IMPROVING PROCUREMENT PRACTICES WITH CONTRACT MANAGEMENT SYSTEMS

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CHAPTER 12

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Megan J. Mikutis attended the University of Houston – Clear Lake, graduating magna cum laude in 2012, where she earned her Bachelor of Arts in Literature. Upon completing her undergraduate career, Megan attended the University of Houston Law Center from 2012 to 2015.

After admission to the Supreme Court of the State of Texas in 2015, Megan established her own firm, independently generating, maintaining, managing, and litigating marital, custody, and child support disputes, estate planning matters, and other civil disputes.

In April 2018, Megan joined the Port of Galveston as the Development Officer, using her legal background to provide direction on the Port of Galveston's real estate portfolio, response to Texas Public Information Act requests, and risk management. During this time, Megan established the Port of Galveston's federal, state, and local grant proposal program and coordinated over $43 million in FEMA obligated funds for waterside infrastructure repair.

After eighteen months, Megan was promoted to Legal Affairs Manager, a role in which she created, developed, implemented, and oversaw contract development and contract management systems and managed the procurement, public information, real estate management, and document retention functions. She also supervised the internal response to legal, compliance, and regulatory matters.

Bringing with her the passion for local government, Megan joined Randle Law Office in late 2020. Megan routinely focuses on the practice of government and municipal law through the Randle Law Office's representation of Houston-area governmental entities. Megan and the Randle Law Office team regularly write on procurement, the Texas Public Information Act, governance, and other legal and administrative matters affecting the day-to-day functions of governmental entities on the Randle Law Office blog at http://www.jgradyrandlepc.com/blog/.

In her spare time, Megan enjoys cooking, exercising, reading, being outdoors, spending time with her family, and volunteering. Megan lives with her loving partner, Robby, and their four dogs.

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IMPROVING PROCUREMENT PRACTICES WITH CONTRACT MANAGEMENT SYSTEMS

I. INTRODUCTION

As governmental entities begin to modernize procurement and contract management functions, a revitalized emphasis on transparency, compliance, and best practices creates a critical need for systems and processes to meet the demands for innovation and growth.

The Texas Comptroller of Public Accounts identifies the procurement cycle as consisting of five steps: (1) procurement planning, (2) procurement method determination, (3) vendor selection, (4) contract formation and award, and (5) contract management. TEXAS COMPTROLLER OF PUBLIC ACCOUNTS: STATEWIDE PROCUREMENT DIVISION, PROCUREMENT AND CONTRACT MANAGEMENT GUIDE 11 (version 1.3 2019). While procurement planning, procurement method determination, vendor selection, and contract formation and award can be viewed as more proactive procurement functions, contract management represents a significant organizational responsibility that can become a reactive procurement function if not properly structured.

Poor contract management practices cost businesses an average of 9% of revenues each year, with businesses realizing less than 50% of negotiated savings and estimated to lose up to 40% of contract value without close contract monitoring. Ian Bryce, *The Benefits of Contract Management in Numbers*, GATEKEEPER (July 24, 2019), https://www.gatekeeperhq.com/blog/the-benefits-of-contract-management-in-numbers.

With 65% of legal professionals identifying time lost on administrative tasks as their biggest frustration, the development and implementation of lasting contract management and procurement compliance systems can help decongest common legal chokepoints when working with or working for a governmental entity. *Id.*

Contract management ensures the satisfactory performance of an agreement's terms, conditions, and covenants and the proper discharge of both the governmental entity's and the contractor's responsibilities. TEXAS COMPTROLLER OF PUBLIC ACCOUNTS: STATEWIDE PROCUREMENT DIVISION, *supra* at 92. Effective contract management can prevent, minimize, and resolve problems, potential claims, and disputes. *Id.*

While occupying the last step of the procurement cycle, contract management begins with procurement planning. *Id.* at 11.

A governmental entity's procurement obligations can, generally, be found in Chapter 252 of the Texas Local Government Code and Chapters 2254 and 2269 of the Texas Government Code. Of course, there are other statutes may be applicable depending on the type of governmental entity or the type of purchase being made. While the author may reference these sources from time-to-time, the intent of this article is not to serve as a comprehensive substitute for legal counsel but, rather, to present systems that can be utilized to assist in compliance with applicable statutes as well as standards recognized as best practices by both procurement and contract management professionals.

II. A BUDDING CASE STUDY: THE CITY OF GALVESTON, TEXAS

Inspired by previous attempts to create a cross-organizational, collaborative, efficient, and transparent effort in public purchasing and procurement, the City Auditor's Office of the City of Galveston, Texas (the "City Auditor's Office") developed the Contract Monitoring System ("CMS"), through which the City Auditor's Office worked with a group of local governmental entities under the City of Galveston's management, including the Port of Galveston and the Galveston Park Board, to improve procurement practices and compliance. Through these efforts, the City Auditor's Office assisted each organization with the implementation of a Procurement Compliance System ("PCS") to organize each respective governmental entity's procurement efforts to routinely justify and document procurement compliance.

A PCS is a series of documents in the form of checklists, questionnaires, flowcharts, and guidelines used by government procurement employees to detect and report compliance at all stages of a governmental entity's procurement cycle. Such documents, systems, and tools adhere to the requirements of applicable statutes and ensure all competent vendors have an equal chance to participate in the competitive bidding process while providing best value to CMS participants through proper utilization of the participant's PCS. The participant's PCS ensures and allows for tracking of procurement decisions that demonstrate compliance, with best value considerations, through the reinforcement of written procedures and systems at all stages of the procurement process.

Providing clear documentation through a governmental entity's PCS minimizes risk to that entity. Risk originates from various sources, including bidders, potential vendors, and public watchdogs, and can trigger costly administrative obligations or legal action. A properly implemented PCS reduces the time and cost to produce records when requested, such as bids and evaluations, to the public. Written detail of the processes and criteria used for awarding contracts provides confirmation to all participating individuals and organizations that the process was fairly conducted. At the same time, it demonstrates a level playing field that will encourage more competition, leading to better value for the public dollar spent.

A trustworthy PCS adheres to the requirements contained within applicable local, state, and federal procurement laws, rules, and regulations; encourages best practices; and, promotes, in writing, three components that will benefit an organization: reduced risk, best value to the entity, and public transparency and fairness.

Through the implementation of CMS and respective, individual PCSs, governmental entities should be able to:

1. **Bring uniformity to governmental operations and reduce the risk of unwanted events.** CMS organizes staff, personnel, and management to behave in ways and to perform tasks to achieve specific objectives more efficiently by delivering the mechanism through which to hold employees accountable through the uniform application of best practices. CMS can provide a road map for day-to-day operations, keeping employee action within risk tolerances that satisfy management and governmental entities.
2. **Change operations to pace changing environments.** Circumstances surrounding governmental operations may change due to new technologies, updates in regulatory requirements, or modifications in geographic boundaries. CMS serves as a walking manuscript to document these changes and transparently record a governmental entity's adjustments and adaptations to such change, creating seamless process improvements through communication and system development.
3. **Identify anomalies within governmental transactions in a quick and effective method.** Identification of anomalies serves to identify the presence of system weaknesses, the origin of system deficiencies, and the impacts of such shortcomings.
4. **Build a stronger culture.** CMS illustrates how employees should execute their daily routines and to what ethical standards they must adhere. CMS serves to build a unified and trusting governmental culture through the clarification of work processes in written policies and procedures. Ethical written policies and procedures can lead to greater efficiency with fewer compliance failures within the governmental organization.
5. **Train governmental staff, personnel, and management.** Through CMS, a governmental entity's staff, personnel, and management should be able to expressly understand performance measures, process consistencies, and work methods of prior experiences, thereby diminishing inaccurate information and increasing efficiency and effectiveness.

The practices outlined below and the materials accompanying this article can be utilized as a starting point or inspiration for a governmental entity's implementation of CMS or PCS.

III. BEST PRACTICES TAILORED TO YOUR ORGANIZATION

As part of the development of CMS, the internal auditing or compliance function should research best practices associated with the audit or compliance scope. Using those best practices, the auditing or compliance function can then synthesize, translate, and transcribe those practices into a memorialized process or written procedure called a "volume," a byproduct to be used by management as a guide to the highest applicable standards available to date.

In the CMS developed by the City Auditor's Office described above, the City Auditor's Office defined applicable best practices, discussed below. Each best practice can be described as a "volume" in a governmental entity's implementation of a CMS, with a PCS appearing as a volume of that CMS. The following volumes of the City Auditor's Office's CMS include:

A. Contract Monitoring System

CMS participants divided this practice into eleven smaller components, all based on internal, institutional research studies performed to determine the best policies, procedures, and controls for monitoring each governmental contract on an independent basis. The components of a Contract Monitoring System include defining, outlining, and implementing the following:

1. General Requirements for Contracts.
2. Public Scrutiny of Contracts.
3. Key Contact Information for Contracts.
4. Financial Accounting to be included with Contracts.
5. Contract Timeliness.
6. Contract Performance.
7. Insurance to Consider with Contracts.
8. Employer-Employee Relationships to Consider with Contracts.
9. Travel and Meal Costs to include with Contracts.
10. Enforceable Contract Rules.
11. Stand Alone Contract Controls.

a. Utilization of On-Line Control Points.
b. Identification of Key Contract Deliverables.
c. Flowcharts and Timelines for Contract Monitoring.

A sample "Contract Monitoring System Policies, Procedures, and Controls Manual" has been included in the appendix of this article.

B. Procurement and Purchasing

CMS participants divided this practice into nineteen sections, all based on internal, institutional research studies performed to determine the best policies, procedures, and controls for governmental purchasing. Collectively, these nineteen sections constitute a PCS, discussed above, and include:

1. Introduction to Purchasing.
2. State Laws Governing Purchasing.
3. Purchasing by Federally-Funded, Personal, Professional Services, or Third-Party Contracts.
4. State Law Purchasing Options.
5. General Accounting Purchasing Procedures.
6. Detailed Procedures for Purchase Requisitions.
7. Purchase Orders.
8. General Basic Purchasing Controls.
9. Miscellaneous Procurement Matters.
10. Purchasing Procedural Controls.
11. General Computerized Purchasing Controls.
12. General Accounting Purchasing Controls.
13. In-Process Purchasing Controls.
14. Controls for Credit Cards.
15. Alternate Purchasing Control Systems.
16. Fraud Related Purchasing Controls.
17. Periodic Actions Purchasing Controls.
18. Stand Alone Purchasing Accounting Controls Checklist.
19. Appendices:

    a. Contract Purchase Process Checklist.
    b. Local Government Officer Conflicts Disclosure Checklist.
    c. Sole Source Justification Form.
    d. Form 1295 – Certificate of Interested Parties.

A sample "Purchasing Policies, Procedures, and Controls Manual" has been included in the appendix of this article.

C. Cash and Bank Reconciliations

The City Auditor's Office divided this practice into three sections, all used to identify the policies, procedures, and controls known as the best practices for reconciling governmental bank accounts. This volume is divided into three sections, including:

1. Identification of Reconciled Bank Balances.
2. Documentation of Procedures for Bank Reconciliations.
3. Required Notification of Bank Reconciliation Issues.

Given the focus and scope of this article, the author has not included the volume materials created by CMS for cash and bank reconciliations. If interested, please contact the author at megan@jgradyrandlepc.com

D. Staff Reporting

CMS participants divided this practice into six sections, all based on internal, institutional research studies performed to determine the best policies, procedures, and controls for governmental staff reporting. They are:

1. Staff Reports shall be used for Information Purposes.
2. All Proposed Ordinances and Resolutions shall be supported by a Staff Report.

3. Cost Overruns and Project Enhancements of Staff Reports.
4. Staff Recommendations, Signed Approvals, and Relevant Attachments for Staff Reports.
5. Before and After Submissions of Staff Reports to City Council.
6. Submission of Staff Reports to City Secretary's Office.

A sample "Staff Reports Policies and Procedures Manual" has been included in the appendix of this article.

E. Five-Year Compliance Horizon Plan

This volume is intended to be used strictly by a governmental entity's internal auditor's office. It includes a five-year plan to cover all known government subjects that will potentially require CMS volumes. The governing body of a governmental entity could request that additional items be added to the Five-Year Compliance Horizon Plan. As an example, the City Auditor's Office currently includes the following sections in this volume:

1. Budgeting.
2. Fixed Assets.
3. Treasury Cash.
4. Accounts Receivable, Cash Receipts, Billing, Collections.
5. Payroll.
6. Accounts Payable, Cash Disbursements, Procurement Cards.
7. General Ledger, Closing the Books, Financial Reporting.
8. Lease Accounting.
9. Expense Reports.
10. Follow-Up Documentation and Communication of Government Contracts.

Given the focus and scope of this article, the author has not included the volume materials created by the City Auditor's Office for the Five-Year Compliance Horizon Plan. If interested, please contact the author at megan@jgradyrandlepc.com

IV. CONCLUSION

Much of the information contained throughout this article developed through the efforts of Glenn Bulgherini and Carrie Sumrall from the City Auditor's Office of the City of Galveston and Schel Heydenburg with the Galveston Park Board. The author worked alongside these individuals to develop, organize, and implement CMS and the Port of Galveston's PCS during her time at the Port of Galveston. The practices and systems discussed herein developed as a result of the efforts of the City Auditor's Office and the staff of the Galveston Park Board and the Port of Galveston and may not necessarily be applicable to each and every governmental entity.

When initiating CMS or a governmental entity's own PCS, a governmental entity should pay particular attention to the emphasis of reduced risk, best value to the entity, and public transparency and fairness through the implementation of best practices and compliance measures. Governmental entities interested in forming a CMS or individually implementing a PCS should consult and work with legal counsel to ensure development of proper practices and systems.

Appendix A



The Park Board of the City of Galveston Contract Monitoring System Policies, Procedures, and Controls Manual

Approved by: _____

Kelly de Schaun, Chief Executive Officer

Effective Date: _____

Board Approval Date: _____

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1.1

CONTRACT POLICY #1 – GENERAL REQUIREMENTS

Executive management of the Park Board will create written general requirements for monitoring contracts. Executive management will also create a format for communicating all details of each contract to the Board of Trustees in a timely manner. All Park Board contracts will be stored in a centralized location for inspection by the Board of Trustees.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

1.2

CONTRACTS

General Requirements

Contract

- All the contracts with a value of **$10,000** or more must be approved by the Board of Trustees before they can be executed.
- All contracts must be reviewed by the Park Board legal counsel and the Accounting Department BEFORE submittal to the Trustees (over **$10,000**) or the CEO for approval.
- After the Trustees have awarded each procurement, the files, including a copy of the executed contract, are kept by the Administrative Service Manager (ASM). The ASM must be given the original contract.
    - This includes, but is not limited to, construction projects, commodities, and professional services.
- All contracts that financially or legally obligate the Park Board of Trustees must be signed by the Chief Executive Officer or Board Chair. This includes contracts that the Park Board enters into with businesses/ individuals enter into with the Park Board, (i.e., Concessionaires, HOAs, employment, Etc.)
- All contracts are assigned a number based on the type. This numbering is assigned by the Administrative Services Manager prior to being executed.
- Fully executed contracts will be logged and filed into the Master File system.

Contract Management

User departments are responsible for the management of their contracts. Departments should ensure goods rendered or services performed to meet the performance standards outlined in the contract and scope of work/ specifications. The user department is responsible for ensuring that renewals comply with State Law and Purchasing Policies.

In the event of a dispute between the user department and the vendor, contact Accounting, the CEO, and legal counsel to assist with a resolution before beginning the termination process.

Contract Guidance

The Park Board encourages user departments to use existing Trustee Approved vendor contacts procured using the formal solicitation process or a Purchasing Cooperative for operational supplies and services. Contracts provide the Park Board with the stability of written terms, preferred pricing and are approved by Trustees.

However, Situations may arise that create a purchasing need outside of an existing contract. Any purchase based on an urgent need (not an emergency purchase) can save the Park Board money or increase the efficiency and effectiveness in delivering a public service. Those purchases are permissible but must be done within the Purchasing Policy.

Upon discovering that purchase(s) requires a contract and/ or supporting documents are prepared for the next available Park Board Agenda.

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Types of Contracts

Except as provided in the procurement policy, any contract, including but not limited to definite quantity and indefinite quantity contracts and price agreements, is allowed which will promote the best interest of the Park Board/ Standard contracts include:

- **Unit Price Contract:** A price for each service or item;
- **Lump Sum Contract:** One price for the entire procurement;
- **Time and Material Contract:** Services are compensated by a predetermined schedule for specific types of labor, with reimbursement of costs incurred for materials and fees and allowance for an agreed-upon percentage;
- **List Price Plus Discount:** Contract based on prices listed in the current catalog, price list, schedule, or another format that:
    - **Is regularly maintained by the manufacturer or vendor of an item;**
    - **Is either published or otherwise available for inspection by a customer.**
- **Cost – Plus – A- Percentage-of-The-Cost Contract:** Is prohibited, except for the purchase of insurance.
- **Cost Reimbursement Contract:** May be used when such contract is likely to be less costly, or it is impracticable to otherwise obtain the services, professional services, construction, or item of tangible personal property required.

Contract Terms

Before the use of a multi-year contract, the Accounting Division, in conjunction with the using department shall determine that:

- The estimated requirements cover the period of the contract and are reasonably firm and continuing; and
- The contract will serve the best interests of the Park Board.

A multi-year contract will serve the best interest of the Park Board.

Five (5) years, if the contract amount is under **$25,000;**

- Ten (10) years, including all extensions, if the contract amount is over **$25,000**. Exceptions are contracts entered into with other governmental entities;
- A contract for professional services may not exceed a term of the years, including all extensions and renewals, except that a multi-year contract for the services of trustees, escrow agents, registrar, paying agents, letter of credit issuers, and other forms of credit enhancement; and other similar services, excluding bond attorneys, underwriters and financial advisors with regard to the issuance, sale, and delivery of public securities, may be for the life of the securities or as long as the securities remain outstanding. Legal services may exceed this limit.

Availability of Funds

Payment and contractor performance obligations for succeeding fiscal periods are subject to the availability and appropriation of funds.

Cancellation

If funds are not appropriated or otherwise made available to support the multi-year contract's continuation, the contract shall be canceled.

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1.4

Change Orders to Contracts

A change order is required when necessary to make changes after the contract or work has commenced. The CEO is authorized to approve increases or decreases that do not exceed **S10,000**. All change orders that increase or decrease an original contract's cost by **$10,000** or more require Trustee approval. State law requires that a contract shall not be increased or decreased by more than 25% of the original contract. (see Texas LGC 252.048(d))

Contracts with a Governmental Entity

The Park Board may not enter a contract with companies engaged in business with Iran, Sudan, or any other Foreign Terrorist Organization listed on the State of Texas Comptroller's website. (See Texas Government Code 2252, Subchapter F, Sections 2252.151-154. Effective September 1, 2017.)

The Park Board must verify with the State of Texas Comptroller's website that a company was not on the listing of companies identified by the State Comptroller. The verification must be documented by the using department in the procurement files.

The Park Board may not enter a contract with a company that boycotts Israel. The Park Board must provide, in the contract, written verification from the company that it does not and will not boycott Israel during the contract term. (See Texas Government Code Chapter 2270. Effective September 1, 2017.)

Protest Procedures

Any actual or prospective offeror who is allegedly connected with the solicitation or award of an offer may protest. The protest will be submitted in writing to the Accounting Department within seven (7) days after such aggrieved person knows of or should have known of the facts giving rise thereto. If the protest is not resolved by mutual agreement, the CEO will promptly issue a decision in writing to the person protesting.

All protests lodged by potential or actual offerors or contractors must be made in writing and contain the following information:

1. Name, address, telephone number of the protestor.
2. Identification of the solicitation or contract number and title.
3. A detailed statement of the protest's legal and factual grounds, including copies of relevant documents.
4. Identification of the issue(s) to be resolved and statement of what relief is requested.
5. Arguments and authorities in support of the protest.
6. A statement that copies of the protest have been mailed or delivered to all interested parties in the Invitation to Bid or Request for Proposal process.

In the Request for Proposal, the Accounting Department shall direct the protester to mail or deliver the protest to the relevant parties.

The CEO has the authority to render the final determination regarding the protest. Any determination rendered by the CEO will be final.

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Reimbursements

Reimbursements to Park Board employees for purchases of goods, supplies, and services shall require the submittal of the original invoice(s) for processing reimbursement payment to employee(s).

Direct Pays

The Accounting Department and Beach Cleaning are responsible for disposing of Park Board surplus property. Property valued at **$1,000** or more may not be sold at public auction or any lease or sale of Park Board-owned real property for any amount. Sale or lease of such property shall be authorized only by the Trustees. If a department is unsure of the surplus property's value or whether the property can be disposed of, sold, or auctioned contact Accounting.

Disposal of Park Board Property

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that a governmental entity or state agency may not enter into specific contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity or state agency when the business entity submits the signed contract to the governmental entity or state agency. The law applies only to a contract of a governmental entity or state agency that either 1). requires an action or vote by the entity or agency's governing body before the contract may be signed or (2) has a value of at least **$1 million.** The disclosure requirement applies to a contract entered into on or after January 1, 2016. The process as implemented by the Commission is as follows:

1. A business entity must use the application to enter the required information of Form 1295 and print a copy of the form and a separate filing certification that will contain a unique certification number.
2. An authorized agent of the business entity must complete an "unsworn declaration" by signing the form. The completed Form 1295 and certification of filing must be filed with the Park Board "at the time the business entity submits the signed contract" to the Board.
3. The Park Board must notify the Commission, using the Commission's filing application, of the receipt of the filed Form 1295 and certification of filing not later than the 30th day after the date the contract binds all parties to the contract.

For more information regarding how to file Form 1295, please click on the following link:

https://www.ethics.state .tx.us/filinginfo/1295/.

Conflicts of Interest-Vendors

Vendors must complete a Conflict of Interest Questionnaire (CIQ) per Texas Government Code Chapter 176 and any Park Board solicitation package, including the following: Invitation to Bid, Request for Proposal, Request for Qualifications, Informal Request for Bid, and Informal Request for Proposal. If there is no conflict, "Not Applicable" must be written on the form if returning with a solicitation.

At any time prior to or during a contract period, a vendor becomes aware of a conflict of interest; the form must be completed by the vendor, turned into Purchasing, and filed with the Administrative Service Manager. The form must be turned in within seven (7) days of discovery of the conflict.

