

FINANCE COMMITTEE MEETING
THURSDAY, AUGUST 5, 1993, 4:00 PM

The Finance Committee met on Thursday, August 5, 1993 in room 564 of the County Courthouse at 4:00 PM.

Present: Marshall Faircloth, Chairman
Billy King
John Nalepa, Finance Director
Rhonda R. Davis, Deputy Clerk

The meeting was called to order by Chairman Marshall Faircloth.

AGENDA ITEMS:

1. Consideration of Purchasing Policies.

John Nalepa, Finance Director, discussed the proposed Purchasing Policies he prepared. He advised we have practices now that do not have a set policy. He presented a handout of the proposed policies. Purchases over five thousand do not pose a problem as these procedures are governed by state statute. He has talked with other finance officers about their procedures for purchases of \$100.00 or less. The current policy is that a Department Head can pick up the phone and place an order for purchases of \$100.00 or less without getting a purchase order or going through the Finance Office.

PURCHASES OF \$100.00 OR LESS:

Department Heads may authorize purchases of apparatus, supplies, materials or equipment up to \$100.00 without a purchase order if sufficient funds are budgeted and available in the department budget. Invoices must be immediately turned into Finance for payment to insure the obligation is recorded in the financial records in a timely manner. This will also help make Department Heads more responsible for their budget, as they must make sure they have sufficient funds for these purchases. It will also give that Department Head more authority.

Commissioner King asked if this process will save the county money.

Mr. Nalepa advised it will and will take additional burden off of the purchasing staff. They sometimes issue purchase orders for less than \$10.00. It takes more to process that purchase order than the order is worth. It would save time and money if the department could place that order themselves.

PURCHASES IN AMOUNTS GREATER THAN \$100.00 BUT LESS THAN \$500.00:

Mr. Nalepa then discussed his proposed policy for purchases more than \$100.00 but less than \$500.00. Department Heads may solicit proposals for purchases of apparatus, supplies, materials, or equipment when the estimated cost is greater than \$100.00, but less than \$500.00. At least three responses must be received and recorded. At a minimum, the date,

vendor's business name, telephone number, the name of the individual providing the quote, and the name of the person receiving the quote must be recorded. The bids received must be attached to the requisition submitted to the purchasing division. The purchasing division may elect to solicit additional proposals on a random basis or if by experience they conclude a more favorable price is available. He included this last sentence because, due to their experience, the purchasing division may know that an item can be purchased at a better price than the department has been able to obtain and therefore, would solicit a bid from that vendor.

PURCHASES IN AMOUNTS GREATER THAN \$500.00:

For purchases in amounts greater than \$500.00, Mr. Nalepa explained that the policy would be when the estimated cost is greater than \$500.00 but less than \$20,000.00 for purchases of apparatus, supplies, materials, or equipment, the process will follow the informal bid procedure as described in G.S. 143-131. When the estimated cost is greater than \$20,000.00 formal bids will be solicited in accordance with G.S. 143-129.

Departments will submit specifications/requisitions to the purchasing division for purchases in this category. The purchasing officer will then solicit proposals in accordance with the referenced statutes. The department is encouraged to indicate on the requisition/specifications the names and addresses of vendors that have been contacted regarding the proposed purchase.

The informal bid process doesn't start unless the purchase is for \$5,000.00 or more according to statute. He wants to lower that amount to \$500.00. The Department Head would indicate any discussion they have had with a vendor concerning the item. In instances where specifications are submitted in writing to vendors, a written response is expected. Some bids are solicited by telephone.

SPECIFICATIONS:

With regard to specifications, Mr. Nalepa advised that specifications will be prepared by the department initiating the request. They should not be tailored to a specific product and must not be extremely restrictive. These procedures are good when you are purchasing equipment such as copiers, etc. This procedure will help save money for the county. The purpose of this process is to make it so more than one vendor can bid on a product. He also reviewed the prebid conference procedures.

