.
- B3.0 Arbitration**
- B3.1** Any dispute between the parties that is to be resolved by arbitration as provided in Paragraph B2.1 shall be settled and decided by arbitration conducted by the American Arbitration Association in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association, as then in effect, except as provided below. Any such arbitration shall be held before three arbitrators who shall be selected by mutual agreement of the parties; if agreement is not reached on the selection of the arbitrators within fifteen (15) days, then such arbitrator(s) shall be appointed by the presiding Judge of the court of jurisdiction of the Agreement.
- B3.2** The provisions of the Construction Industry Arbitration Rules of the American Arbitration Association shall apply and govern such arbitration, subject, however to the following:
- B3.3** Any demand for arbitration shall be writing and must be made within a reasonable time after the claim, dispute or other matter in question as arisen. In no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute or other matter would be barred by the applicable statute of limitations.
- B3.4** The arbitrator or arbitrators appointed must be former or retired judges, or attorneys at law with last ten (10) years' experience in construction litigation.
- B3.5** All proceedings involving the parties shall be reported by a certified shorthand court reporter, and written transcripts of the proceedings shall be prepared and made available to the parties.
- B3.6** The arbitrator or arbitrators must be made within and provide to the parties factual findings and the reasons on which the decisions of the arbitrator or arbitrators is based.
- B3.7** Final decision by the arbitrator or arbitrators must be made within ninety (90) days from the date of the arbitration proceedings are initiated.
- B3.8** The prevailing party shall be awarded reasonable attorneys' fees, expert and non-expert witness costs and expenses, and other costs and expenses incurred in connection with the arbitration, unless the arbitrator or arbitrators for good cause determine otherwise.
- B3.9** Costs and fees of the arbitrator or arbitrators shall be borne by the non-prevailing party, unless the arbitrator or arbitrators for good cause determine otherwise.
- B3.10** The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final, and judgment may be entered on it in accordance with applicable law in any court having jurisdiction over the matter.