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Vendors must complete and sign the form, in its entirety, if a vendor wants to do business with the Park Board, and the following conditions apply:

- Has a family relationship with a Local Gov't Officer
- Has a business relationship with Local Gov't Officer/ family member, and that person received **$2,500** of taxable income (other than investment income) in the twelve (12) months prior to the start of the relationship with the City
- Gave a Local Gov't Officer/ family member gifts totaling **$100** or more in the past twelve (12)
    - Gifts include transportation, lodging, entertainment as a guest
    - Gifts do not include food as a guest

Vendors commit a crime if they knowingly fail to file the CIQ form by 5:00 pm on the seventh (7^{th}) business day, on which they become aware of the facts that made it necessary to file a disclosure.

Penalties for failing to file a Conflict of Interest Statement are as follows: (per Texas Government Code Section 176.013 Enforcement)

- Contract less than **$1M**= Class C Misdemeanor
- Contract **$1M** - **$5M**= Class B Misdemeanor
- Contract **$5M** or more= Class A Misdemeanor

For additional information, see pages 17-19 of the Purchasing Policy and/ or Texas Government Code Chapter 176.

Records Retention Policies

The Park Board will follow Texas State Laws governing records retention in Texas Local Government Code 201, 202, 203, and 205, et. al.

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Procedures Checklist for Creating Documentation of Contracts

1. How are all contracts stored in a centralized location whereby they can be communicated to Staff and Trustees in a timely manner? Does the centralized location include an on-line contract repository accessible by Staff and Trustees?
2. Have Forms been produced to document the details of each Park Board contract when it is created?

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File Creation Standard Operating Procedure & Checklist

The following process should be followed and verified when the Park Board receives a contract and/or lease document. Upon receipt of any contract and/or lease document, such document should be given to the Chief Financial Officer designee for initial processing and file development. Failure to follow such procedures may result in the loss of important financial and/or legal documentation.

- **Receive** document.
- **Scan** document.

  When saving the document, the following information should be utilized:

  1. *The **effective date** of the document (**YYYY/MM/DD**)*
  2. *The abbreviated **name of the vendor or tenant**; and*
  3. *The **entire title of the document**.*

  This information should be utilized to save files using the following naming convention consistently;

  Effective Date of Document- NAME OF VENDOR/TENANT- Title of Document

- **Save** the document to the appropriate folder.
- **Receive document** from Legal Affairs.
- **Collect and gather** pertinent documents.

  ***For Leases**:* Gather correspondences to and from the tenant, any and all documents relating to rent escalations or notifications of intent to renew, insurance documents provided by tenant, as well as any and all historical lease documents (e.g., amendments, consent to sublease, Etc.).

  ***For Contracts**:* Gather proof of bid advertisement, copy of the published request, bid tabulation/scoring for all vendors, debarment verification, as well as any other procurement or publishing documentation deemed necessary (e.g., reserve copies of competing bids received).

- **Create file**.

  *A label should be placed on the outside cover of all files**: PLEASE KEEP THIS FILE IN THE CONDITION IN WHICH YOU FOUND IT. RETURN TO THE FILE ROOM WHEN NOT IN USE**. The following labels should be placed on the individual file tabs, in the order in which they're shown, for both lease and contract files, respectively.*

  ***For Leases**:* Miscellaneous Documents, Correspondence, Insurance Documents, Original Lease Documents.

  ***For Contracts**:* Procurement Documents, Contract Files.

All lease and contract files should contain a "Document Index" appearing before any original lease documents or contract files.

- Meet with Legal Affairs for **final review and verification**.
- **Notify** appropriate personnel of filing and that document is now available to be added to the respective Master List.

APPENDIX A

1.9

- **Calendar** relevant escalation dates, renewal dates, and/or termination dates if applicable. Add document to respective file cabinet index.

REVIEWED AND VERIFIED:

_____ _____

APPENDIX A

2.1

CONTRACTS POLICY #2- PUBLIC SCRUTINY

Executive Management of The Park Board of The City of Galveston, Texas, will create a system in which contracts will stand the test of public scrutiny in matters of prudence and probity and reflect fairness and transparency in the spending of Park Board funds.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

2.2

Procedures Checklist to Reflect Fairness and Transparency in the Spending of Park Board Funds

1. Where is the procurement method for each contract transparently documented and communicated to the Park Board Trustees?
2. Where is the documentation for communicating the process of analyzing each contract for Related Party transactions and Conflicts of Interest?
3. Has Related Party Questionnaires been circulated to Staff and Trustees for each contract?
4. Have all Related Party transactions been documented and communicated to the external auditors for financial statement purposes?
5. Has a Form been created to document procurement of each contract?
6. Have the consequences for not following policies in connection with Related Party transactions and Conflicts of Interest been efficiently communicated to Staff and Park Board Trustees? Added to the Related Party Questionnaire?

APPENDIX A

2.3

PROOF OF PROCUREMENT

Criteria	Protocol	Yes	No	N/A	Comments
Solicitation Documents	Documentation of the method of procurement used.				
Correspondence Received Regarding the Solicitation	Documentation of all relevant correspondence received and responded to regarding the solicitation.				
Evaluation Documents	Documents providing scoring from written criteria and pricing.				
Notice of Award	Documentation of the notice of the intended contract award.				
Copies of Protests Received and Documentation of Their Resolution					
Solicitation Receipt Log					
Solicitation Tabulation	Documentation of pricing and scoring.				
Single Source Procurement Documentation	Single Source/ Proprietary Purchase form.				
Conflict of Interest Questionnaire	Forms signed, dated and completed by individuals taking part in the selection, evaluation, and award process.				

APPENDIX A

2.4

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

[Date]

[Name and Address of Recipient]

Please furnish the following information as requested in the attached questionnaire. Please sign and date your reply and return the questionnaire directly to The Chief Finance Officer in the enclosed return envelope. This questionnaire is designed to provide information about the interests of governing board members, key personnel, and other related parties in connection with Related Party Transactions.

Related Parties may include members of management, immediate families, financiers, or investment groups.

The words "you or your" refer to any principles of a firm and its employees.

Please read the Conflict of Interest Policy for The Park Board of The City of Galveston.

Please answer all questions. If the answer to any question is "Yes," please provide the necessary information in the spaces provided.

Regards,

Chief Finance Officer

APPENDIX A

2.5

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

1. Have you or any related party of yours owed and interest, direct or indirect, in:

   _____

   If YES, please provide further information.

   YES NO

2. Have you or any related party of yours received compensation or are you owed monies or compensation for goods furnished or services performed from:

   _____

   If YES, please provide further information.

   YES NO

APPENDIX A

2.6

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

3. Have you or any related party of yours acted as a financier for:

_____

If YES, please provide the names and contact information for these entities.

YES NO

4. Have you reported in writing any conflicts of interest of which you are aware in regards to:

_____

If YES, please provide the names and contact information for these entities.

YES NO

APPENDIX A

2.7

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

5. Do you know of any related party or other person or entity that is a related party to:

_____

If YES, please provide the names and contact information for these entities.

YES NO

APPENDIX A

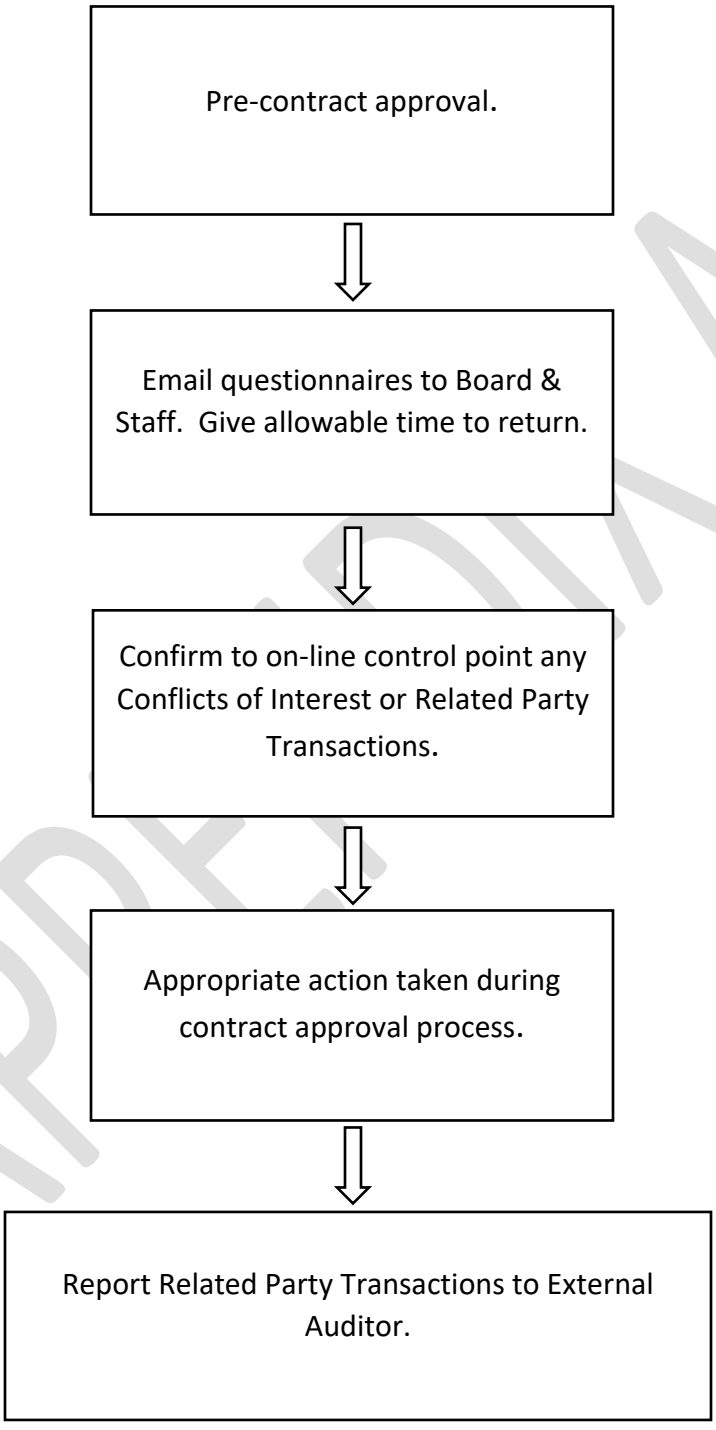
The answers to the foregoing questions are correctly stated to the best of my knowledge and belief.

[Signature]_____

[Date]_____

2.8

FLOW OF CONFLICTS OF INTEREST/ RELATED PARTY TRANSACTIONS



APPROVED

3.1

CONTRACT POLICY #3- KEY CONTRACT INFORMATION

Executive Management will identify to The Trustees of The Park Board of The City of Galveston, Texas, all key contact individuals or groups of individuals and contact information for Park Board contracts.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

3.2

Procedures Checklist to Identify all Key Contact Individuals

1. Has a Form been constructed to identify all key individuals associated with each contract?
2. Has this Form been documented and communicated to all Park Board Trustees and Staff in a timely manner?
3. Has the Chief Executive Officer verified, on the Form, that all Staff is properly trained to fulfill the terms of the contract?

APPENDIX A

3.3

LIST OF KEY INDIVIDUALS

Contract Developer	
Name:	Title/Division:
Signature:	Date:
Executive Sponsor (if designated)	
Name:	Title/Division:
Signature:	Date:
Contact Manager	
Name:	Title/Division:
Signature:	Date:
End User Division Director/Manager	
Name:	Title/Division:
Signature:	Date:
Project Manager	
Name:	Title/Division:
Signature:	Date:
All Staff are Properly Trained	
CEO:	Date:

APPENDIX A

3.4

CONTRACT MANAGEMENT FILE CHECKLIST

Provider Name: _____

Type of Contract ☐ Initial ☐ Amendment Date:

Activity Record & Correspondence					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Contract Review Checklist	Contract review checklist verifies that the contract is current, accurate and complete.				
Correspondence	Evidence of correspondence regarding contract issues (e.g., emails, letters, telephone contact log, file notes, Etc.).				
Documentation of Written Assignment of Contract Management Duties	Completion of Acquisition Plan Prior to Procurement.				
Documentation of Approval/Disapproval of Subcontracting	A subcontract will be considered approved if subcontracting is allowed in the contract and prior written approval was provided.				
Documentation of Contract Termination/ Cancellation, including Contract Closeout Date	Completion of Acquisition Plan prior to procurement.				

APPENDIX A

4.1

CONTRACT POLICY #4- FINANCIAL ACCOUNTING

The Trustees of The Park Board of The City of Galveston, Texas, will require financial accounting summaries such as “Agreed to Price” and “Up to Date Costs” and Justification of Procurement Method should be documented in a timely manner by the Chief Financial Officer.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

4.2

Procedures for a Contract Financial Accounting Summary

1. Do we have a record of payments paid to each contractor to communicate to Park Board Trustees and Staff so they are updated consistently?
2. Are all needs for internally designated funds communicated to Park Board Trustees and Staff for each contract?
3. If a year-end payable or year-end receivable is probable, is this communicated to Park Board Trustees and Staff for each contract?
4. Is the contact part of a grant that is subject to grant requirements? Is this effectively communicated to Park Board Trustees and Staff?
5. If the contract is part of a grant, is the Park Board going to require outside professional expertise to effectively interact with any outside audit agencies? If so, has this been communicated to Park Board Trustees and Staff?
6. If the contract is part of a grant, are there any associated funds to be received by the Park Board that could possibly become a liability from the Park Board if identified by an oversight agency audit? If so, has this been communicated to the Park Board Trustees and Staff?
7. If the contract is part of a grant, has it been communicated to Park Board Trustees and Staff that The Park Board could be denied reimbursement or partial reimbursement due to any findings from an oversight audit agency?
8. Are there any business summaries or business ratios that should be communicated to The Park Board Trustees or Staff concerning the qualitative or quantitative accomplishments of each contract?

APPENDIX A

4.3

CHECKLIST FOR PAYMENT STRUCTURE

Payment Terms

Payment considerations include whether pricing terms align with applicable industry standards and whether consideration for all possible costs associated with the purchase has been considered.

Payment Schedule

The payment schedule specifies the period allowed to pay the contractor (e.g., monthly payment schedule).

Contract Closeout

- All goods or services have been received and accepted.
- All reports have been delivered and accepted.
- All administrative actions have been accomplished.
- All furnished equipment and/ or materials have been returned.
- All property inventory and ownership issues are resolved, including the disposition of any equipment or licenses purchased under the contract.
- Final acceptance from the project manager has been received.
- The final payment has been made to the contractor.
- The contractor's performance has been reported on the vendor performance report.

APPENDIX A

4.4

CHECKLIST TABLES FOR FINANCIAL DOCUMENTATION

Justification of Procurement Method Used					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Approval of Selected Procurement Process	Documentation which confirms approval of proposed action.				
Copy of Business Plan	Copy of business plan, if applicable.				
Justification for the Procurement Method Used	Justification, in writing, as to why certain method of procurement was used.				

Financial/Payment Records					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Budget Authorization	Budget allocation, agenda item, or other authority				
Contract Justification					
Evidence of Cost/Price Analysis					
Post-Award Notices & Transmittal Letter	The Contract Manager must furnish within ninety (90) days of contract execution and funding changes.				

Payment Activity Ledgers					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Payment History	Schedule of Contract payments and total amount disbursed.				
Invoice Tracking Sheet					
Documentation of Periodic Reconciliation of Contract Payments	Quarterly reconciling of the contract payment records with official accounting records; reconciliation of actual expenses versus invoiced expenses.				

APPENDIX A

4.5

CHECKLIST TABLES FOR FINANCIAL DOCUMENTATION

Supporting Financial Documentation					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Invoices	Copies of invoices retained by the Finance Department				
Inspection and Approval of Contract Deliverables	The Receiving Department has five (5) working days to inspect and approve the goods and services upon submission of any invoice unless the contract specifies otherwise.				
Justification of Need for Payment Advances	Documentation supporting the decision to provide advanced funding.				

APPENDIX A

4.6

FORM FOR BUDGET DOCUMENTATION

Budget & Internal Accounting	
Name	**Title/Division**
Signature	**Date**

Contract: _____

$ Budget Amount Approved: _____

$ Budget Remaining: _____

APPENDIX A

4.7

List of Financial Accounting Information to be Recorded at On-Line Contract Repository

1. Agreed to prices/payment terms and schedule.
2. Record of vendor payments/ budget accounts/ expense accounts.
3. Travel expenses incurred.
4. Procurement method used for contact and justification.
5. Internally designated funds for contract.
6. Payable or receivable at year-end?
7. Is the contract subject to grant requirements?
8. Possibility of denied reimbursements or partial reimbursements due to findings from grant oversight agency audit?
9. Business ratios and standards identified?
10. Contract closeout requirements.

APPENDIX A

5.1

CONTRACT POLICY #5- CONTRACT TIMELINES

The Trustees of The Park Board of The City of Galveston, Texas, requires timelines to be created to ensure proper deadlines are met for each contract deliverable.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

5.2

Procedures Checklist for Contract Timelines

1. Has a Form been created to communicate the Internal Calendar of Events for each contract that needs one?
2. Has a Form been created to communicate each contract's organization structure that needs one?

APPENDIX A

5.3

INTERNAL CALENDAR OF EVENTS

Activity	Planned Start Date	Estimated Completion
Budget (Approval/Questions)		
Kick-Off Meeting (Contract Developer, Contract Manager, End User)		
Draft Solicitation		
Approvals and Review for Solicitation Issuance		
CAT Review > **$5 Million** SPD Delegation Review: Services > **$100,000** SPD Delegation Review: Goods > **$50,000**		
Solicitation Issued		
Pre-Bid/Offer/Proposal Conference (if applicable)		
Due Date for Written Answers		
Date of Issuance of Written Answers		
Due Date for Responses		
Internal Post Award Meeting		
Vendor Selection		
Negotiation (if permitted) and Contract Formation		
Board Approval (if required) & Contract Award		
Transition Meeting		
Post-Award Meeting with Contractor		
Project Schedule		
Contract End Date		

APPENDIX A

5.4

CONTRACT ORGANIZATION STRUCTURE

Contract Administration Team

Identify the Contract Developer, Contract Manager, Endorser, project manager, legal counsel, and any other person representing The Park Board contract team structure.

Role	Resource Name
Contract Developer	
Contract Manager	
End-User	
Project Manager	
Legal Affairs Manager	
General Counsel	

Roles and Responsibilities Detail

Example of responsibilities for each role are as listed below. The responsibilities listed below are for illustrative purposes only. The responsibilities for each role should be tailored to the specific procurement.

Contract Developer	Perform the following activities, prior to contract execution: • Receive and process requisitions, • Asses needs, • Develop and review specifications • Develop and review scopes of work, • Identify and select procurement method, • Identify and prepare evaluation criteria, • Prepare and advertise solicitation, • Provide guidance to evaluation committee, • Negotiate terms and conditions, and • Prepare and complete contract award documents.
Contract Manager	Perform the following activities, prior to contract execution: • Participate with the procurement team in solicitation development and review of contract documents, • Serve as the primary point of contact for communication with the contractor regarding all matters pertaining to the contract, • Manage any property used in contract performance (e.g., computers, telephones, identification badges), • Implement a quality control and contract monitoring process, • Monitor the contractor's progress and performance to ensure produces and services procured conform to the contract requirements and keep timely records of findings, • Consult with legal counsel in a timely manner to address any concerns and/ or issues, • Manage, approve, and document any changes to the contract through the amendment process authorized by the terms of the contract,

APPENDIX A

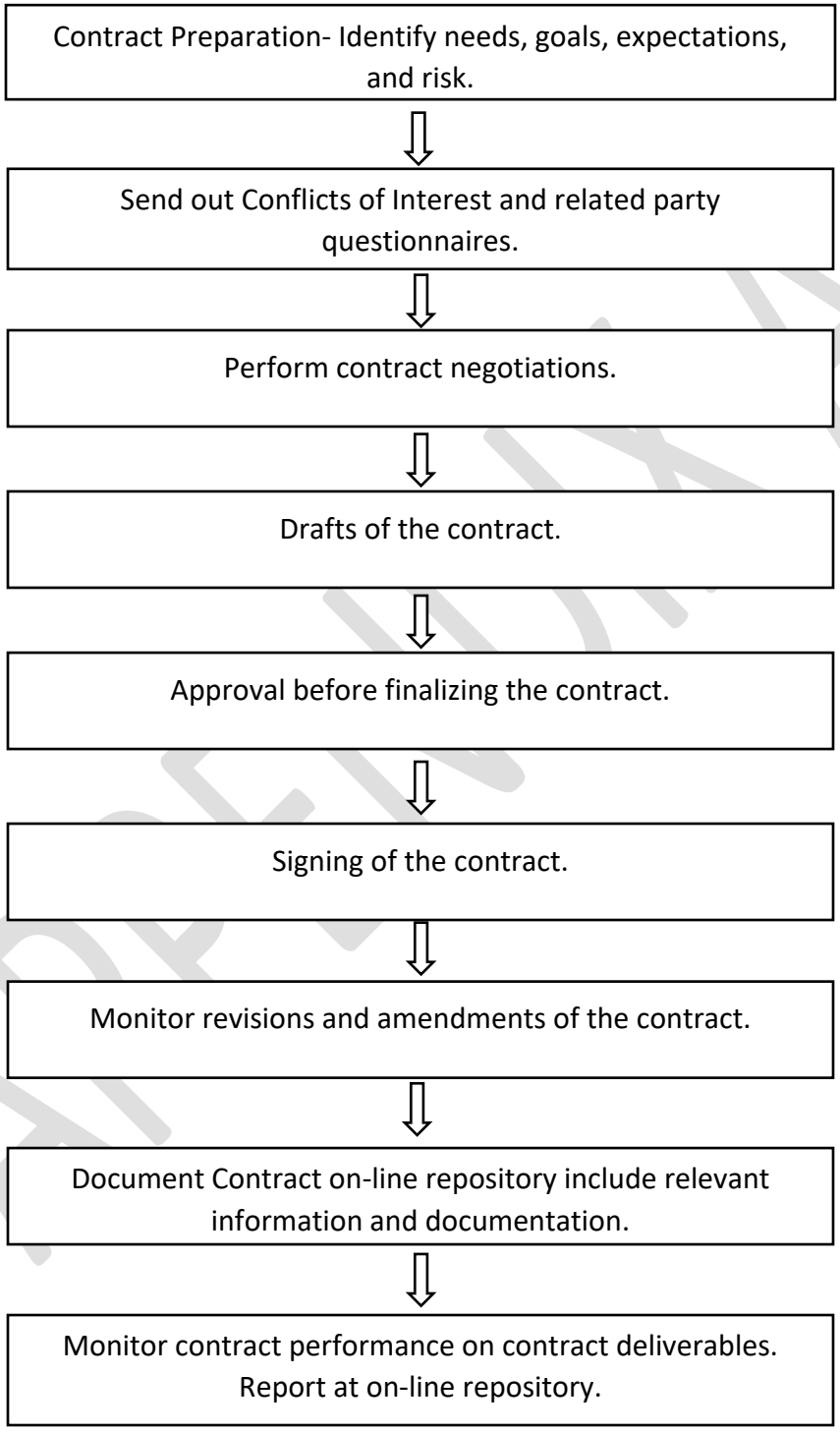
5.5

	• Inspect and approve the products and/or services by submitting a written document accepting the deliverables or obtain documentation from the end users responsible for receipt that inspections and approval have been completed, • Verify accuracy of invoices and authorizing payments consistent with the contract terms, • Monitor the contract budget to ensure sufficient funds are available through the terms of the contract, • Identify and resolve disputes with the contractor in a timely manner, • Exercise state remedies, as appropriate, when a contractor's performance is deficient, • Maintain appropriate records in accordance with records retention policy • Confirm all products and/or services have been delivered and delivery is completed prior to the expiration date of the contract, • Perform contract closeout processes by ensuring the contract file contains all necessary contract documentation, formal acceptance documented, vender performance reports, and document lessons learned.
End User	Perform the following activities, prior to contract execution: • Gather requirements and provide end-user support working closely with the Contract Developer and Contract Manager, as appropriate, • Provide feedback to Contract Developer and Contract Manager and other procurement team members on process change suggestions.
Project Manager	Perform the following activities, prior to contract execution: • Manages the project following project management methodology, • Leads the planning and development of all project deliverables; actively monitors progress and quality of projects = task and deliverables, • Identifies and resolves project problems and conflicts, escalating to the Contract Manager when necessary, • Communicates project stats, issues, and risks to chain of command and the Contract Manager when necessary. • Manages and coordinates project activities of all project team members.