AWARD OF BIDS:

Mr. Nalepa advised that the purchasing agent will award the bid for purchase contracts if the expenditure is less than \$500.00 unless the requesting department reserves the right to do so. He explained the last part of the statement by saying that a Department Head may have had a bad experience in the past with a vendor and therefore, does not want to do

business in the future with that vendor. The Department Head would have knowledge of a situation such as this where the Finance office would not. The Department Head will award the bid for all purchases in amounts more than \$500.00 but less than \$20,000.00

The Board of County Commissioners will award purchase contracts in amounts greater than \$20,000.00. The requesting department will review all the proposals and will forward a written recommendation to the county manager. The manager will schedule the award of the bid for consideration by the Board at a scheduled meeting.

Mr. Nalepa stated that the Legislature has been considering raising the floor for award of bids by County Commissioners from \$20,000.00 to \$30,000.00. They have also been considering letting the county manager make the decision regarding bid awards of \$20,000.00 or more. This legislation has not been enacted as of yet. Commissioners Faircloth and King stated that they believed this legislation did not get very far and probably would not become law.

Mr. Nalepa advised that these procedures will benefit the county in that it will keep Department Heads from making purchases of more than \$100.00 and less than \$5,000.00 just because state law says you can.

He also advised that the county will be placing an advertisement in the paper soliciting vendors once these procedures have been ironed out. This will enable minority vendors to let the County know they are out there and wish to bid on goods and services.

Commissioner Faircloth pointed out that nowhere in these guidelines does it say that the Department Head must take the lowest bid.

Mr. Nalepa agreed that information was omitted and it would be corrected. He advised the Clerk to add the following information to be included under the AWARDS OF BID information: The bid will be awarded to the lowest responsible bidder with the exception of purchases of \$100.00 or less.

MOTION: Commissioner King offered a motion to recommend these policies as stated to the Board of Commissioners for approval.

SECOND: Commissioner Faircloth

VOTE: UNANIMOUS

2. Consideration of Bad Check Fees.

Commissioner King asked if this was a large problem in the County.

Mr. Nalepa replied that it is and it is getting bigger and bigger. Bad checks are given to all departments in the County that accept payment for a service. Some bad checks are written for as little as \$1.50. Since the staff must track these people down in order to get these checks paid, he

feels the County should begin charging a fine for bad checks. The departments when we receive the most bad checks in are the Ambulance, Fire Marshall, Animal Control and Health Departments.

Commissioner King asked if the County received a large portion of bad checks every month.

Mr. Nalepa advised the problem is seasonal in that we receive more checks during the time when tax bills are paid, when yearly fire inspections are due, etc. He advised the state allows the County Tax Collector to collect 10% of the bill as a penalty for a bad check. There is no statute for the other departments.

Commissioner Faircloth stated he felt a fee would help cut down on the problem. We could also start accepting cash only.

Mr. Nalepa advised that accepting cash only would put alot more work on the staff and it would be inconvenient for the public.

Commissioner Faircloth expressed concern that they must distinguish if the fee is is to be revenue producing or if it is to alleviate a problem.

John Nalepa advised he would speak with the Inspections and Fire Marshall's offices and find out if these bad checks are being received from the same people over and over again.

Commissioner King stated that if a department had a list of persons who continually gave bad checks, then they could tell that person they will only accept cash from them.

Mr. Nalepa advised any bad check policy could not be adopted immediately due to the fact that it must be put on all invoices, etc. He will speak with Ricky Strickland and Ken Sykes and can put the decision on hold for now. They may consider requiring cash after two bad checks are received from the same person. He will speak with the different department heads and get their reactions.

It was the consensus of the Committee Members that Mr. Nalepa speak with the various Department Heads and get their suggestions and reactions to the fee for bad checks. They do not want this to be revenue producing, but rather a deterrent.

Mr. Nalepa advised he will raise this issue at the next Department Head meeting and give them an update at the next committee meeting.

Meeting adjourned 4:50 P.M.