APPENDIX A

5.6

TIMELINE OF CONTRACT ADMINISTRATION AND DELIVERABLES



6.1

CONTRACT POLICY #6- CONTRACT PERFORMANCE

The Trustees of The Park Board of The City of Galveston, Texas, will require Executive Management to create a method for reporting contract performance and raising contract issues for the Board of Trustees to determine contract value and ensure fees paid do not exceed the appropriate market rate for the services or goods provided.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

6.2

Procedures Checklist for Reporting Contract Performance and Contract Issues

1. Have we developed Forms to sufficiently document, analyze, and communicate all necessary interim information for each contract to The Park Board Trustees and Staff in a timely manner?
2. Have we communicated to The Park Board and Staff all prior specific accomplishments or irregular issues with each contracted vendor?
3. Does the Staff monitor and communicate to The Park Board Trustees any instances of "Scope Creep" with each contracted vendor?
4. Has the Staff analyzed each contract and communicated to The Park Board Trustees any possibilities of minimizing each contract to a fixed performance contract instead of a fixed price contract?
5. Has Staff considered and communicated to The Park Board Trustees the need for an incentive reward to attain greater success for each contract?
6. Has Staff considered and communicated to The Park Board Trustees any negative consequences for having each contract? For not having each contract?
7. Has Staff communicated to The Park Board Trustees that The Park Board is getting its money's worth from each contract?
8. Does Staff communicate to The Park Board Trustees any specific material changes to ownership or staff from each contracted vendor?
9. Does Staff analyze and communicate each contract to The Park Board Trustees in terms of short-term or long-term goals?
10. Does Staff need to document, analyze, and communicate to The Park Board Trustees that any contract has become backlogged and The Park Board cannot to administer the remaining contract?
11. Does Staff need to communicate to Park Board Trustees any embedded risks that arise in any contract interim?
12. Has Staff documented, analyzed, and communicated to Park Board Trustees the final accomplishments of all contracts?

APPENDIX A

6.3

CONTRACT GOALS AND OBJECTIVES

Solicitation/ Scope of Work

Describe the contract scope. The scope defines contract limits and identifies the products and/ or services delivered under the contract. The scope establishes the contract's boundaries and should describe produces and/or services outside the contract scope.

Contract Includes:
Contract Excludes:

APPENDIX A

6.4

CRITICAL SUCCESS FACTORS

Describe the factors or characteristics that are deemed critical to contract's success, such that, in their absence, the contract will fail.

Critical Success Factors:
Assumptions
Constraints

APPENDIX A

6.5

POTENTIAL RISKS

Identify potential risks related to the procurement/ contract. Consider all major contract risks, including information security risks.

Risk	Risk Details

APPENDIX A

6.6

CHANGE CONTROL MANAGEMENT

Performance Management Oversight Activities					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Documentation of Planning Meeting	Completion of Acquisition Plan prior to procurement.				
Monitoring and Corrective Action Documentation	Copy of vendor performance scorecards, if preformed, and documentation of corrective action, when applicable.				
Documents of Monthly Meeting with Contractor	The file contains evidence indicating direct contact with the contractor's representative and evidence of such meetings and/ or communications.				
Documentation of Site Visit	For contracts involving the precision of direct services, at a minimum, an annual visit to the physical location where the services are delivered documenting direct conversations with employees receiving the services and the staff responsible for delivering the services.				
Reports					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Emergency Preparedness plan	Copy of plan maintained by contract manager and evidence of acceptance from Department of Operations.				
Emergency Procurement					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Notice of Emergency	Copy of emergency designation issued by the local, state, or Federal government.				
Notice of Emergency Purchase	A department may make an emergency purchase pursuant to the Park Board’s Purchasing Policies and Procedures.				
Justification for Emergency Purchase	A department may make an emergency purchase pursuant to the Park Board’s Purchasing Policies and Procedures.				

APPENDIX A

7.1

CONTRACT POLICY #7- INSURANCE

The Trustees of The Park Board of The City of Galveston, Texas, require executive Management to ensure that each contract, if applicable, includes projected dates and insurance information.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

7.2

Procedure Checklist for Projection Dates and Insurance Requirements

1. Has Staff created a Form advising Park Board Trustees of projection dates?
2. If applicable, has Staff notified Park Board Trustees of changes to any projection dates?
3. Has Staff produced a Form to document and communicate to Park Board Trustees any proof of insurance required for any contracts?

APPENDIX A

7.3

PROJECTED DATES FORM

Document Version:	**Revision Date:**
Requested Contract Start Date:	
Projected Awards and Start Date:	
Projected Contract Completion Date:	
Projected Contract Closeout Date:	

APPENDIX A

7.4

REQUIRED INSURANCE FORM

Required	Type to Be Provided	Minimum Amount of Coverage
	Commercial General Liability	
	EO? Professional Liability	
	Workers Comp/Employer Liability	
	Umbrella/Excess Insurance	
	Auto Insurance Liability	
	Crime/ Employee Dishonesty	
	Cyber Liability	
	Performance Bond	
	Other Insurance/Bond	

Criteria	Protocol	Yes	No	N/A	Comments
Proof of Insurance	Copy of current provider insurance.				
Proof of Bonding or Letters of Credit	Copy of current provider insurance.				

APPENDIX A

8.1

CONTRACT POLICY #8- EMPLOYER-EMPLOYEE RELATIONSHIP

The Trustees of The Park Board of The City of Galveston, Texas, require that Executive Management examine each contract for an employer-employee relationship.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

8.2

PROCEDURES CHECKLIST FOR EMPLOYER-EMPLOYEE RELATIONSHIP

1. Has Staff documented that the contractor has control over the daily time frame when the service is performed?
2. Has Staff documented that the contractor has control over the location of where the majority of the planning for the service is performed?
3. Has a W9 Form been obtained and documented from the contractor?
4. If the contract provides for an employer-employee relationship, has this been communicated to the Park Board Trustees and the accounting department?

APPENDIX A

9.1

CONTRACT POLICY #9- TRAVEL AND MEAL COSTS

The Park Board of The City of Galveston, Texas, requires contracts to abide by the approved travel & meal policies for The Park Board when travel costs & meal costs incurred by contractors are a specific element of the contract.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

9.2

Procedures Checklist for Contractor Travel and Meal Policies

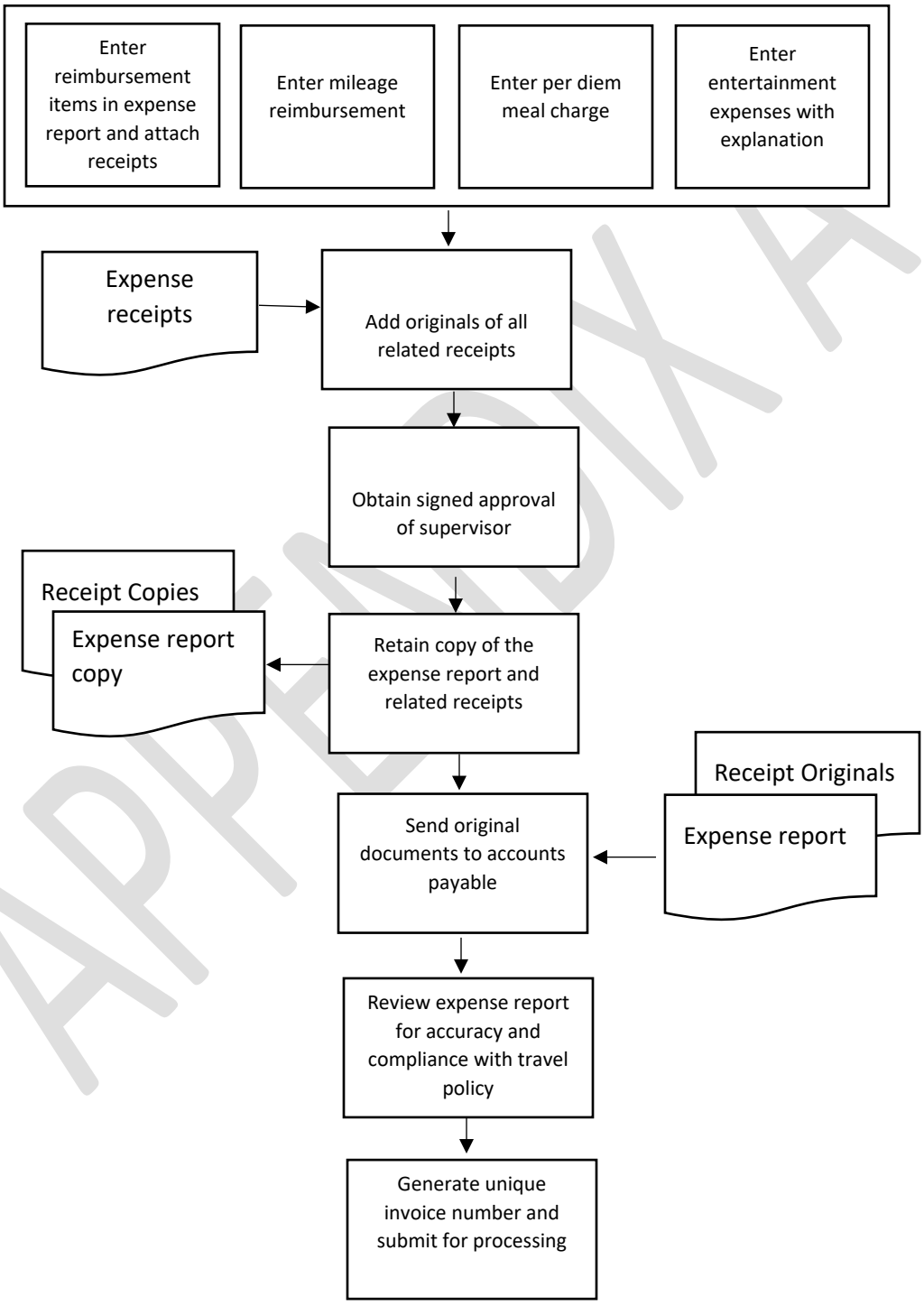
1. Has Staff developed a Form for "Vendor Transaction Fee Reports"?
2. Does this Form call for vendors to report all fee-eligible business activity on a monthly basis?
3. Has this Form been documented and analyzed for payment?

APPENDIX A

9.3

EXPENSE REPORT PROCEDURES

EXPENSE REPORT SUBMISSION PROCESS FLOW



APPENDIX A

10.1

CONTRACT POLICY #10- ENFORCEABLE CONTRACT

The Trustees of the Park Board of The City of Galveston, Texas, requires that Park Board contracts meet a legally binding contract's requirements with all the elements of an enforceable contract.

Board Approval Date: _____

Board Denial Date: _____

Previously Approved Date: _____

APPENDIX A

10.2

CHECKLIST FOR LEGAL AFFAIRS AND GENERAL COUNSEL

Legal Affairs Manager	• Draft or assist Contract Developer in drafting the solicitation. • Draft and review contracts. • Prepare other contract instruments to support or comprise part of the contract.
General Counsel	• Provide legal advice on solicitations, including an appropriate procurement method and contract terms and conditions. • Negotiate terms and conditions and contract language, as needed. • Review contracts and other contract instruments that support or comprise part of the contract. • Coordinate execution of contracts and other contract instruments that support or comprise part of the contract. • Abiding by Park Board's Travel Policies

APPENDIX A

10.3

CONTRACT DOCUMENTS CHECKLIST

Contract Documents					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Signed Contract and Amendments	Contract file must contain the original signed and dated contract, amendments, renewals, and provisions.				
Contract Review Form	Signed by the Finance Department, the Contract Manager, and the Legal Affairs Manager.				
Notice of Non-Compliance	When services are initiated prior to the execution of a contract and there is no valid emergency, certification as to the specific circumstances leading to the failure to have the contract signed prior to rendering services must be provided within 30 days of the services beginning and filed in the contract file.				
Certification Regarding Debarment and Suspension	Form signed and dated for all contracts containing $25,000 or more in Federal funds.				
Certification Regarding Lobbying	Form signed and dated for all contracts containing Federal funding in excess of $100,000.				
Civil Rights Compliance Checklist	Signed and dated questionnaire if providers had 15 or more employees and if Federal funds are being used.				
Verification of Vendor Ability to do Business in Texas	Copy of business license or applicable documentation.				
Contract Management Documentation of Contract Default or Breach	In the event of a contract default or breach, the contract file must include documentation such as guidance from legal, relevant correspondence, etc.				

APPENDIX A

10.4

CONTRACT REVIEW CHECKLIST

The Park Board does need to consult an attorney whenever a contract is needed. Generally, contracts should be in writing, and an attorney is the best person to help make sure the Park Board's interests are represented and legally covered. This checklist will help clarify what to watch for in a standard contract.

Legal Validity	**Yes**	**Needs Attention**
Parties. Does the contract specify the parties involved, and is the person (or people) signing the agreement legally authorized to commit to the agreement?		
Offer. Does the contract clearly explain what is being proposed?		
Acceptance. Has that offer been formally accepted?		
Consideration. Does the contract clearly state what each party will get in return for fulfilling the promises made in the contract?		
Writing. Has the entire agreement been put into written form?		

Terms	**Yes**	**Needs Attention**
Dates. Does the contract specify relevant timetables, such as dates for delivery or the length of the agreement?		
Renewal Term. Does the contract contain a renewal provision? If so, does the ministry have to act to renew, or will the contract renew automatically?		
Penalties/ Fees. If there are any penalties or fees assessed if certain actions are taken or not taken, does the contract clearly state that has to happen for the penalties or fees to apply?		
Insurance. Does the other party carry adequate insurance to cover the party's risks while performing their duties under the contract? Does The Park Board carry the type of insurance coverage that the contract requires?		
Proof of Contracting Party Complying with Insurance Requirements. Has the other party to the agreement shown proof of insurance coverage with a certificate of insurance and appropriate endorsements- indicating specific coverages, applicable limits, and naming The Park Board as an additional insured?		
Hold Harmless and Indemnity Clauses. Does the contract contain a provision that "hold harmless, indemnify, and defend" the Park Board or require the Park Board to do so? If so, does the contract clarify that adequate insurance is available to cover these responsibilities?		
Waiver of Subrogation. If the Park Board is required to waive its right to reimbursement against the other part, do you know if the Park Board's insurance provider requires the Pak Board to waive the right to recover, in writing, before a loss takes place, and does the insurance company have to approve this?		

APPENDIX A

10.5

Warranties/ Disclaimers. Unless disclaimed, some agreements automatically contain warranties. Has the Park Board's attorney reviewed the contract to ensure that each party has the appropriate level of responsibility?		
Default. Does the contract list specific circumstances, actions, or failures that will be considered breaches of the agreement?		
Termination Clause. Does the contract define the circumstances that allow the other party to terminate the contract, or does the contract indicate what other options will be available to protect the non-breaching party's interests?		
Confidentiality Clause. Does the agreement include a requirement that both parties protest personal information, and is there a penalty for not doing so?		
Assignment Clause. If the Park Board wants the other party to specifically perform the contract, is there a provision stating that the Park Board must give its written permission before the other party can engage someone else to fulfill its responsibilities? (This is called an "assignment.")		
13.**Alternativve Dispute Resolution Clause.** If the contract requires mediation or arbitration, is it clear that the parties can only settle disputes this way or does it require that alternative dispute resolution be attempted before any dispute can be heard in court?		
Arbitration Clause. If arbitration is required, are rules clearly stated for selecting an arbiter from a reputable organization (e.g. American Arbitration Association)?		
Choice of Law Clause. If another state's law governs the contract dispute, has the Park Board considered the difficulties this could create, such as finding an attorney licensed to practice in that state?		
Limitation of Damages. Does the contract limit the type or amount of damages the Park Board can recover?		

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Notes: _____

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Completed By: _____

Date:_____

11.1

KEY STAND-ALONE CONTROLS FOR CONTRACT MONITORING #1

Utilization of an On-line Control Point (Contract Document Repository)

Implementing an on-line repository for all contracts, associated documents, and contract analysis information will offer a multitude of key controls for The Park Board of Galveston, Texas. This repository would be accessible by a defined number of users (Trustees and Staff) with associated contract-level security. The on-line contract repository should be in read mode only to prevent the questioning of a "Walking Quorum." Identification of key controls that a Contract Document Repository would provide are:

- Allows the Board Trustees to control when and where they will review the contracts. This control will allow a considerable amount of more time for the Board Trustees to analyze and ask questions about the contracts and gain more control over the decision-making process for the Park Board's contracts.
- A Statement should be present with the on-line contract repository that Park Board Staff should not alter the contract or its requirements in any form. Staff who choose to alter the contract will be responsible to the Park Board of Galveston, Texas, to lose any associated revenues. This will help The Board and staff install control over the contract's intended purpose and its intent.
- Establishing an on-line contract repository will ensure control that all relevant documents are available when necessary as well as documented proof that the contract is being monitored in its initial and interim stages by the appropriately trained staff and all involved staff member(s).
- An on-line contract repository will help the organization control the reduction of non-productive meeting times, open records requests, and training time for staff. While at the same time helping to increase Board Trustees understanding of contracts by providing a source of all pertinent contract information to all Board Trustees' in more depth so that business plans may be discussed in a unified manner to better fit the organization's goals.
- The detailed reporting and information analysis within the on-line contract repository will help keep management control over workflow operations and key provisions that are useful for tracking. Such as monitoring for the correct procurement method to be used.
- An on-line contract repository will give the Board Trustees control to find all contracts based upon specific criteria related to a single issue as well as key contract information so the appropriate individuals may be reached that are knowledgeable about the Park Board of Galveston, Texas.
- The on-line contract repository could serve as a control for alerts to notify The Board and staff that a contract was automatically renewing, expiring, a key provision was taking effect or an important change in the contractor's ownership or personnel that will affect The Park Board.
- Ratios and Board standards for those near the on-line contract repository ratios will serve to give better control to the Park Board regarding past decisions made with the contract.
- More control will pass to The Board from the contract data from each on-line repository contract since an overall viewing would provide a bird's-eye view of the Park Board's contracts to help determine all areas are sufficiently covered.

APPENDIX A

11.2

KEY STAND-ALONE CONTROLS FOR CONTRACT MONITORING #2

Identification of Key Contract Deliverables to Park Board Trustees

Identification of contract deliverables seen by management to monitor initially and in the interim of the contract in order for the Board of Trustees to ensure:

- Control that key contract deliverables are sufficient because management is identifying them to the Board.
- Control that key contract deliverables are understandable because management is identifying them to the Board.
- Control that the services provided in the contract are equal to the fair market value in the industry. Staff's analysis should help to ensure this control. Proof of contract deliverables are present with contract price amounts as well.
- Control that Staff is providing documented proof of monitoring key specific contract deliverables because it is present in the on-line contract repository.
- Control that the contract deliverables are necessary to the organization's goals and do not require any modification because operational staff and properly trained staff analysis will be present in the on-line contract repository.
- Control over awareness of best practices and changes in the industry because contractors can identify improvements for the efficiencies and a chance to report on performance as part of the regular service. This can also improve control over reducing the resources used internally to collate data while enhancing control to work collaboratively with the contractor and ensure maximum performance.
- Control over meeting important deadlines because staff has included a timeline of workflow operations.
- Control over receiving the correct feedback from staff because they will participate in analyzing the contract deliverables for the on-line contract repository from a ground level.
- Control over not rating contracts solely by revenues minus costs because identifying the contract deliverables can deliver an opportunity to deliver a benefits/analysis in which a quantifiable amount does not exist and is imperative to the Park Board's existence.

APPENDIX A

11.3

KEY STAND-ALONE CONTROLS FOR CONTRACT MONITORING #3

Flowcharts and Timelines are visual maps of a process. Flowcharts and Timelines provide a detailed description of the processes when added to the organization's procedures. Generally, they add control to:

- Communication.
- Training.
- Documentation.
- Compliance.

The flowcharts and timelines used for contracts by The Park Board of Galveston, Texas, are specifically designed to alert The Board and staff of who, what, why, when, and where for the following specific processes:

- Documentation of an on-line contract repository.
- Identification and Communication of conflicts of interest and related party transactions.
- Monitoring of pertinent financial accounting information.
- Identification and performance of contract deliverables.
- Documentation of correctness of reimbursements for travel expenses.

The following criteria above will provide The Park Board of Galveston, Texas, added administrative, accounting, and reporting controls when detailed in flowcharts and timelines.

APPENDIX A

On-Line Document 12.1

PROOF OF PROCUREMENT

Criteria	Protocol	Yes	No	N/A	Comments
Solicitation Documents	Documentation of the method of procurement used.				
Correspondence Received Regarding the Solicitation	Documentation of all relevant correspondence received and responded to regarding the solicitation.				
Evaluation Documents	Documents providing scoring from written criteria and pricing.				
Notice of Award	Documentation of the notice of the intended contract award.				
Copies of Protests Received and Documentation of Their Resolution					
Solicitation Receipt Log					
Solicitation Tabulation	Documentation of pricing and scoring.				
Single Source Procurement Documentation	Single Source/ Proprietary Purchase form.				
Conflict of Interest Questionnaire	Forms signed, dated and completed by individuals taking part in the selection, evaluation, and award process.				

APPENDIX A

On-Line Document 12.2

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

[Date]

[Name and Address of Recipient]

Please furnish the following information as requested in the attached questionnaire. Please sign and date your reply and return the questionnaire directly to The Chief Finance Officer in the enclosed return envelope. This questionnaire is designed to provide information about the interests of governing board members, key personnel, and other related parties in connection with Related Party Transactions.

Related Parties may include members of management, immediate families, financiers, or investment groups.

The words "you or your" refer to any principles of a firm and its employees.

Please read the Conflict of Interest Policy for The Park Board of The City of Galveston.

Please answer all questions. If the answer to any question is "Yes," please provide the necessary information in the spaces provided.

Regards,

Chief Finance Officer

APPENDIX A

On-Line Document 12.3

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

4. Have you or any related party of yours owed and interest, direct or indirect, in:

   _____

   If YES, please provide further information.

   YES NO

5. Have you or any related party of yours received compensation or are you owed monies or compensation for goods furnished or services performed from:

   _____

   If YES, please provide further information.

   YES NO

APPENDIX A

On-Line Document 12.4

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

6. Have you or any related party of yours acted as a financier for:

_____

If YES, please provide the names and contact information for these entities.

YES NO

7. Have you reported in writing any conflicts of interest of which you are aware in regards to:

_____

If YES, please provide the names and contact information for these entities.

YES NO

APPENDIX A

On-Line Document 12.5

PARK BOARD OF TRUSTEES OF THE CITY OF GALVESTON

CHIEF FINANCE OFFICER

RELATED PARTY QUESTIONNAIRE

8. Do you know of any related party or other person or entity that is a related party to:

_____

If YES, please provide the names and contact information for these entities.

YES NO

APPENDIX A

The answers to the foregoing questions are correctly stated to the best of my knowledge and belief.

[Signature]_____

[Date]_____

On-Line Document 12.6

LIST OF KEY INDIVIDUALS

Contract Developer	
Name:	Title/Division:
Signature:	Date:
Executive Sponsor (if designated)	
Name:	Title/Division:
Signature:	Date:
Contact Manager	
Name:	Title/Division:
Signature:	Date:
End User Division Director/Manager	
Name:	Title/Division:
Signature:	Date:
Project Manager	
Name:	Title/Division:
Signature:	Date:
All Staff are Properly Trained	
CEO:	Date:

APPENDIX A

On-Line Document 12.7

CONTRACT MANAGEMENT FILE CHECKLIST

Provider Name: _____

Type of Contract ☐ Initial ☐ Amendment Date:

Activity Record & Correspondence					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Contract Review Checklist	Contract review checklist verifies that the contract is current, accurate and complete.				
Correspondence	Evidence of correspondence regarding contract issues (e.g., emails, letters, telephone contact log, file notes, Etc.).				
Documentation of Written Assignment of Contract Management Duties	Completion of Acquisition Plan Prior to Procurement.				
Documentation of Approval/Disapproval of Subcontracting	A subcontract will be considered approved if subcontracting is allowed in the contract and prior written approval was provided.				
Documentation of Contract Termination/ Cancellation, including Contract Closeout Date	Completion of Acquisition Plan prior to procurement.				

APPENDIX A

On-Line Document 12.8

CHECKLIST TABLES FOR FINANCIAL DOCUMENTATION

Justification of Procurement Method Used					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Approval of Selected Procurement Process	Documentation which confirms approval of proposed action.				
Copy of Business Plan	Copy of business plan, if applicable.				
Justification for the Procurement Method Used	Justification, in writing, as to why certain method of procurement was used.				

Financial/Payment Records					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Budget Authorization	Budget allocation, agenda item, or other authority				
Contract Justification					
Evidence of Cost/Price Analysis					
Post-Award Notices & Transmittal Letter	The Contract Manager must furnish within ninety (90) days of contract execution and funding changes.				

Payment Activity Ledgers					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Payment History	Schedule of Contract payments and total amount disbursed.				
Invoice Tracking Sheet					
Documentation of Periodic Reconciliation of Contract Payments	Quarterly reconciling of the contract payment records with official accounting records; reconciliation of actual expenses versus invoiced expenses.				

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CHECKLIST TABLES FOR FINANCIAL DOCUMENTATION

Supporting Financial Documentation					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Invoices	Copies of invoices retained by the Finance Department				
Inspection and Approval of Contract Deliverables	The Receiving Department has five (5) working days to inspect and approve the goods and services upon submission of any invoice unless the contract specifies otherwise.				
Justification of Need for Payment Advances	Documentation supporting the decision to provide advanced funding.				

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FORM FOR BUDGET DOCUMENTATION

Budget & Internal Accounting	
Name	**Title/Division**
Signature	**Date**

Contract: _____

$ Budget Amount Approved: _____

$ Budget Remaining: _____

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INTERNAL CALENDAR OF EVENTS

Activity	Planned Start Date	Estimated Completion
Budget (Approval/Questions)		
Kick-Off Meeting (Contract Developer, Contract Manager, End User)		
Draft Solicitation		
Approvals and Review for Solicitation Issuance		
CAT Review > **$5 Million** SPD Delegation Review: Services > **$100,000** SPD Delegation Review: Goods > **$50,000**		
Solicitation Issued		
Pre-Bid/Offer/Proposal Conference (if applicable)		
Due Date for Written Answers		
Date of Issuance of Written Answers		
Due Date for Responses		
Internal Post Award Meeting		
Vendor Selection		
Negotiation (if permitted) and Contract Formation		
Board Approval (if required) & Contract Award		
Transition Meeting		
Post-Award Meeting with Contractor		
Project Schedule		
Contract End Date		

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CONTRACT ORGANIZATION STRUCTURE

Contract Administration Team

Identify the Contract Developer, Contract Manager, Endorser, project manager, legal counsel, and any other person representing The Park Board contract team structure.

Role	Resource Name
Contract Developer	
Contract Manager	
End-User	
Project Manager	
Legal Affairs Manager	
General Counsel	

Roles and Responsibilities Detail

Example of responsibilities for each role are as listed below. The responsibilities listed below are for illustrative purposes only. The responsibilities for each role should be tailored to the specific procurement.

Contract Developer	Perform the following activities, prior to contract execution: • Receive and process requisitions, • Asses needs, • Develop and review specifications • Develop and review scopes of work, • Identify and select procurement method, • Identify and prepare evaluation criteria, • Prepare and advertise solicitation, • Provide guidance to evaluation committee, • Negotiate terms and conditions, and • Prepare and complete contract award documents.
Contract Manager	Perform the following activities, prior to contract execution: • Participate with the procurement team in solicitation development and review of contract documents, • Serve as the primary point of contact for communication with the contractor regarding all matters pertaining to the contract, • Manage any property used in contract performance (e.g., computers, telephones, identification badges), • Implement a quality control and contract monitoring process, • Monitor the contractor's progress and performance to ensure produces and services procured conform to the contract requirements and keep timely records of findings, • Consult with legal counsel in a timely manner to address any concerns and/ or issues, • Manage, approve, and document any changes to the contract through the amendment process authorized by the terms of the contract,

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On-Line Document 12.13

	• Inspect and approve the products and/or services by submitting a written document accepting the deliverables or obtain documentation from the end users responsible for receipt that inspections and approval have been completed, • Verify accuracy of invoices and authorizing payments consistent with the contract terms, • Monitor the contract budget to ensure sufficient funds are available through the terms of the contract, • Identify and resolve disputes with the contractor in a timely manner, • Exercise state remedies, as appropriate, when a contractor's performance is deficient, • Maintain appropriate records in accordance with records retention policy • Confirm all products and/or services have been delivered and delivery is completed prior to the expiration date of the contract, • Perform contract closeout processes by ensuring the contract file contains all necessary contract documentation, formal acceptance documented, vender performance reports, and document lessons learned.
End User	Perform the following activities, prior to contract execution: • Gather requirements and provide end-user support working closely with the Contract Developer and Contract Manager, as appropriate, • Provide feedback to Contract Developer and Contract Manager and other procurement team members on process change suggestions.
Project Manager	Perform the following activities, prior to contract execution: • Manages the project following project management methodology, • Leads the planning and development of all project deliverables; actively monitors progress and quality of projects = task and deliverables, • Identifies and resolves project problems and conflicts, escalating to the Contract Manager when necessary, • Communicates project stats, issues, and risks to chain of command and the Contract Manager when necessary. • Manages and coordinates project activities of all project team members.

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CONTRACT GOALS AND OBJECTIVES

Solicitation/ Scope of Work

Describe the contract scope. The scope defines contract limits and identifies the products and/ or services delivered under the contract. The scope establishes the contract's boundaries and should describe produces and/or services outside the contract scope.

Contract Includes:

Contract Excludes:

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CRITICAL SUCCESS FACTORS

Describe the factors or characteristics that are deemed critical to contract's success, such that, in their absence, the contract will fail.

Critical Success Factors:
Assumptions
Constraints

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POTENTIAL RISKS

Identify potential risks related to the procurement/ contract. Consider all major contract risks, including information security risks.

Risk	Risk Details

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CHANGE CONTROL MANAGEMENT

Performance Management Oversight Activities					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Documentation of Planning Meeting	Completion of Acquisition Plan prior to procurement.				
Monitoring and Corrective Action Documentation	Copy of vendor performance scorecards, if preformed, and documentation of corrective action, when applicable.				
Documents of Monthly Meeting with Contractor	The file contains evidence indicating direct contact with the contractor's representative and evidence of such meetings and/ or communications.				
Documentation of Site Visit	For contracts involving the precision of direct services, at a minimum, an annual visit to the physical location where the services are delivered documenting direct conversations with employees receiving the services and the staff responsible for delivering the services.				
Reports					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Emergency Preparedness plan	Copy of plan maintained by contract manager and evidence of acceptance from Department of Operations.				
Emergency Procurement					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Notice of Emergency	Copy of emergency designation issued by the local, state, or Federal government.				
Notice of Emergency Purchase	A department may make an emergency purchase pursuant to the Park Board’s Purchasing Policies and Procedures.				
Justification for Emergency Purchase	A department may make an emergency purchase pursuant to the Park Board’s Purchasing Policies and Procedures.				

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PROJECTED DATES FORM

Document Version:	**Revision Date:**
Requested Contract Start Date:	
Projected Awards and Start Date:	
Projected Contract Completion Date:	
Projected Contract Closeout Date:	

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REQUIRED INSURANCE FORM

Required	Type to Be Provided	Minimum Amount of Coverage
	Commercial General Liability	
	EO? Professional Liability	
	Workers Comp/Employer Liability	
	Umbrella/Excess Insurance	
	Auto Insurance Liability	
	Crime/ Employee Dishonesty	
	Cyber Liability	
	Performance Bond	
	Other Insurance/Bond	

Criteria	Protocol	Yes	No	N/A	Comments
Proof of Insurance	Copy of current provider insurance.				
Proof of Bonding or Letters of Credit	Copy of current provider insurance.				

APPENDIX A

On-Line Document 12.20

PROCEDURES CHECKLIST FOR EMPLOYER-EMPLOYEE RELATIONSHIP

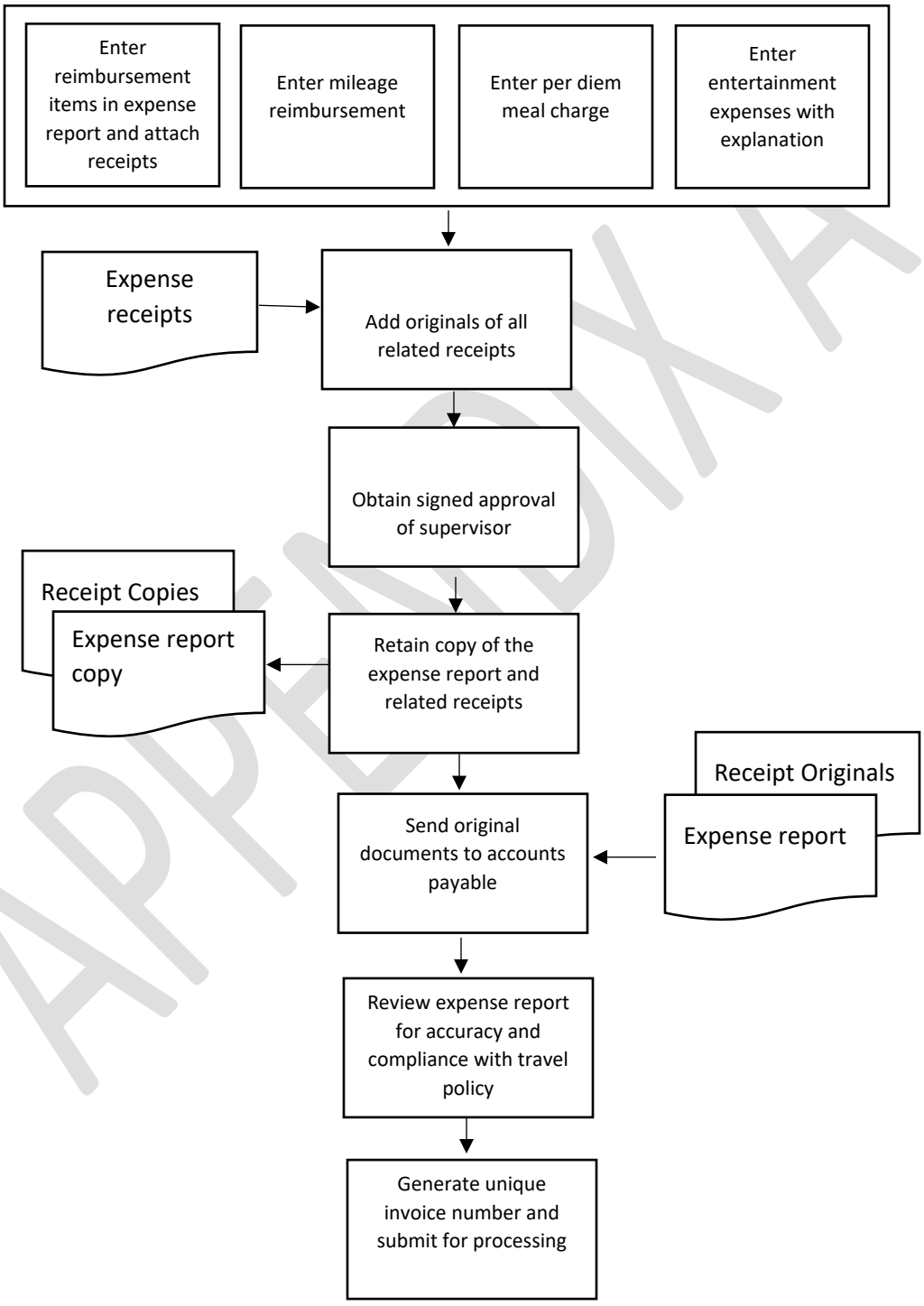
1. Has Staff documented that the contractor has control over the daily time frame when the service is performed?
2. Has Staff documented that the contractor has control over the location of where the majority of the planning for the service is performed?
3. Has a W9 Form been obtained and documented from the contractor?
4. If the contract provides for an employer-employee relationship, has this been communicated to the Park Board Trustees and the accounting department?

APPENDIX A

On-Line Document 12.21

EXPENSE REPORT PROCEDURES

EXPENSE REPORT SUBMISSION PROCESS FLOW



APPENDIX A

On-Line Document 12.22

CONTRACT DOCUMENTS CHECKLIST

Contract Documents					
Criteria	**Protocol**	**Yes**	**No**	**N/A**	**Comments**
Signed Contract and Amendments	Contract file must contain the original signed and dated contract, amendments, renewals, and provisions.				
Contract Review Form	Signed by the Finance Department, the Contract Manager, and the Legal Affairs Manager.				
Notice of Non-Compliance	When services are initiated prior to the execution of a contract and there is no valid emergency, certification as to the specific circumstances leading to the failure to have the contract signed prior to rendering services must be provided within 30 days of the services beginning and filed in the contract file.				
Certification Regarding Debarment and Suspension	Form signed and dated for all contracts containing $25,000 or more in Federal funds.				
Certification Regarding Lobbying	Form signed and dated for all contracts containing Federal funding in excess of $100,000.				
Civil Rights Compliance Checklist	Signed and dated questionnaire if providers had 15 or more employees and if Federal funds are being used.				
Verification of Vendor Ability to do Business in Texas	Copy of business license or applicable documentation.				
Contract Management Documentation of Contract Default or Breach	In the event of a contract default or breach, the contract file must include documentation such as guidance from legal, relevant correspondence, etc.				

APPENDIX A

On-Line Document 12.23

CONTRACT REVIEW CHECKLIST

The Park Board does need to consult an attorney whenever a contract is needed. Generally, contracts should be in writing, and an attorney is the best person to help make sure the Park Board's interests are represented and legally covered. This checklist will help clarify what to watch for in a standard contract.

Legal Validity	**Yes**	**Needs Attention**
Parties. Does the contract specify the parties involved, and is the person (or people) signing the agreement legally authorized to commit to the agreement?		
Offer. Does the contract clearly explain what is being proposed?		
Acceptance. Has that offer been formally accepted?		
Consideration. Does the contract clearly state what each party will get in return for fulfilling the promises made in the contract?		
Writing. Has the entire agreement been put into written form?		

Terms	**Yes**	**Needs Attention**
Dates. Does the contract specify relevant timetables, such as dates for delivery or the length of the agreement?		
Renewal Term. Does the contract contain a renewal provision? If so, does the ministry have to act to renew, or will the contract renew automatically?		
Penalties/ Fees. If there are any penalties or fees assessed if certain actions are taken or not taken, does the contract clearly state that has to happen for the penalties or fees to apply?		
Insurance. Does the other party carry adequate insurance to cover the party's risks while performing their duties under the contract? Does The Park Board carry the type of insurance coverage that the contract requires?		
Proof of Contracting Party Complying with Insurance Requirements. Has the other party to the agreement shown proof of insurance coverage with a certificate of insurance and appropriate endorsements- indicating specific coverages, applicable limits, and naming The Park Board as an additional insured?		
Hold Harmless and Indemnity Clauses. Does the contract contain a provision that "hold harmless, indemnify, and defend" the Park Board or require the Park Board to do so? If so, does the contract clarify that adequate insurance is available to cover these responsibilities?		
Waiver of Subrogation. If the Park Board is required to waive its right to reimbursement against the other part, do you know if the Park Board's insurance provider requires the Pak Board to waive the right to recover, in writing, before a loss takes place, and does the insurance company have to approve this?		

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Warranties/ Disclaimers. Unless disclaimed, some agreements automatically contain warranties. Has the Park Board's attorney reviewed the contract to ensure that each party has the appropriate level of responsibility?		
Default. Does the contract list specific circumstances, actions, or failures that will be considered breaches of the agreement?		
Termination Clause. Does the contract define the circumstances that allow the other party to terminate the contract, or does the contract indicate what other options will be available to protect the non-breaching party's interests?		
Confidentiality Clause. Does the agreement include a requirement that both parties protest personal information, and is there a penalty for not doing so?		
Assignment Clause. If the Park Board wants the other party to specifically perform the contract, is there a provision stating that the Park Board must give its written permission before the other party can engage someone else to fulfill its responsibilities? (This is called an "assignment.")		
13.**Alternative Dispute Resolution Clause.** If the contract requires mediation or arbitration, is it clear that the parties can only settle disputes this way or does it require that alternative dispute resolution be attempted before any dispute can be heard in court?		
Arbitration Clause. If arbitration is required, are rules clearly stated for selecting an arbiter from a reputable organization (e.g. American Arbitration Association)?		
Choice of Law Clause. If another state's law governs the contract dispute, has the Park Board considered the difficulties this could create, such as finding an attorney licensed to practice in that state?		
Limitation of Damages. Does the contract limit the type or amount of damages the Park Board can recover?		

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Notes: _____

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Completed By: _____

Date:_____

Appendix B



The Park Board of Trustees of the City of Galveston Purchasing Policies, Procedures, and Controls Manual

Approved by: _____
Kelly de Schaun, Chief Executive Officer

Effective Date: _____
Board Approval Date: _____

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1.1

INTRODUCTION

The Park Board of Trustees of the City of Galveston (herein referred to as Park Board or Board) has developed and published this Purchasing manual to operate efficiently and effectively. It recognizes and presents existing requirements from the State law and the Board policy established through Board approval that governs different types of major purchases. The remainder of the manual provides direct information and instructions by which the Chief Executive Officer (CEO) and/or the Chief Financial Officer (CFO) and their designees conduct their administrative authority in a cost-effective, legal fashion.

State law governs the significant parameters that control procurement by local governments in Texas. These requirements are found in Texas Local Government Code Chapters 252 and 271 and Texas Government Code Chapters 2254 and 2269. These laws control the formal bidding limits, define the basis for procuring different types of goods and services, and regulatory standards to ensure compliance with the competitive bidding laws. This includes Chapter 418 of the Texas Local Government Code that governs emergency management. Every purchase over **$50,000** is governed almost totally by State law.

Federal law adds one requirement to State law where federally funded purchases are concerned. Competitive requests for proposals are required for personal or professional services procurements associated with federally funded construction projects. Federal law also requires that the Park Board Purchasing Policy be followed in situations where it is more restrictive than Federal law.

The CEO can authorize specific operations, including policy and procedure manuals, and approve purchases up to **$9,999.99**. The Park Board has authority to authorize purchases at or above **$10,000** and all items that are a solicitation (Bid, Request for Proposal, or Request for Qualification). Current standard operating procedures provide and apply standards for Board approved items over **$10,000** and up to **$49,999.99**.

Contracts are managed in the user department according to the manual, General Requirements Section, page 14. User departments are responsible for the daily management of contracts and renewals. The administration is responsible for the execution of contracts. Only the CEO or chair of the Park Board can sign contracts, thereby obligating the Park Board.

This manual contains the policies and procedures for purchasing-related activities. Its purpose is to provide guidance and instruction for all employees new to the purchasing process and a reference for staff and management.

The purchasing program's primary function is to provide cooperative assistance that is efficient and effective in obtaining the supplies and services needed. The program intends to buy these items at the lowest economical cost consistent with quality, time, and operational goals.

Legal and organizational changes and data processing improvements will bring about policy and procedural changes. Revisions will be issued that reflect these changes to keep this manual current.

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1.2

BYLAWS PERTAINING TO PURCHASING

Article III

OPERATIONS

The Park Board may make such regulations, policies, and rules for the handling of its affairs as it may in its discretion deem advisable and shall operate and manage the system with the same freedom and in the same manner as are ordinarily enjoyed and followed by the board of trustees of a private corporation operating property of a similar nature, except that such management practices must conform to applicable law.

Article XIV

PARK BOARD MANAGEMENT POLICIES

Park Board management policies shall be the Park Board operations guidelines. They may be adopted from time to time by the Park Board and shall be reviewed as necessary.

Article XVI

FISCAL YEAR

The accounting period of the Park Board is the fiscal year beginning October 1 and ending September 30.

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1.3

PURCHASING CODE OF ETHICS

The Galveston Park Board is committed to the highest ethical standards. Therefore, it is a severe breach of the public trust to subvert the public purchasing process by directing purchases to certain favored vendors, structuring transactions to avoid procurement procedures or requirements, or tampering with the competitive bidding process. Misuse of the purchasing power of a local government carries criminal penalties. It can be caused by a lack of understanding or clear guidelines about what constitutes abuse of office. Therefore, the standards below must be strictly adhered to by all employees.

It is also essential for vendors doing business with the Park Board to observe the policy's ethical standards.

Employees are required to follow all applicable rules outlined in the State law and Park Board policy, as well as the ethical guidelines below. Any apparent breach of ethics will be referred to the CEO's office.

Ethics Statement

Public employment is a public trust. All employees must discharge their duties impartially to assure fair, competitive access to governmental procurement by responsible contractors. They should conduct themselves in such a manner as to foster public confidence in the integrity of the Galveston Park Board.

General Ethical Standards

It shall be a breach of ethics to realize personal gain through public employment with the Park Board by any conduct inconsistent with the proper discharge of the employee's duties.

No person or entity doing business with the Park Board shall influence any Park Board employee to violate the ethical conduct outlined in these procedures, State law, or Park Board policy.

It shall be a breach of ethics for any employee of the Park Board to participate directly or indirectly in a procurement when the employee knows the following:

1. The employee or any member of the employee's immediate family related by affinity or consanguinity within the first degree has a financial interest in the procurement.
2. A business or organization in which the employee or any member of the employee's immediate family related by affinity or consanguinity with the first degree has a financial interest of the procurement; or
3. Any other person, business, or organization with which the employee or any member of the employee's immediate family related by affinity or consanguinity in the first degree is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
4. Any other person, business, or organization with which the employee or any member of the employee's immediate family related by affinity or consanguinity in the first degree is negotiating or has an arrangement concerning prospective employment is involved in the procurement.

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1.4

Nepotism

It is unethical and a violation of Texas State Law and Purchasing Policies for any Park Board employee who knowingly initiates a procurement with a vendor business who is related by affinity or consanguinity with the first degree of the Park Board employee.

Gratuities

No person or entity doing business with the Park Board, or any agent, employee, representative, or subcontractor of such person or entity shall offer any payment, gratuity, or inducement of any kind to any Park Board employee for any reason, including but not limited to any attempt to obtain a contract or other benefit from the Park Board for any person or entity.

Kickbacks

It shall be a breach of ethics for any payment, gratuity, or employment offer to be made by or on behalf of a subcontractor under contract to the prime contractor or higher tier subcontractor for any contract for the Park Board or any person associated in addition to that, as an inducement for the award of a subcontractor or order.

Sequential Purchasing

Purchasing the same items or type of items over a fiscal year may exceed the Board's or state's competitive procurement requirements. Although some sequential purchasing is intentional, it usually results from needs that could not be anticipated or a lack of centralization of the purchasing function.

Structured Purchasing

Requesting a vendor to issue separate invoices for the same or types of items or services otherwise would be covered by a single invoice. This type of purchase is typically an attempt to circumvent the requirement to submit a requisition and receive a purchase order. In no circumstances is this acceptable.

Purchase Order After the Fact

Submitting a requisition and receiving a purchase order after the goods or services have already been received or rendered. Requisitions must be submitted, and purchase orders issued before any purchases over **$1,000** can be made. Operational needs or time sensitivity are **not** valid reasons to have a purchase order after the fact.

Component Purchasing

This type of purchase is typically an attempt to circumvent bid or proposal laws or other requirements by buying an item through the issuance of multiple purchase orders for the component parts of the item versus issuing a single purchase order for the entire item. Repeated purchases of additional optional equipment or parts after the initial purchase may create the perception of component purchasing.

Sequential Purchase Orders

If items or services would be bought from the same provider in a single purchase under standard purchasing procedure, the purchases may not be made under separate purchase orders to avoid the

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need for council approval. For example, it is not consistent with the Board policy charter to issue a **$50,000** purchase order to the ABC Consulting Company to perform a cost allocation study for Beach Patrol and a subsequent purchase order for an amount under **$50,000** to the same company to do a cost allocation study for Tourism Development. Nor can a department issue a **$50,000** purchase order to a software

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vendor to buy Phase I of a document management system and a subsequent **$50,000** purchase order to buy Phase II of the same system from the same vendor. In each of the examples, it would be necessary to go to the Board to approve the second purchase order. If there is any doubt about whether a purchase is considered sequential, contact Accounting or the CFO.

Contemporaneous Employment

No employee of the Park board who is participating directly or indirectly in the procurement process can become or be, while employed by the Park Board, an employee of any person or business contracting with the Park Board.

Conflicts of Interest

Local government officers must complete a Conflict of Interest Statement (CIS) if they become aware of a conflict within seven (7) days of discovery. The form is included in the policy in Appendix B, page __.

Local government officers are agents of the local government entity who exercise discretion in the planning, recommending, selecting, or contracting a vendor, a member of the governing body, or an executive officer. Agents of the government entity include employees, consultants, and Trustees.
The Trustees are also members of the governing body. Executive officers are the CEO and CFO.

A family member is anyone related to the local government officials within the first degree of affinity (marriage) or consanguinity (blood)

- Parent, biological or adopted child
- Spouse, step-children, parent- in -law, spouse of children

All of these apply to former marital relationships if there is a surviving child of the marriage.

A family relationship is a relationship between a vendor and local government officer or anyone within the third degree of consanguinity (blood) or second degree of affinity (marriage) of the local government officer or vendor.

Local Government Officers must fill out a form if:

1. Local government officer exercises discretion in the planning, recommending, selecting, or contracting of a vendor, **AND**
2. Local government officer has a family relationship with the vendor, **OR**
3. Local government officer or family member works for a vendor who wants to do business with the Park Board:
4. Local government officer / family member has received more than **$2,500** taxable income (other than investment income) from vendor in past twelve (12) months, **OR**
5. Local government officer / family member received gifts totaling **$100** or more from vendor in the twelve (12) months prior to becoming aware of the vendor's relationship with the Board

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Gifts include transportation, lodging, and entertainment as a guest
Gifts do not include food as a guest

Local government officers commit a crime if they knowingly fail to file the CIS form by 5:00 PM on the seventh business day, on which they become aware of the facts that made it necessary to file a disclosure. Any failure to disclose a conflict of interest will be referred to the CEO and HR.

1.6

Penalties for failing to file a Conflict of Interest Statement are as follows: (per Texas Government Code Section 176.013 Enforcement)

- Contract less than **$1M** = Class C Misdemeanor
- Contract **$1M - $5M** = Class B Misdemeanor
- Contract **$5M or more** = Class A Misdemeanor
- The Park Board may terminate the contract

See Texas Government Code Chapter 176. Updated by the 84th Legislature House Bill 26, effective September 1, 2015.

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1.7

POLICY STATEMENTS

Purchasing is a function of all Departments. Department Directors and their designees are responsible for following the Purchase Policy and are encouraged to contact Accounting or the CFO if they have questions or concerns. Several established policies guide purchasing procedures. These policies are:

All purchasing shall be under the State of Texas laws, including Chapters 252 and 271 of the Texas Local Government Code and the Park Board policies about purchasing.

All purchasing shall adhere to sound purchasing policies to ensure that taxpayers receive the best value for Park Board purchases.

Purchasing activities will be managed with proper controls. All requisitions will be processed promptly to ensure efficient practices.

When required, or preferred, a competitive bidding process, in the form of a Bid, Request for Proposal, Request for Quote, or Request for Qualifications, will be utilized to obtain purchases at the lowest possible cost and provide for an open and fair process for all interested vendors.

Any agent of the Park Board that purchases on behalf of the Park Board must attend annual training on the Purchasing Policy, scheduled by the Accounting Division. The Park Board Purchasing Policy Will be available to agents acting on the Park Board's behalf and vendors contracted with the Park Board and the Park Board's website. The Park Board shall train employees on the policy to prevent future offenses and periodically assess criminal misconduct risks within the organization.

Apparent policy violations shall be reported to the CEO's office. Employees guilty of violations of this policy are subject to disciplinary action, up to and including termination from employment.

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2.1

PARK BOARD POLICY AND STATE LAWS GOVERNING PURCHASING

General Information

The Park Board operates as a local government. It must adhere to Texas State Law that governs procurement for local governments. The policies are based on Texas State Law. Any purchases involving federal or state funding shall be made per applicable federal or state procurement requirements.

All purchasing shall be under the State of Texas laws, including chapters 252, 271 of Texas Local Government Code and chapters 2254 and 2269 of the Texas Government Code and, and the Park Board policies and procedures pertaining to purchasing.

Park Board – Purchasing Policy

Section 2-117. Purchasing Policies and Procedures Manual

All purchasing and bidding shall be done in accordance with applicable state and federal law and per policies and procedures outlined in the document entitled "The Park Board of Trustees of the City of Galveston Texas Purchasing Policies, Procedures, and Controls Manual," a true and correct copy to be kept on file by Board Administration.

State Laws

Historically Underutilized Business

Texas Local Government Code Section 252.0215. COMPETITIVE BIDDING IN RELATION TO HISTORICALLY UNDERUTILIZED BUSINESS.

- In making an expenditure of more than **$3,000** but less than **$50,000**, a municipality shall contact at least two historically underutilized businesses on a rotating basis, based on information provided by the comptroller pursuant to Chapter 2161, Government Code.
- If the list fails to identify a historically underutilized business in the county where the municipality is situated, the municipality is exempt from this section.

Separate, Sequential, or Component Purchases

Texas Local Government Code Section 252.062. CRIMINAL PENALTIES.

A. A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential, or component purchases to avoid the competitive bidding requirements of Section 252.021. An offense under this subsection is a Class B misdemeanor.

B. A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates Section 252.021, other than by conduct described by Subsection (a). An offense under this subsection is a Class B misdemeanor.

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C. A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates this chapter, other than by conduct described by Subsection (a) or (b). An offense under this subsection is a Class C misdemeanor. See Purchasing Code of Ethics section, page 13, for definitions and examples of separate, sequential, and component purchases.

Note: The above section applies only to the competitive procurement requirement of Texas Local Government Code Chapter 252, with a contract value of $50,000 or greater.

2.2

General Exemptions to Local Government Code Chapter 252

Texas Local Government Code Section 252.022 exempts certain items from competitive bidding.

1. A procurement made because of a public calamity requires the immediate appropriation of money to relieve the necessity of the municipality's residents or preserve the municipality's property.
2. A procurement necessary to preserve or protect the municipality's residents' public health or safety is a procurement necessary because of unforeseen damage to public machinery, equipment, or other property.
3. A procurement for personal, professional, or planning services.
4. A procurement for work that is performed and paid for the day as the work progresses.
5. Purchase of land or right-of-way.
6. Procurement of items that are available from only one source, including items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies; films, manuscripts, or books; gas, water, and other utility services; captive replacement parts or components for equipment; books, papers, and other library materials for a public library that are available on from the persons holding exclusive distribution rights to the materials; and management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facilities to which the organization has provided significant financial or other benefits.
7. Purchase of rare books, papers, and other library materials for a public library.
8. Paving drainage, street widening, and other public improvements, or related matters, if at least one-third of the cost is to be paid by or through special assessments levied on property that will benefit from the improvements.
9. A public improvement project, already in progress, authorized by the voters of the municipality, for which funds are deficient for completing the project in accordance with the plans and purposes authorized by the voters.
10. A payment under a contract by which a developer participates in constructing a public improvement as provided by Subchapter C, Chapter 212.
11. Personal property sold, either at an auction or by a state-licensed auctioneer. Property sold at a going out of business sale held in compliance with Subchapter F, Chapter 17, Business & Commerce Code. Property sold by a political subdivision of this state, a state agency of this state, or an entity of the federal government or under an interlocal contract for cooperative purchasing administered by a regional planning commission established under Chapter 391.
12. Services performed by blind or severely disabled persons.

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13. Goods purchased by a municipality for subsequent retail sale by the municipality.
14. Electricity or advertising, other than legal notices.
15. This chapter does not apply to bonds or warrants issued under Subchapter A, Chapter 571.

that expenditure than the procedures described in this chapter and the municipality adopts and uses a method described in that chapter with respect to that expenditure.

16. This chapter does not apply to expenditures by a municipally-owned electric or gas utility or unbundled divisions of a municipally-owned electric or gas utility in connection with any purchases by the municipally owned utility or divisions of a municipally-owned utility made in

2.3

accordance with procurement procedures adopted by a resolution of the body vested with authority for management and operation of the municipally owned utility or its divisions that set out the public purpose to be achieved by those procedures. This subsection may not be deemed to exempt a municipally-owned utility from any other applicable statue, charter provision or ordinance.

17. This chapter does not apply to an expenditure described by Section 252.021(a) if the governing body of a municipality determines that a method described by Chapter 2269, Government Code, provides a better value for the municipality with respect to that expenditure than the procedures described in this chapter and the municipality adopts and uses a method described in that chapter with respect to the expenditure.
18. Please note that the sole source procurement has been created because copyrights or "natural monopolies" have not been reviewed by the Texas courts or the Attorney General's office.

General Exemptions to the Park Board Purchasing Policy

In addition to the items exempt from Texas Local Government Code 252, the following items are exempt from the Park Board Purchasing Policy's competitive bidding procedures. All other requirements in this policy, and by law, are still applicable.

1. Travel by Park Board employees, including meals and lodging. Park Board employees should still make efforts to find the best deal when traveling. Per diem rates are still applicable.
2. Training for Park Board employees.
3. Purchasing of surety bonds or investments subject to the Park Board's investment policy.
4. Purchases of publicly provided or publicly regulated gas, electricity, water, cable TV, internet service, telephone, cellular telephone, sewer, and refuse collection services.
5. Contracts with professional entertainers.
6. Legal services for advice, consultation, and representation of the Park Board.
7. Purchases consisting of magazine subscriptions, web-based or electronic subscriptions, conference registration fees, memberships, and other similar purchases where prepayments are required.
8. Sponsorship contracts allowing a person or entity to publicize participation in city events in exchange for donations of goods and services.
9. Purchase of parts and labor or maintenance agreements to repair equipment or machinery by a franchised dealer or by a factory authorized repair shop.
10. Leases, exchanges, or purchases of real property, including closing costs.
11. Postage or shipping services.
12. Services provided solely by other government agencies or institutions of higher learning.

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13. Contracts for professional services relying on previous professional services rendered, when the vendor providing the previous professional services can provide the additional professional services in a manner clearly less expensive and expeditious in the opinion of the Chief Financial Officer.

2.4

14. Purchases of books, periodicals, films, music, training materials, and online information services.

Note: Items that are exempt from the requirement to get quotes, proposals, or bids may indeed be subject to the state competitive bidding laws if the **$50,000** threshold is met. In those instances, state law prevails over this policy. Other requirements outlined in this policy like requisitions, purchase orders, approvals, Etc., are still applicable.

Professional Services

Texas Government Code Title 10, Chapter 2254. Professional Services are accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising, or professional nursing. Or; provided in connection with the professional employment or the practice of a person licensed or registered as a certified public accountant, architect, landscape architect, land surveyor, a physician (including a surgeon), an optometrist, a professional engineer, state-certified or state-licensed real estate appraiser, or registered nurse.

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2.5

TYPES OF PURCHASES

Sole Source Purchase

Departments shall make sole source purchases under applicable Park Board, State, and Federal regulations.

Sole source purchase must include a letter from the manufacturer of the product that is (a) only available from the manufacturer because of a patent or a secret/proprietary process; (b) only available from a single distributor authorized by the manufacturer because of either of the above reasons. A Sole Source Justification Form, (see Appendices Section 19), and the manufacturer letter must be approved by Accounting Division. The Accounting Division must determine any other sole source purchase.

Prior to purchase, the user department must contact Accounting to determine the best method of purchasing or sourcing the product.

Examples of a sole source:

1. Equipment for which there is no comparable competitive product.
2. A component or replacement part for which there is no commercially available substitute and which can be obtained only from the manufacturer and/or a manufacturer's distributor.
3. An item where compatibility is the overriding consideration, such as computer operating software enhancements for an existing system.
4. Due to technically constraining factors associated with scientific research, a supply, equipment, part, service, or supplier is needed to ensure the underlying research's fairness and validity.
5. Repair/replacement parts for non-competitive equipment.
6. When work is so closely related to that of the uncompleted primary contract, continuing an existing contract would not be feasible to consider another potential contractor.

Sole Source Purchases with Federal Dollars

Departments shall perform price/cost analysis on all federal funded sole source purchases prior to the purchase, pursuant to FTA Circular 4220.1F, Chapter VI, 3. i. Departments must justify sole source or single source designation to Purchasing and must obtain approval from Purchasing before a purchase order number is issued authorizing the purchase. Such items may be purchased from a sole/single source without competitive bidding only after the department head obtains written documentation of the sole/single source justification.

Open Market Purchasing

Open market purchasing defined as buying goods without negotiating or signing contracts, usually in small quantities or an emergency. For example, a one-time purchase of materials, supplies, or services

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under one thousand dollars ($1,000) for a particular purpose specific to the requesting departments' needs.

Land Acquisitions

Any land or right of way is exempt from the bidding process by state law.

2.6

Personal and Professional Services

Personal and Professional Services contracts are exempt from the competitive bidding requirements. However, departments must comply with specific Board procedures if federal funds are to be used for the purchase. These procedures are outlined in the Policy for Federally Funded Personal or Professional Services or Third-Party Contracts- see section 3 (See, also, Texas LGC 2254).

Professional services provided by or within the scope of services provided by the following are exempt: licensed physicians, optometrists, architects, certified public accountants, registered engineers, appraisers, surveyors, and tax appraisal engineers. (See, also, Texas LGC 2254)

The selection of providers will be based on the firm's competency and individuals working for the firm – not on competitive bidding. However, Request for Qualifications may be used to determine a selection of a Personal or Professional Service. Please contact the Accounting Department if an RFQ is necessary for the selection process.

Cooperative Purchases

The Park Board belongs to several different Purchasing Cooperatives. These may be used to purchase goods and services for the Board. The Park Board can also choose to join another entity with an Interlocal agreement to purchase a commodity or service at a more advantageous price or with better contract terms. This method of purchasing goods and services can provide significant cost savings to the organization. If you would like to use a cooperative contract, please contact Accounting for a list of current programs available and how to purchase using this process.

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2.7

EMERGENCY PURCHASES

General

Emergency purchases are needed to avoid interruption in Park Board services or protect public health and safety. Purchases made in emergencies are generally more costly than routine purchases. Therefore, they must be kept to a minimum. Poor planning, overlooked requirements, or negligence are not true "emergencies."

They must meet one of the qualifications for exempt purchases in Section 252.022 of the Texas Local Government Code. The true emergency exemptions are listed below:

1. A purchase made because of a public calamity, and the prompt purchase of items is required to provide for the public's needs or preserve the Park Boards property.
2. The item is necessary to preserve or protect the City's public health or safety.
3. The item is made necessary by unforeseen damage to public machinery, equipment, or other property.

Some examples of Emergency Purchases are hurricane/weather disaster, water main breakage/flooding, collapsed roof. Do Not guess – contact Accounting for further clarification is needed on what constitutes an emergency purchase.

Requisition of Emergency Purchases

When emergencies arise, and there are no applicable maintenance agreements or blanket P.O.'s in place, please follow the procedures set forth below.

Normal Working Hours

All emergency purchases occurring during normal working hours are processed through the Purchasing Division as follows:

1. The using department will immediately notify Accounting by telephone with as much information as possible about the emergency purchase required to initiate the appropriate action. All reasonable efforts will be taken to ensure approval from Accounting is secured before completing a purchase.
2. Simultaneously, the using department will prepare a purchasing requisition and submit it through the normal process.
3. The using department head contacts as many vendors as necessary to arrange the emergency purchase. If time permits, the purchase order is completed according to the procedure. If time does not permit, the using department head may proceed with the purchase. The purchase order is completed after the fact and delivered to the vendor.

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4. The buyer requests expedited delivery. The person making the requisition may be required to pick-up the emergency purchase from the vendor if expedited delivery is not available. Contact Beach Cleaning if assistance is needed with delivery or pick-up.

2.8

Evening, Weekends, and Holidays

For other than normal working hours, when purchasing support is unavailable, process emergency purchases as follows:

1. The responsible official of the using department takes whatever steps to procure needed supplies, services, or equipment to relieve the emergency.
2. If possible, only those goods or services needed during the evening, weekend, or holiday are procured by the using department.
3. On the first working day following the emergency purchase, the responsible official prepares a purchasing requisition and personally attaches any invoices, packing slips, receipts, or other justifying documentation to the requisition for processing.

The department head of the using department must certify, in writing, the next business day, or as soon thereafter as possible, that the purchase involved was necessary because of one of the three reasons listed as an emergency exemption in the Texas Local Government Code. The communication will be addressed to the CEO and CFO.

Use of Cash

In some instances, the use of cash may be necessary to complete a purchase. All cash purchases must be coordinated with the Accounting Department.

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2.9

SPECIFICATIONS

When making purchases, it is essential to remember that the lowest price isn't always the best. It is incumbent on the using department head and/or designee to ensure the Park Board receives the best product at the best price. To help achieve this, departments should know what they need before engaging with any vendors.

Definition

A specification is a concise description of a good or service the Park Board seeks to buy, and the requirements the vendor must meet to be considered for the award. A specification may include requirements for testing, inspection, preparing an item for delivery, or preparing and/or installing it for use. The specification is the full description of the purchase.

Purpose

The purpose of any specification is to provide personnel with clear guides to purchasing and provide vendors with firm criteria of minimum product or service acceptability. A good specification has four characteristics:

1. It sets the minimum acceptability of the good or service. The term "minimum acceptability" is key since the vendor must know the minimum standard to determine what to provide.
2. A standard too high means tax dollars will be wasted. A standard too low means the goods or services will not meet the expectations of the user.
3. It should promote competitive bidding. The maximum number of responsible vendors should be able to bid on the specification. Restrictive specifications decrease competition.
4. It should contain provisions for reasonable tests and inspections for acceptability of the good or service. The methods and timing of testing and inspection must be indicated in the specification. Tests should refer to nationally recognized practices and standards whenever possible.
5. It should provide for an equitable award to the lowest responsible bidder. The buyer obtains goods or services that will perform to expectations, and the vendor can provide the goods or services at an agreeable price.

Preparing Specifications

The specifications may be prepared by the Purchasing Division, the using division, or by a professional consultant hired by the Park Board. The ultimate responsibility for accurate and comprehensive specifications rests with the requesting department. Contact Purchasing for additional information and instructions on how to write an accurate specification or scope of work.

Purchasing for Construction Projects

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The steps for a construction project will differ depending on the size and scope of the project. All construction projects require design or engineering. This must be done through a licensed architect or engineer. The City of Galveston has a list of prequalified professional firms on file with the Engineering Department. Architectural and Engineering services are considered professional services and must be chosen based on the most qualified firm, or individual, at a reasonable price. If you need assistance selecting this type of service, please contact the Project Manager or Accounting. The user department must ensure that funds have been budgeted for the project, regardless of the size.

2.10

A bid/proposal checklist must be provided to Accounting prior to the advertisement of any formal solicitation. All of the form's signatures must be obtained before the checklist and solicitation are submitted to Accounting.

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2.11

The Bidding Procedure

If the purchase is for a costly item, it may be prudent to obtain bids from multiple suppliers. If so, the department making the purchase typically compiles a Request for Proposals (RFP) or Request for Quotes (RFQ) document and issues it to an approved list of suppliers. It then holds a bidder conference to clarify any uncertainties in the RFP and then evaluates supplier bids to determine which vendor is offering the best mix of price, product, delivery. The bidding procedure is outlined below:

1. **Prepare Bidding Documents:** Staff prepares a request for proposals document, which contains the required specifications for the item(s) to be purchased.

   Responsible Party: Department Staff

Tip: Use a template to construct bidding documents, thereby improving the efficiency of the process.

2. **Issue Bidding Documents:** Determine the appropriate list of recipients, and issue the bidding packet to them.

   Responsible Party: Department Staff
   Control Issues: It may be useful to have a list of approved suppliers with whom the company does business; this is useful for eliminating from consideration any suppliers with whom the company has had problems in the past. At a minimum, there should be a list of banned suppliers not to receive bidding documents.

3. **Host a Bidder Conference (original):** If a prospective purchase involves a substantial expenditure, it may be necessary to host a bidder conference so bidders can obtain clarification of such issues as the company's expectations, timeline, and budget.

   Responsible Party: Department staff
   Control Issues: Someone should take notes at the bidder conference and distribute the results to all bidders, including those who could not attend the conference. Doing so ensures that everyone bids based on the same information.

4. **Evaluate Bids:** All bids received shall be evaluated based on the following criteria (samples are shown; actual criteria may vary):
   - Total cost to acquire (including price, freight, site preparation, setup, and training)
   - Ongoing maintenance and warranty fees
   - Disposal costs
   - Prior history with supplier

APPENDIX B

Responsible Party: Department Staff and others as assigned
Control Issues: It is helpful to develop the evaluation criteria before the proposal's requests have been issued, making it more difficult for someone to derive their criteria later to use as the basis for selecting a favorite supplier. It may also be helpful to document the reasons why the winning bid was selected in case questions are raised at a later date.

> **Tip:** For larger purchases, it may make sense to form a bid evaluation committee, including members from all impacted departments. They may have a better idea of which bid will best meet the Park Board's needs.

2.12

5. **Issue Purchase Order:** The step is detailed in the preceding procedure. Note that purchases sufficiently large enough to require a bidding process will probably also involve unique terms and conditions, which will require a review by legal counsel.

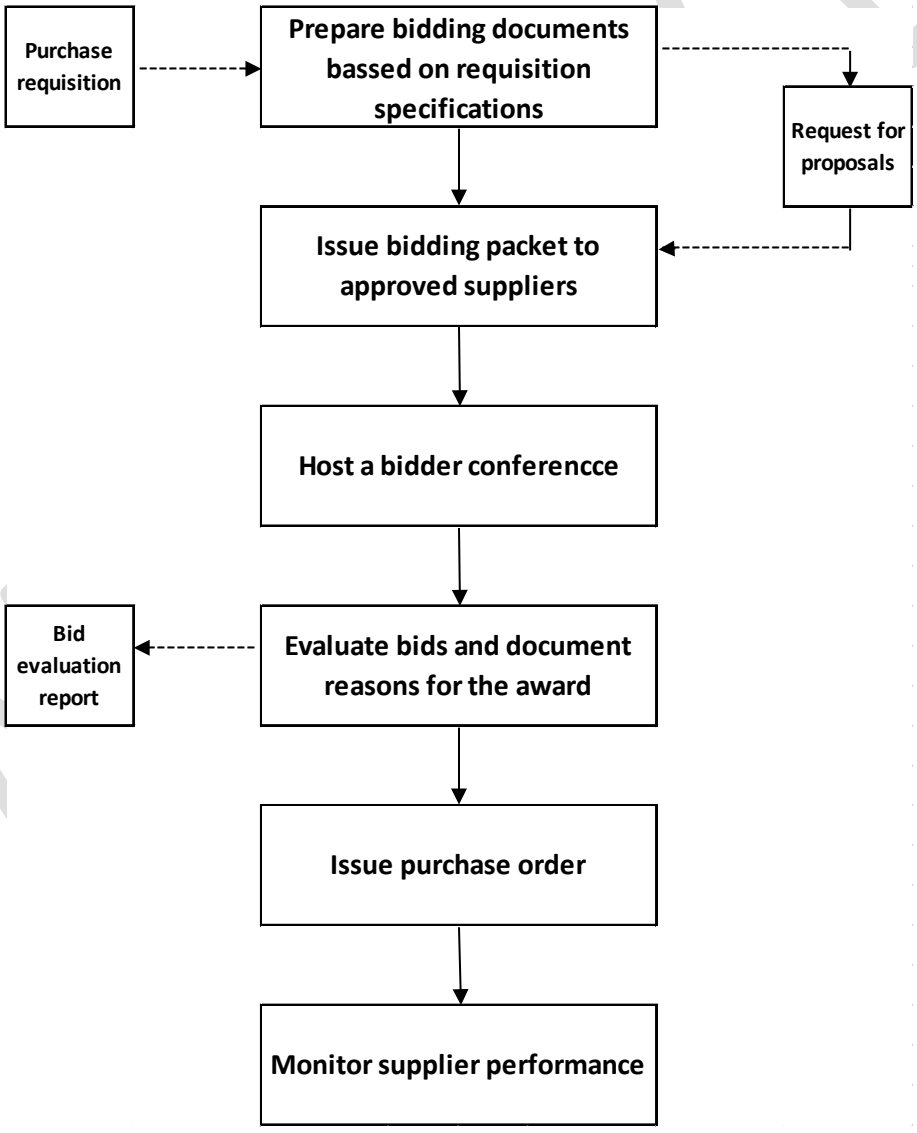
6. **Monitor Supplier Performance (optional):** Department Staff monitors deliveries under the purchase order, including delivery and quality performance, and corresponds with the supplier regarding any issues encountered.

   Responsible Party: Department Staff
   Control Issues: There should be an ongoing system in place for tracking supplier performance, which the purchasing staff uses to determine which suppliers it will do business with in the future. Results should also be distributed to the suppliers, who can use the information to improve their performance.

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2.13

BIDDING PROCESS FLOW CHART



Summary

This chapter has addressed the most formal approach to purchasing, which is documenting a purchase request, converting it into a bid, and using a bidding process for the more expensive purchases. While this is the classic approach to purchasing, it is so paper-intensive that it is not used for the large number of less-expensive and recurring purchases that a company engages in every day. For these other types of purchases, we use checks, procurement cards, expense reports, and petty cash. The following three chapters deal with the procedures for these three other purchasing methods.

2.14

Contracting Procedures

1. After the need to enter a contract for goods and or services has been identified, the using department will proceed with soliciting quotes, bids, and draft contracts.
2. All contracts will comply with Park Board policy, City Ordinance, and applicable State and Federal laws.
    - **A.** If a contract is determined to have a value less than **$10,000**, the using department may proceed with selecting an appropriate vendor.
    - **B.** If a contract has a value of **$10,000** or more, the using department will prepare the contract for Trustee Approval.
3. All contracts, regardless of value, will be reviewed and approved by Park Board legal counsel and by the CFO prior to submittal to the Trustees for approval or the CEO for signature. This is to ensure compliance with Park Board Policy, City Ordinance and applicable State and Federal Laws.
4. All contracts are to be sent to the Administrative Services Manager (ASM) for processing and execution by the CEO. Digital Contracts are to be emailed to: pbadmin@galvestonparkboard.org . Contracts **ARE NOT** to be given to the CEO directly for signature.
5. A summary of the following information must be included with the contract (or sent prior to the digital contract being received):
    - **A.** Brief description what the contract/agreement is for
    - **B.** Financial obligation(s)
    - **C.** Length of the contract
6. Contracts will be assigned a number (determined by type), logged by the ASM and given to the CEO for their signature.
7. Once the contract has been signed by the CEO, the ASM will scan and email to the staff contact for distribution and file in the Master Files. If additional signatures are needed to fully execute, the ASM will request fully executed copy and file in Master Files once received.

For Contracts requiring the Form 1295 as defined by Texas Government Code

1. A copy of the contract requiring the Form 1295 is to be sent to the Administrative Services Manager (ASM) for the assignment of a contract number to be given to the business entity.
2. The business entity is to go to the Texas Ethics Commission website to register and complete the Form 1295 – Certificate of Interested Parties Electronic Filing Application. This must be done Electronically: https://www.ethics.state.tx.us/filinginfo/1295/ .

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3. The business entity must print a copy of the completed form, which will include a Certification of Filing and Unique Filing Number. This form must be signed by an authorized agent of the business and sent to pbadmin@galvestonparkboard.org along with the signed contract for execution by the Park Board Executive Director/CEO.
4. Once received, the ASM will log on to the Texas Ethics Commission website and acknowledge the form.

Section 3. Procedures for Purchasing by Federally Funded, Personal, Professional Services, or Third-Party Contracts

Request for Proposal	3.1
Request for Qualification	3.1
Selection Committee	3.1
Fee Negotiation	3.1
Contract Performance and Evaluation After Award	3.2
Contracting and Delivery Procedures for Construction Projects	3.3

APPENDIX B

3.1

POLICY AND PROCEDURES FOR FEDERALLY FUNDED PERSONAL, PROFESSIONAL SERVICES OR THIRD-PARTY CONTRACTS

(See also Texas LGC 2254)

In procuring personal, professional services, or third-party contracts all departments shall comply with all applicable Park Board, City, State, and Federal regulations. It is the responsibility of the Chief Executive Officer to ensure compliance with promulgated regulations.

Federal Regulations require:

The Park Board will use two ways to select Personal or Professional Service.

Request for Proposal (RFP)

- It shall be publicized.
- RFP's shall identify all evaluation factors along with their relative importance.
- Proposals will be solicited from an adequate number of qualified sources. The award will be made only to responsible contractors that can perform successfully under the terms and conditions of the proposed agreement. Consideration shall be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- Awards will be made to the responsible firm whose proposal is most advantageous to the Park Board's (grantee's) program with price and other factors considered.

Request for Qualifications (RFQ)

- In architectural and engineering services procurements, the Park Board (grantee) shall use an RFQ, based on the Brooks Act, which requires selection based on qualifications, excludes price as an evaluation factor, and provided the fair price and reasonable.

Selection Committee

The CEO will appoint a selection committee. All contracts for professional services **$10,000** or more must be presented to the Trustees for approval.

The selection committee will use the following criteria in its deliberations:

- The demonstration of competence and qualifications.
- The firm's experience in performing similar assignments for others and the overall reputation of the firm.

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- Ability to assemble a qualified staff to head the project team.
- The firm has demonstrated innovative concepts.

Fee Negotiation

After the selection committee makes its selection, it shall negotiate a contract at a fair and reasonable price. On all federally funded projects, the selection committee will negotiate lump sum contracts with the personal or professional service firm or individual selected

3.2

Contract Performance and Evaluation after Award

The department issuing the RFP or RFQ for personal or professional services shall ensure that the entity awarded the RFP or RFQ performs all contract provisions in a satisfactory and timely manner and conforms to all applicable rules and regulations outlined in the contract.

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3.3

Contracting and Delivery Procedures for Construction Projects

Texas Government Code Title 10, Chapter 2269. This chapter applies to governmental entities engaged in public works and contracts made by those entities, including municipalities. This chapter describes the methods for competitive bidding and requests for proposals for contracts for facilities, including the construction, alteration, rehabilitation, or repair of a facility. Please see the exemptions under this chapter.

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Section 4. State Law Purchasing Options

General Requirements	4.1
Purchasing Authority	4.1
Obligation of Funds	4.1
Solicitation Guidelines	4.1 - 4.2
Sealed Competitive Bids/Proposals	4.2
Competitive Sealed Bid	4.3
Competitive Sealed Proposal	4.3 - 4.4

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4.1

PURCHASING

General Requirements

A staff member authorized to make purchases on behalf of the Park Board shall determine the most appropriate and effective purchasing services or commodities for the Park Board. The staff will have various options to select from when making a purchase; these options include state contracts, purchasing cooperatives, inter-local agreements, and City of Galveston contracts. If the above options are not available, the Accounting Department will assist the department or staff member with other options and/or methods. Factors in determining how to acquire commodities or services are:

A. Meeting department's needs while ensuring that the method selected achieves best value,

B. Conforming to standards of ethical conduct, and

C. Complying with all applicable laws, rules, and regulations.

Purchasing Authority

Authority to obligate Park Board funds for the purchase of supplies, materials, equipment, and services (including repairs and maintenance agreements) has been granted to the CEO and Park Board Chair. The primary purchasing document used by the Park Board to secure supplies and/or equipment is the Purchase Order (PO).

Obligation of Funds

The purchase order represents a binding written agreement between the Park Board and a seller. It obligates the Park Board to pay for specific goods or services when delivered in accordance with the purchase order terms and conditions. The Accounting Department issues all purchase orders.

Any other commitments, written or verbal, are considered unauthorized purchases, and the individual making the commitment might incur a personal obligation to the vendor. The only exception is valid Credit Card Purchases.

Purchasing

The Park Board of Trustees follows the State of Texas bid solicitation guidelines:

Purchases $1,000 or less

- The individual buyer/department/department representative may exercise discretionary purchasing and acquisition of these purchases.
- Credit card purchases are allowed for this amount.
- Quotes are recommended but not required for this threshold.

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- E-Requisitions and Purchase Orders are not required for these purchases
    - However, when submitting an invoice for payment or when submitting a credit card receipt, department staff **MUST** indicate what fund, department, and account code to use.
- Structured Purchasing will not be allowed at this or any other level.

Purchases $1,001 to $1,999

- The individual buyer/department/department representative may exercise discretionary purchasing and acquisition of these purchases.
- Credit card purchases are allowed for this amount.
- Quotes are recommended but not required for this threshold.

4.2

Purchases $2,000 to $9,999

- Requires three (3) quotes obtained by user department via email, telephone (call must be documented with vendor name, phone number, the person spoke with, and the amount quoted), or written.
- The Bid Quotes Report will be completed for each purchase, including sole source. The report will also be signed by the manager of the fund being charged. All written quotes will be attached to the Bid Quotes Report. The completed Bid Quotes Report will be forwarded to the Accounting Division.
- Written documentation provided to the Accounting Department prior to requisition.
- Credit card purchases are allowed only with written approval from the CFO and within limits placed on the credit card being used.

Purchases $10,000 to $49,999 (Board approved)

- Requires three written bids and Park Board approval.
- The Bid Quotes Report will be completed for each purchase, including sole source. The report will also be signed by the manager of the fund being charged. All written quotes will be attached to the Bid Quotes Report. The completed Bid Quotes Report will be forwarded to the Accounting Division.
- Written documentation provided to the Accounting Department prior to requisition.
- Credit card purchases are not allowed at this level.

Purchases $50,000 or more – State law level

- Purchases at State Law level and greater require sealed bids or proposals unless they are exempt by Texas LGC 252.022.
- The Park Board must approve all purchases **$10,000** and over, even if the purchase is exempt from sealed bids/proposals.
- The Bid Quotes Report will be completed for each purchase, including sole source. The report will also be signed by the manager of the fund being charged. All written quotes will be attached to the Bid Quotes Report. The completed Bid Quotes Report will be forwarded to the Accounting Division.
- Department Head or department designee shall ensure that funds are available in the department's budget before requisitions are issued and before purchases are made for the department.

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- Separate, Sequential, and Component Purchases are not permitted at this level. "Component Purchases" means purchases of the component parts of an item that would be purchased in one purchase in standard purchasing practices. "Separate Purchases" means purchases, made separately, of items that would be purchased in one purchase in standard purchasing practices. "Sequential purchases" means purchases made over a period of items that would be purchased in one purchase in standard purchasing practices.

Employees shall not make any purchases without a purchase order number; the only exceptions are purchases **$1,000** or less and Emergency Purchases as defined in the section below and outlined in Texas LGC 252.022.

4.3

Sealed Competitive Bids/Proposals

These procurements are defined as purchasing materials or services at or greater than the state law level of **$50,000**. The Park Board may use either Competitive Sealed Bidding or Competitive Sealed Proposals for expenditures or procurements at state law level or greater. However, before the competitive process begins, the CEO or designee must determine which method provides the board's best value. (See Texas LGC 252 & 271)

Competitive Sealed Bid – (Formal Bid)

- Notice to bidders must be publicly advertised in the newspaper for two (2) consecutive weeks, with the first date of publication being at least fourteen (14) days prior to the opening of the bid.
- A public bid opening will be conducted at the Park Board Plaza building.
- Bids are presented by the user department, with a staff report, to the Board. The Board has the right to reject all offers or award any or all offers.
- The Board will use the best value method to award contracts under the competitive sealed bid method.
- The Board will indicate in the bid specifications that the contract may be awarded either to the lowest responsible bidder or to the bidder who provides goods and services as the best value to the Park Board.

Competitive Sealed Proposal – (Formal Proposal)

- Notice to proposers must be publicly advertised in the newspaper for two (2) consecutive weeks, with the first date of publication being at least fourteen (14) days prior to the opening of the proposal.
- A public proposal opening will be conducted at the Park Board Plaza building; price information is only read aloud if it is a construction, public work project, as defined in Texas Government Code Chapter 2269.
- Proposals are presented by the Department, with a Staff Report, to the Board.
- The Board has the right to reject all offers or award any or all offers.
- A proposal offers the Board the ability to negotiate with a selected vendor prior to awarding a contract.
- Evaluation of Proposals can include the following criteria:
    - Purchase Price

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- Reputation and financial responsibility of the proposer and the proposer's good and services
- Quality of the proposer's goods or services
- Extent to which the goods or services meet the Park Board's needs
- Proposer's past relationship with the Park Board
- Impact on the ability of the municipality to comply with laws and rules relating to contracting with historically underutilized businesses, nonprofit organizations employing persons with disabilities
- Total long-term cost to the Park Board to acquire the proposer's goods or services
- Any relevant criteria specifically listed in the request for bids or proposals

4.4

Any incomplete bid or proposal submitted by an offeror will be marked as non-responsive.

No bid or proposal will be considered if it is submitted after the deadline.

User departments should plan ahead when a contract for services, commodities, or construction need to be executed for the Park Board. If you have items that are procured annually, check your contract dates for expiration. Contact Accounting a minimum of four (4) months prior to the expiration of a contract to avoid a lapse in contracting for services or commodities. Purchases must have budgeted funds.

Note: In rare instances, it may be difficult to obtain three (3) quotes, bids, or proposals. In those instances, department staff must make a reasonable effort to secure three (3) quotes, bids, or proposals and document their efforts and the reason why three (3) quotes, bids, or proposals were not obtained.

Buy boards such as HGAC-Buy can be used in lieu of the bidding process. All contracts available to participating members have been awarded by virtue of a public competitive procurement process compliant with statutes of the state of Texas. It is recommended that a cost comparison be performed to take advantage of receiving the lowest price available.

The Park Board of Trustees is a tax-exempt organization. Vendors should be made aware of this status. A State of Texas tax-exempt form should be completed and submitted to the vendor.

All contracts MUST be reviewed and approved by the CFO and legal counsel BEFORE being submitted to the CEO or Park Board Chair. Contracts can only be signed and executed by the CEO or Park Board Chair. There is NO exception to this rule.

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Section 5. General Accounting Purchasing Procedures

Introduction	5.1
General Accounting Purchasing Procedures	5.2
9 Step Purchasing Procedures	5.2 - 5.3
Flowchart- Purchasing Process	5.4
Variations of Purchasing Procedure	5.5

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5.1

INTRODUCTION

Purchasing is a critical area to have well-defined set of procedures, given the large amount of cash outflows associated with it. Sections 5,6,7,8, covers a classic approach to purchasing, which involves the use of purchase requisitions, purchase orders, and (sometimes) a bidding process. Because of these tasks' labor-intensive nature, a large part of the purchasing activities has shifted to the use of procurement cards.

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5.2

The Purchasing Procedure

The classic approach to ordered goods and services is the purchase order. It is a formal approach to buying that involves the issuance of a legal document, the purchase order, to a supplier. The purchase order identifies the items being ordered and conditions under which a company is willing to make a purchase. Though the issuance of purchase orders is usually well-controlled, it also requires a considerable amount of time to complete. For this reason, it is generally restricted to more expensive purchases. The purchasing procedure is outlined below:

1. **Obtain Pricing** When the purchasing staff is ready to prepare a requisition, they need to ascertain pricing.

   Responsible Party: Department Staff
   Control Issues: It is very time-consuming to obtain multiple prices for the items listed on every purchase requisition. The purchasing manager should set rules for allowing purchases from a small number of designated suppliers, with multiple bids only needed for larger purchases.

2. **Obtain Additional Documentation (optional)** If the item requested exceeds the company's capitalization limit, send the purchase requisition back to the requesting person with a request to complete a capital request form (see the Fixed Asset Procedures chapter for more information).

   Responsible Party: Department staff
   Control Issues: This step essentially terminates the purchasing process, so there is no need to retain a copy of the purchase requisition.

3. **Prepare Electronic Requisition** See section 6.

   Responsible Party: Department Staff

4. **Prepare Purchase Order** Complete a purchase order based on the information in the purchase requisition or bid results. Send the original to the supplier.

   Responsible Party: Purchasing staff

5. **Obtain Legal Review (optional)** If the purchase order contains terms and conditions that are not the standard ones normally used in purchase orders, route the document to the legal staff for review.

   Responsible party: Department Staff and General Counsel

6. **Monitor Change Orders (optional).** If change orders are issued, track of the resulting change in the cumulative total authorized to be spent. If the cumulative total exceeds the original authorization

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level noted in the authorization table, obtain the higher authorization level noted in the authorization table, obtain the higher authorization level needed for the new expenditure level.

Responsible Party: Purchasing staff

7. **Monitor Subsequent Activity** Following the due date of the purchase order, remove verify the related goods we received. If not, contact the supplier to determine the status of the order. If complete, indicate that when submitting the invoice(s) for payment.

   Responsible Party: Department Staff
   Control Issues: For more important items, the department staff might consider contacting suppliers *in advance of* the due date to ensure that items were shipped on time.

5.3

Tip: If the department staff finds that small residual balances were not fulfilled on a purchase order, and the department no longer requires the residual amount, issue a notification to the vendor and accounting department that the order for the remaining amount has been cancelled. Then work with accounting staff to liquidate the remaining balance on the purchase order.

8. **File documents.** When all activity associated with a purchase order is complete, file the purchasing documents by supplier name for the current year. This will include the purchase order and purchase requisition, and may also include the purchase requisition, and may also include a cancellation notice that terminates any residual unfulfilled balances on a purchase order, as well as any purchase order acknowledgments received from suppliers.

   Responsible Party: Purchasing staff

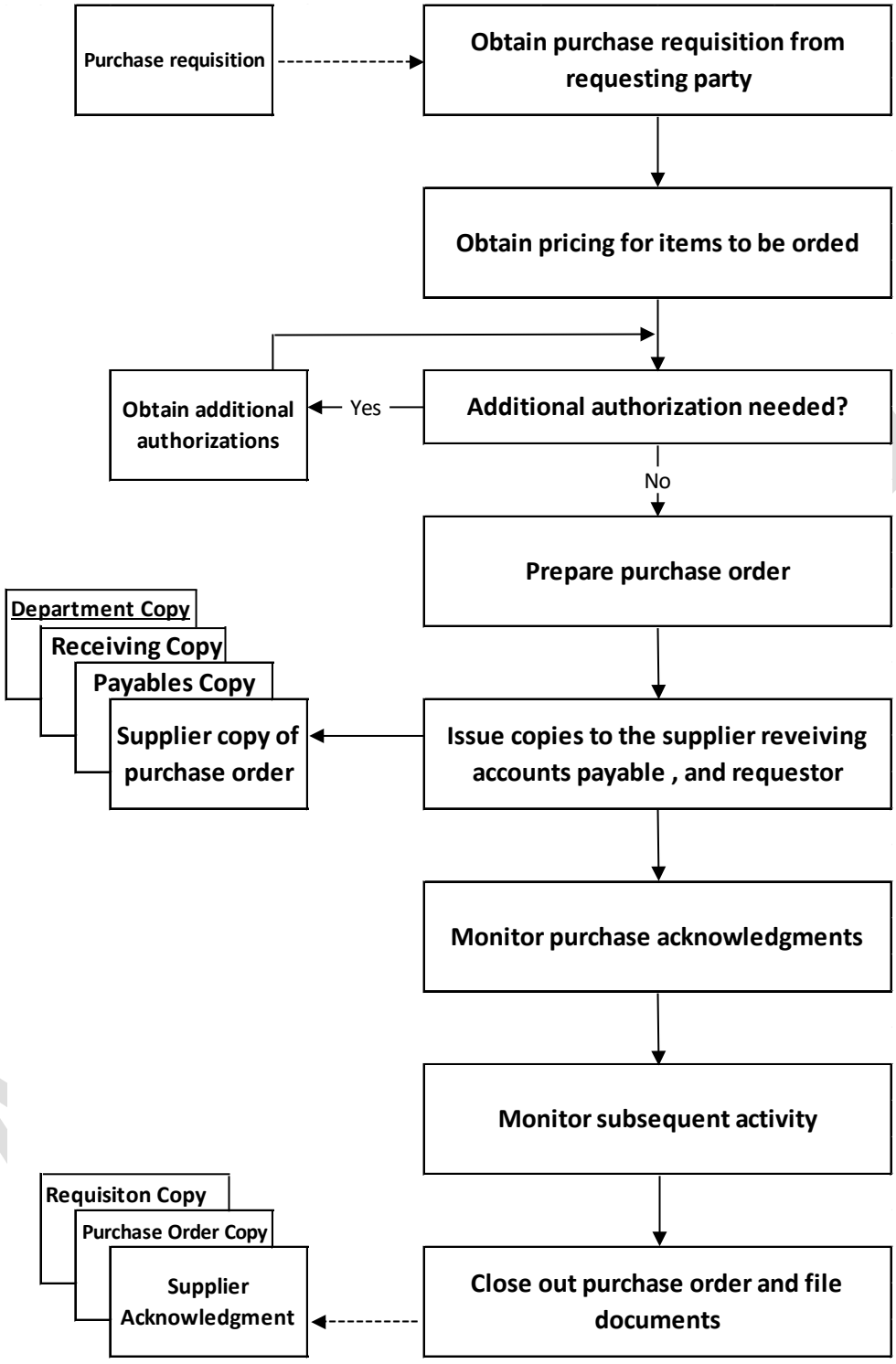
The following exhibit shows a streamlined view of the purchasing procedure, not including the optional steps to obtain additional documentation, conduct a legal review or monitor change orders. It also does not include the bidding process, which is addressed in Section 8.

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5.4

PURCHASING PROCESS FLOWCHART

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5.5

Variations on the Purchasing Procedure

A more advanced purchasing department is likely to use blanket purchase orders. A single funding commitment is issued to cover recurring purchases for an extended period of time, such as a year. Doing so eliminates the work that would otherwise be required to issue a series of purchase orders for incremental purchases. When blanket purchase orders are used and an invoice is submitted for payment, department staff will also submit a document that references the governing blanket purchase order and the details of what is being ordered.

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Section 6. Detailed Procedures for Purchase Requisitions

Electronic Requisition Process 6.1

E-Req Approval Guidelines 6.2

Flowchart E-Req Approval 6.3

Forms: Purchase Requisition Summary 6.4

Form: Purchase Requisition 6.5

4 Step Purchase Requisition Procedure 6.6

Flowchart Purchase Requisition Process Flow 6.7

Budget Availability 6.8

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Electronic Requisition Process

An electronic requisition (E-Req) must be completed for each anticipated purchase of **$1,000** or more. Purchases of **$1,000** or less do not require an E-Req to be completed or a Purchase Order to be issued. All pertinent information is completed on the electronic requisition template. It is the department making the purchase's responsibility to complete the E-Req to validate the vendor and the vendor's address. If the purchase is being made with a vendor not listed on the pull-down menu, the employee will be responsible for requesting a W-9 from the vendor and forwarding it to the Senior Accountant for input into the system. The vendor must be active in the system before the system can generate an E-Req.

To assure that purchase orders are processed timely, supporting documents and board approval (if applicable) required for any E-Req must be provided to the Accounting Department upon or before entering an E-Req.

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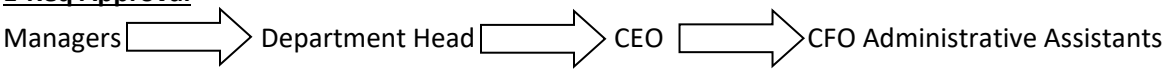
E-Req Approval Guidelines

Park Superintendent/ Project Manager/ Beach Cleaning Manager can approve E-Reqs up to **$1,000**. Department heads have the authority to approve E-Reqs up to **$7,500**. The Chief Executive Officer must approve all E-Reqs over **$7,499**.

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6.3

E-Req Approval



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6.4

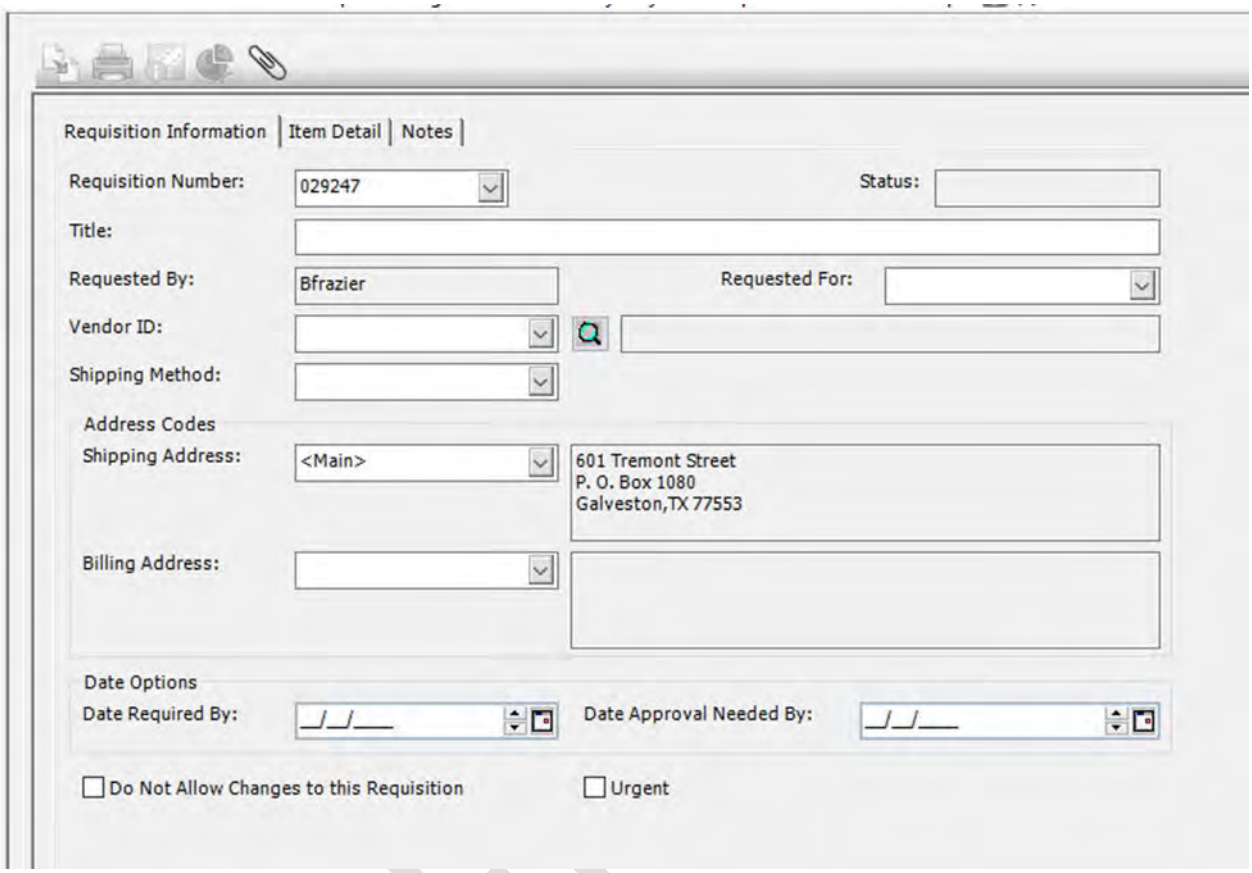
Forms: Purchase Requisition

All departments use the purchase requisition to request the acquisition of goods and services. The form is designed to give accounting staff precise information about what is being ordered, including the suggested supplier and the price offered by that supplier. It also indicates which fund, department, and account the expense will be allocated to. This prevents accounting staff from guessing where each purchase should be charged. The form contains a budget check function that allows users to check the budget availability before submitting a requisition – just click the  icon. There is a notes section that can be used to provide pertinent information to approvers and accounting staff. Finally, you can attach documents to the e-req by clicking the  icon and follow the onscreen prompts.

Another variation on the requisition form is to require the requesting person to supply bidder information for at least three bidders. This information is usually contained within a series of blocks near the top or bottom of the form and reduces the purchasing staff's workload when the bidding is required. However, this format assumes that all of the items listed on the requisition can be obtained from three bidders, which may not be the case. Also, the party is not necessarily the most knowledgeable for selecting prospective bidders.

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PURCHASE REQUISITION FORM



6.6

The Purchase Requisition Procedure

There should be a formal process for ordering materials and services. Otherwise, there is no control over the amounts spent, and the accounting department will be buried with purchase requests. To mitigate these issues, departments are required to fill out purchase requisitions. A purchase requisition form details precisely what someone wants to buy, shows the accounting staff where the indicated items be bought, and requires at least one approval. Thus, it can be a helpful tool for organizing the accounting department's flow of purchasing requests. The procedure for processing purchase requisitions is outlined below:

1. **Complete Requisition Form.** Obtain a two-part purchase requisition form and fill in the following information:
    - Item or Service to obtain
    - Required Delivery date
    - Shipping address
    - Account Number to be charged
    - Recommended supplier and supplier part number

    Responsible Party: Any employee responsible for preparing E-Reqs

2. **Check Budget Availability.** Click the  icon and check the budget availability. If the available budget is a negative amount, department staff MUST indicate in the notes section the account the funds will be transferred from to cover the shortage and enter the budget transfer request in the appropriate budget project worksheet located in Microsoft Teams, or receive approval form the CFO to exceed the line-item budget.

3. **Obtain Approval.** See section 6.2

    Responsible party: Person completing the requisition.

4. **Forward to Purchasing.** The requesting person should retain one copy of the requisition and forward the other copy to the purchasing department.

    Responsible *Party:* Person completing the requisition.
    Control Issues: The purchasing department could send an acknowledging e-mail back to the requester, stating that they have received the requisition. However, given extra control is rarely used.

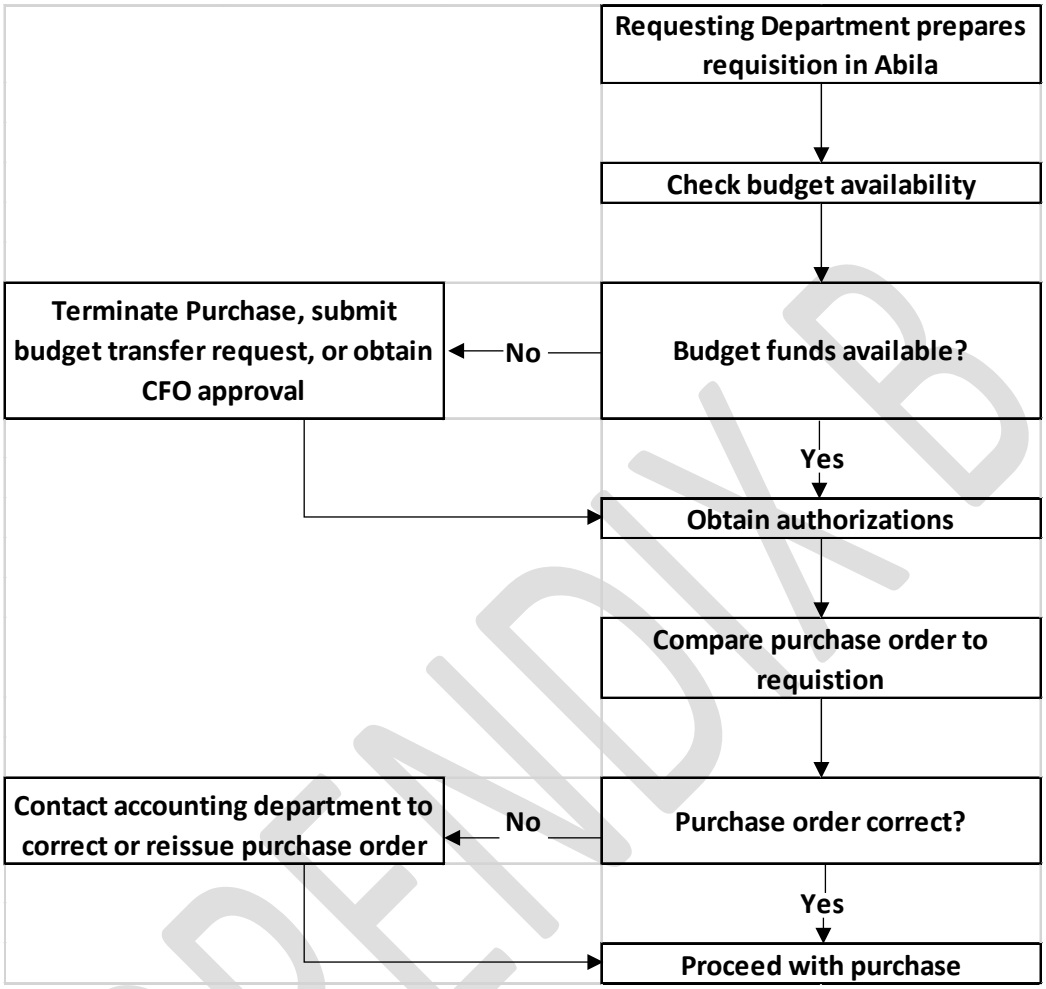
5. **Match to Purchase Order (optional).** After accounting issues a purchase order created from the requisition, compare it to the requisition to ensure that the correct items have been ordered and correct fund, department, and account information has been entered on the purchase order. If the purchase order does not match the requisition, contact the accounting staff to have the purchase order revised or replaced.

    Responsible Party*:* Person completing the requisition.

Tip: This is a step that is easily overlooked but can cause problems if it is skipped. A simple cross check can save time and effort needed to correct errors later

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PURCHASE REQUISITION PROCESS FLOW



APPENDIX B

6.8

Budget Availability

It is the department making the purchase's responsibility to create the E-Req to make sure there are available funds in the budgeted account to cover the purchase. If there are non-sufficient funds to cover the purchase, a notation will be made in the notes section of the electronic requisition screen, requesting and authorizing the Accounting Department to transfer funds from another budget account line item to cover the purchase. The transfer from and the transfer to account numbers and the transfer's dollar amount will be notated. The electronic requisition system has the capability for the originator to view the amount of budget remaining in each line item being used. If applicable, quote or bid supporting documentation will be attached to the e-req in Abila or forwarded to the Accounting Department prior to issuing the Purchase order. Insufficient budget authority and failure to provide budget transfer data may delay approval of the E-Req or result in the E-Req being rejected. Failure to provide quote or bidding documentation may delay approval of the E-Req or result in the E-Req being rejected.

Note: The following list of general ledger accounts is strictly used by accounting; they cannot be used to cover line shortages: account series 5000 to 5080, insurance, audit, utilities, telephone, contract services, alarm, and inter-fund transfers.

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Section 7. Purchase Orders

Issuance of Purchase Orders 7.1

Purchase Order 7.2 - 7.3

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7.1

Issuance of Purchase Orders:

Once the CFO has approved an E-Req, a purchase order will be issued. The E-Req department should attach supporting documentation to the E-Req in Abila or submit it to the accounting department prior to an E-Req being issued. Supporting documentation includes bid requests/quotes/board minutes and approvals/etc. (if applicable).

In emergencies, purchase order numbers will be issued prior to the approval of an E-Req. All emergency purchase orders will be subject to the CFO or Controller's approval. When an emergency purchase order number is issued, an electronic requisition must be completed as soon as possible.

If an emergency purchase order number is received prior to making your purchase from a local vendor, i.e., Office Depot, Home Depot, Wal-Mart, etc., all loose receipts should be scanned and affixed to a copy of the corresponding E-Req. The number of the emergency purchase order should be written on the E-Req and each receipt prior to submitting it to accounts payable via Docs Vault. This prevents loose receipts from getting misplaced or permanently lost.

Purchase order overages occur from time to time; however, internal controls are in place to monitor and regulate these infractions. As a general rule:

A. overages occurring **up to 25%** of the original purchase order amount not to exceed **$200** require the department manager to attach a signed memo or handwrite a memo on the invoice to justify the overage.

B. if your purchase runs **more than $200** of the approved purchase order amount, you must coordinate with the Finance Department to modify your original purchase order before making the purchase or receiving the service and/or prior to submitting the invoice to accounts payable for payment. You will be required to email the staff accountant with a cc to the controller and the corresponding department head, informing them of the cost increase and an explanation for adjusting the originally approved purchase order amount.

If a purchase order needs to be revised or liquidated, enter the request into the appropriate budget projection worksheet in Microsoft Teams

If a PO was not processed prior to making a purchase over **$1,000**, clearly indicate the budget line item(s) to charge on the invoice and attach an email explanation as to why an E-Req was not properly processed.

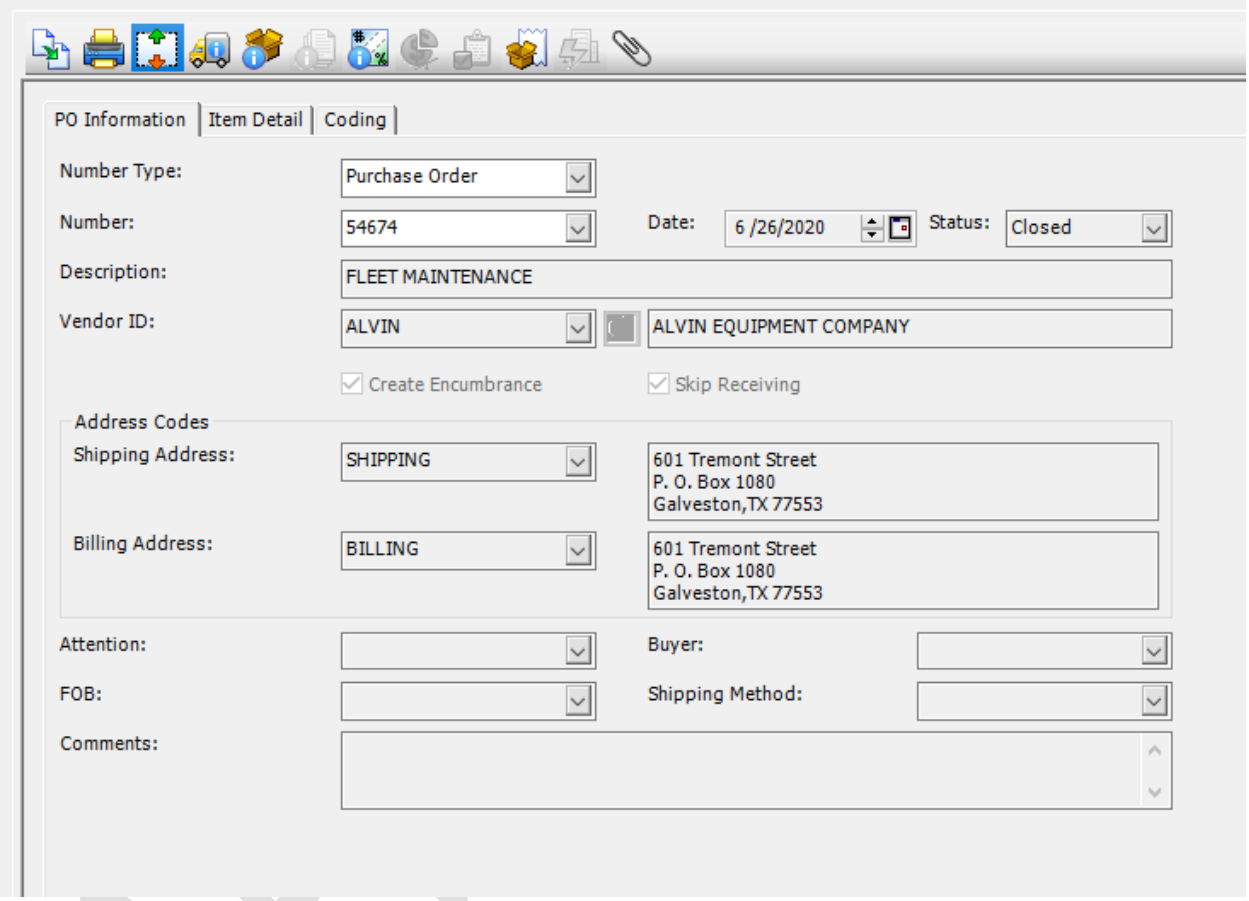
APPENDIX B

7.2

Forms: Purchase Order

The purchase order is the primary document used by the using department to order goods and services. A sample purchase order, in both the accounting system and as printed, is shown below. It should specify a considerable amount of information to avoid confusion with the supplier.

Purchase order from in Abila:



7.3

PURCHASE ORDER FORM

Purchase Order

6/26/2020 54674

Attention:

Billing Address: 601 Tremont Street
P. O. Box 1080
Galveston, TX 77553

Shipping Address: 601 Tremont Street
P. O. Box 1080
Galveston, TX 77553

Shipping Method:
FOB:

Vendor Address:
ALVIN EQUIPMENT COMPANY
PO BOX 1907
ALVIN, TX 77512

Description	GL Code	Distrib... Code	Quantity	Unit Price	Total	Requisition Number
comp. pipe, D	5242	BC70	2.00	$62.35	$124.70	027853
o-ring 037-B3	5242	BC70	5.00	$1.95	$9.75	027853
o-ring 037-A12	5242	BC70	2.00	$1.86	$3.72	027853
bolt	5242	BC70	10.00	$1.02	$10.20	027853
freight	5242	BC70	1.00	$25.00	$25.00	027853

Purchase Order Total: $173.37

Vendor ID ALVIN
Vendor Name ALVIN EQUIPMENT COMPANY

6/26/2020 54674

Item Description	GL Code	Distrib... Code	Quantity	Unit Price	Total	Requisition Number
comp. pipe, D	5242	BC70	2.00	$62.35	$124.70	027853
o-ring 037-B3	5242	BC70	5.00	$1.95	$9.75	027853
o-ring 037-A12	5242	BC70	2.00	$1.86	$3.72	027853
bolt	5242	BC70	10.00	$1.02	$10.20	027853
freight	5242	BC70	1.00	$25.00	$25.00	027853

Purchase Order Total: $173.37

Section 8. General Basic Purchasing Controls

Invoice Processing 8.1

APPENDIX B

8.1

Invoice Processing:

Invoices received directly by the Accounting Department via US mail will be date-stamped and placed in the appropriate department's mailbox or email inbox for verification and authorization to pay. Invoices and statements received via email will be forwarded directly to the appropriate department for electronic processing.

To further facilitate the payment process efficiently, filling out a standard check request form will no longer be required on single-item invoice payment requests or employee phone reimbursements. These payment requests must include the department head or designee's authorization to pay, clearly noted on the vendor's invoice or telephone statement, along with a copy of the corresponding PO.

Please highlight the invoice number, invoice date, and amount to be paid when submitting invoices for vendors. Request for employee cell phone reimbursements should include the individual's name, phone number, corresponding date of service, and the amount of reimbursement not to exceed **$75** per month or **$900** annually. Request for cell phone reimbursement must be submitted no later than fifteen (15) days after receiving the prior month's statement. Non-compliance may result in forfeiture of reimbursement. All payment requests should be submitted via Docs Vault. In some instances, it may be necessary to submit hard copy payment requests – please coordinate with the Accounting Division.

When a department manager's designated user uses a signature stamp, authorizations will only be allowed for purchases and/or services approved by the Purchase Order. The manager's designated stamp user must date and initial next to the stamped manager's name, or it will be returned as incomplete. Emergency PO numbers on a newly initiated electronic requisition (E-Req) will not qualify for signature stamp approval for payment requests in any circumstance. The department head may delegate invoice approval to management staff. However, it is ultimately the responsibility of the using department head to ensure vendor invoices are true and correct, and ready to be paid. The department manager will assume full responsibility for all approvals using a signature stamp or designee.

APPENDIX B

Section 9. Miscellaneous Procurement Matters

Receipt of Goods 9.1
Right to Inspect Facility 9.1
Audits 9.1

APPENDIX B

9.1

MISCELLANEOUS PROCUREMENT MATTERS

Receipt of Goods

- The using department is responsible for inspecting and accepting or rejecting deliveries.
- The using department shall determine whether the quantity and quality of the goods meet the specifications of the purchase order or contract.
- If goods are unacceptable, the using department shall immediately notify the Accounting Department.
- The user department shall notify the vendor of rejection and shall demand the vendor to promptly make satisfactory replacement or supplementary delivery.
- In the event the vendor fails to cure the nonconforming delivery, the Park Board has no obligation to pay for the nonconforming goods.
- If delivery is acceptable, the using department shall notify the Accounting Department.

Right to Inspect the Facility

A contract or solicitation may include a provision allowing the Park Board, at reasonable times, to inspect the facility or place of business of a contractor or any subcontractor, which is related to the performance of any contract awarded or to be awarded.

Audits

- The Park Board may, at reasonable times and places, audit the books and records of any person, organization, or business who has submitted cost or pricing data to the extent that such books or records relate to the cost or pricing data.
- Persons supplying cost or pricing data must maintain books and records that relate to such data for three years from the date of final payment under the contract, unless a shorter period is authorized in writing by the CFO.
- The provisions in subsections above this section relate to an audit of the books and records of any contractor or subcontractor under a negotiated contract or subcontract, other than a firm, fixed price contract.

APPENDIX B

Section 10. Purchasing Procedural Controls

Purchasing Procedural Controls 10.1

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10.1

Purchasing Procedural Controls

1. A purchase order must be issued for all requisitions exceeding $1,000. This control ensures that all requisitions are first reviewed for correct pricing, sourcing, quality, and payment terms prior to ordering.
2. Employees authorized to create a record in the vendor master file (Abila/DocsVault) shall be barred from approving payments to suppliers. This control reduces the risk that an individual will create a fake supplier and then approve payments to it.
3. Password access shall be required to make changes to the vendor master file. This control reduces the risk that fraudulent or incorrect payments will be made.
4. The vendor master file shall be purged of duplicate and noncurrent supplier records at least once a year. This control reduces the risk of having multiple supplier accounts.
5. Access to the purchase order system shall be restricted to approved users. This control reduces the risk that purchase orders will be improperly issued.
6. Requisition responsibility shall be assigned to one person for specific areas. This control reduces the risk of duplicate requisitioning by different employees.
7. The purchasing and receiving functions shall be segregated. This control keeps employees from initiating orders and removing the received items from the premises.
8. The Park Board does not consider verbal purchase authorizations to be a purchasing commitment. This control provides a deterrent to the issuance of verbal purchase orders by employees.
9. Minimum order shall be used when cost-effective. This control enforces the smallest possible minimum order qualities, so there is less inventory on hand.

APPENDIX B

Section 11. General Computerized Purchasing Controls

General Computerized Purchasing Controls 11.1

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11.1

Computerized Purchasing Controls:

Using a computer system to process purchases allows for several controls that take advantage of the computer's automation characteristics, including running reports for control reviews, securing file access, and tracking changes to records. These controls are as follows:

1. **Segregate Vendor Master File Duties**. The person responsible for updating the vendor master file will not be allowed to approve payments to suppliers.
2. **Restrict Access to Vendor Master File.** The computer system will allow access to the vendor master file only if a correct user identification and password are provided.
3. **Restrict Access to the Purchasing System.** The computer system will allow access to the purchasing system only if a correct user identification and password are provided.
4. **Compare Ordered to Received Quantities**. As necessary, a using department employee will match the purchasing, receiving, and payables databases to determine if any suppliers are shipping lower quantities than ordered and then billing the Park Board for the total amount ordered. The using department employee will bring these issues to the CFO's attention, who will take appropriate action.
5. **Review Old Open Purchase Orders**. The senior accountant will periodically run a report listing all open purchase orders, sorted by purchase order date, and determine if the open items shown in older purchase orders are still needed. The senior account will work with department staff to make this determination. If a purchase order is not needed, the senior accountant, with approval form the controller or CFO, will cancel the purchase orders.
6. **Eliminate Duplicate Suppliers**. The accounts payable clerk will periodically review the vendor master file for duplicate supplier records and purge excess records.
7. **Audit Acquisitions Made Within Authorized Purchase Levels.** *The CFO will r*un a report listing multiple small payments to suppliers within a short time period to see if the payments are related to a single acquisition and determine if a circumvention of purchasing authorization rules causes this payment pattern.
8. **Track Short-Term Price Changes by Suppliers**. A Park Board employee will compare a history of price changes by the supplier to market rates for the commodities being purchased to determine if there is evidence of excessive pricing.

APPENDIX B

Section 12. General Accounting Purchasing Controls

4 Steps of General Accounting Purchasing Controls 12.1

APPENDIX B

12.1

GENERAL ACCOUNTING PURCHASING PROCESS FLOW CONTROLS

Introduction:

Purchasing involves channeling requisitions from everywhere in the Park Board to the accounting department, which uses various spend management methods to place orders with suppliers. In this section is the description of the control systems used to monitor purchases. We will first address the four main tasks involved in purchasing, then describe process-specific controls, and then show the control systems most likely to be needed for the following situations:

1. Purchasing with bids.
2. Purchasing without bids.
3. Purchasing with a computerized system.

1. **Purchasing Process Overview:** Purchasing involves primary activities, each of which may require controls, depending on the circumstances. The activities are:
   1. Purchase requisition.
   2. Bidding.
   3. Order derivation.
   4. Order monitoring.

A narrative description of these four activities follows:

2. **Purchase Requisition:** The purchasing process begins with department staff filling out a requisition form, in which they state what they want to buy. The requisition is sent to the accounting department within the accounting system (Abila).

3. **Bidding:** If a requisition is for a large enough amount of money, the department staff goes out for a bid to obtain the best deal. If a company engages in bidding, there will likely be a bidding packet assembled that documents who was contracted, the resulting bids, and why the winner was selected.

4. **Order Derivation:** Once a supplier has been selected, the Park Board accounting staff creates a multi-part purchase order that authorizes a purchase. One copy goes to the supplier, one is retained in the accounting department and matched to the original requisition form, and other copies go to the receiving department. The receiving department needs to refer to the purchase order when the goods arrive, and the accounting department uses it for three-way matching. If an order is too small to warrant the use of a purchase order, department staff may instead use a credit card. Doing so avoids a considerable amount of paperwork.

5. **Order Monitoring:** Accounting and department staff monitors open purchase orders to ensure that suppliers complete them by the required due date and then close out any residual balances on orders that have been mostly filled.

APPENDIX B

Section 13. In-Process Purchasing Controls

4 Steps In-Process Purchasing Controls 13.1 - 13.2

APPENDIX B

13.1

IN- PROCESS PURCHASING CONTROLS

In this section, we cover the controls that can be imposed on the core purchasing processes.

1. **Purchase Requisition:** There needs to be a properly organized system for bringing purchasing requests to the accounting department. This system's core is purchase requisition, which is itself control over the accuracy of information provided and the authorization to purchase something. The controls related to purchasing requisitions are:
   - ***Require Purchase Requisition for Purchases of $1,000 or More.*** One of the more significant problems in the purchasing area is being inundated with purchasing requests from everyone at the Park Board who wants to buy something. Not only is this disorganized, but it also introduces a control problem where anyone can order anything. The Park Board requires all departments to fill out an E-Req form that identifies exactly what a department wants to buy (with complete specifications and the account to be charged).
   - ***Use Prenumbered Purchase Requisitions.*** E-Reqs are numbered within Abila.
   - ***Verify Against Budget.*** Department staff should go a step further and compare the purchase request to the remaining funding available in the budget. This takes extra time; however, for the Park Board, it is an essential control.

2. **Bidding:** If the size of a purchase mandates that competitive bidding be used, there must be controls over the process to ensure that it is completed fairly. Also, these larger purchases may involve supplier contracts, which require a review to ensure that the contract terms are reasonable. The controls are:
   - ***Create a Bidding Data Trail.*** There should be evidence that the department staff engaged in bidding, thereby providing a barrier to suppliers giving possible kickbacks to Park Board staff in exchange for their orders. This data trail should include a list of who was contacted, copies of their bids, and why a purchase order was awarded to the winner.
   - ***Note –*** A bidding data trail control is only effective when Park board managers know it will be performed.
   - ***Require Legal Review of Contracts.*** If the Park Board is to engage in a contract with a supplier, general counsel MUST review it to see any shortcomings or risks to which the Park Board may be subjected.

3. **Order Derivation:** The purchase order itself is the best control point in the purchasing process since it documents exactly what is being purchased and the terms under which the Park Board agrees to purchase. It is also used in the receiving and accounting for additional controls. The controls related to the derivation of purchase orders are:
   - ***Generate purchase order.*** The accounting department issues a purchase order for every purchase made above a certain minimum dollar amount. This control may prevent some fraudulent expenditures from ever occurring.
   - ***Match purchase order to purchase requisition.*** The purchase order should match the item requested on the E-Req form.
   - ***Obtain department manager approval.*** If a purchase is for an expensive item, it may help involve the department manager by requiring his or her authorization. This step will help the control environment if the intent is to go back to the person requesting the item to make them accountable for the purchase.

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13.2

4. **Order Monitoring:** An unfilled purchase order represents a future liability of the Park Board and so should be monitored closely. The following controls are used to ensure that this monitoring is conducted:
   - ***Retain a Purchase Order Copy.*** The Park Board should retain copies of its purchase orders in a database. This is useful for monitoring open purchase orders and tracking down orders that suppliers may have lost.
   - ***Review Open Purchase Orders.*** A major control is to monitor the status of open purchase orders tightly. This involves matching purchase orders against receiving reports to ascertain which orders are overdue and follow them. Though this is not control over money (as is the case with most accounting controls), it controls operations since materials can come up missing.
   - ***Close Residual Purchase Orders.*** The department managers should periodically review the open purchase orders list to see if any have been primarily filled, with just a few residual units not shipped. Depending on the circumstances, it may make sense to close these purchase orders, thereby reducing the number of open items to monitor.

APPENDIX B

Section 14. Controls for Credit Cards

Credit Cards- Purpose	14.1
Credit Cards- Eligibility	14.1
Credit Cards- Limits	14.1
Credit Cards- Conditions of Use	14.1 - 14.2
Credit Cards- E-Reqs, Purchase Orders, and Expense Reports	14.2
Credit Cards- Cardholder Responsibility	14.2
Credit Cards- Records Management	14.3
Credit Cards- Audit	14.3
Credit Cards- Park Board Issued Credit Card Payment	14.3

APPENDIX B

14.1

CREDIT CARDS

Purpose:

These controls apply to all Park Board of Trustees employees who are assigned a Park Board issued credit card. Conditions set out in these controls, and the relevant cardholder's responsibility statements issued by the bank govern the use of any Park Board-issued credit card. Cardholders and their supervisors are responsible for ensuring they adhere to these controls, thereby minimizing the risk that park board credit cards are not used for inappropriate, fraudulent, or corrupt purposes. Cardholders and their supervisors should contact the CFO for further information on their role in relation to fraud and corruption prevention.

Eligibility:

1. The CFO and Controller shall monitor the issuance, accounting, monitoring, retrieval, and general oversight of compliance with this Park Board Issued Credit Card Policy.
2. Park Board issued credit cards may only be issued to the following Park Board employees: CEO, CFO, Chief Operations Officer (COO), Controller, Chief of Beach Patrol, Chief Tourism Officer (CTO), Director of Marketing, Special Events Manager, Public Relations Manager, and the CVB sales staff. Any other staff requesting a Park Board credit card's issuance will submit the request in writing to the CFO. The request will contain the following:
   - Business reason/justification for the issuance
   - Approval of the employee's supervisor
   - Approval of the CEO
3. The CFO retains the right to approve or disapprove the issuance of a Park Board credit card to a Park Board employee. The CFO's decision will be final, even if CEO approval has been obtained.

Limits:

1. Each card will be limited to a maximum set by the Controller, who will determine the limit based on need and budget.
2. The CFO will inspect all credit card purchases are for business purposes only. Credit cards may only be used to purchase tangible goods, registrations, memberships, subscriptions, business-related meals, approved travel expenses, and repairs to Park Board-owned vehicles and equipment.
   - Use of the credit card for any other purpose is prohibited unless approved by the CFO before the purchase is made.

Conditions of Use:

1. The CFO will oversee that Park Board issued credit cards are not used to:
   - Obtain cash advances.
   - For expenses other than those incurred by the assigned employee named on the card.
   - For personal expenditures.
   - For contract payments or services not included in the "Limits" section above.

APPENDIX B

14.2

2. The Park Board issued credit card is to be used only for official Park Board business, not personal expenditures. Charging personal transactions to the business credit card is not acceptable under any circumstance. Cardholder transactions will be scrutinized to ensure compliance with this policy by the CFO.
3. Violations of the policy could result in the card's cancellation and withdrawal of the Park Board-issued Credit Card privileges. Violations may also result in disciplinary action against the employee concerned. In all cases of misuse, the Park Board reserves the right to recover any monies from the cardholder, including withholding the amount owed to the Park Board from the employee's compensation. Cardholders will be required to sign a declaration authorizing the Park Board to recover, from their salary, any amount incorrectly claimed.
4. Cardholders may not use their Park Board-issued credit card to obtain cash advances from banks, building societies, credit unions, or automatic teller machines. This prohibition similarly extends to cash equivalents such as bank checks, traveler's checks, and electronic cash transfers.

E-Reqs, Purchase Orders, and Expense Reports Controls:

1. Procurement policies in effect by the Park Board are to be followed for all Park Board issued credit card purchases. Prior to making any purchase, an E-Req is to be submitted for approval. No purchase is to be made until an approved purchase order is issued, unless the purchase if for **$1,000** or less.
2. Expense reports are to be completed within 10 days of the purchase or the completion of travel. A reconciliation of the expense report to the credit card statement will be performed by both the card holder and the accounts payable clerk.
3. All receipts supporting purchases and travel are to be attached to the expense report. Receipts must be original receipts. The Park card statement expenditure entries will not be used to justify expenditures.
4. All expense reports, statement reconciliations, and original receipts will be forwarded to the Accounts Payable Clerk.
5. Any violations may result in the expense being disallowed, and the employee to whom the credit card is issued will be required to reimburse the Park Board in an amount equal to the disallowed expense.

Cardholder Responsibilities:

1. Cardholders must retain transactional evidence to support all charges. An acceptable receipt for reimbursements of claimable business expenses on the credit card is an original receipt. Any additional documents (order slips, photos, travel itinerary, registrations, etc.) that justify the purchase should also be retained.
2. Credit card purchases without receipts are ultimately the responsibility of the employee who has been issued the card being used. A failure to provide receipts or other credible documents may result in the expense being disallowed and the employee to whom the credit card is issued will be required to reimburse the Park Board in an amount equal to the disallowed expense.
3. Reimbursement for return of goods and/or services must be credited directly to the card account. The cardholder should receive no cash.
4. Lost or stolen Park Board-issued credit cards must be reported and cancelled immediately. Accounts payable must be notified within 2 business days of this activity.

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Records Management:

1. All documentation associated with a Park Board-issued credit card payment will be maintained within the Accounting Department.
2. Original receipts for all credit card transactions will be retained in the Accounting Department. Receipts will be attached to the corresponding expense report.
3. Cardholders should keep copies of receipts and statements for audit purposes or for future questions that may arise.

Audit:

1. Audits of cardholder purchases will be performed by the accounting clerk. In addition, external auditors will review credit card transactions.

Park Board Issued Credit Card Payment:

1. To avoid paying interest and penalty, accounts payable will issue payments before the billing cycle's due date. To help facilitate this, cardholders must promptly submit all expense reports, original receipts, and other supporting documentation.

APPENDIX B

Section 15. Alternate Purchasing Control Systems

Control System for Purchasing with Bids 15.1

Flowchart Control System for Purchasing with Bids 15.2

APPENDIX B

15.1

CONTROLS FOR PURCHASING WITH BIDS

In this section, we assemble a checklist and flowchart of the controls that involve bidding.

Checklist - Control System for Purchasing with Bids:

This checklist addresses the controls for a purchasing system where the Park Board staff obtains bids for more expensive items. The first control is to require an E-Req since it provides sufficient documentation to prevent purchasing errors and should show the manager's approval whose department will be charged for the items being acquired. This can be done after obtaining quotes, bids or proposals.

Second, if a proposed expenditure exceeds a specific size limit, the Park Board must engage in a bidding process. Since it is relatively easy to shortcut this process, the key control is to require documentation of a bidding data trail that encompasses a listing of who was contacted, copies of their bids, and documentation of the eventual award's reason. This information is aggregated into a bidding package, which may be reviewed and approved by the CFO.

Third, bidding situations may involve customized contracts, in which case there may be a need for a legal review that includes a contract checklist of key clauses that must be included.

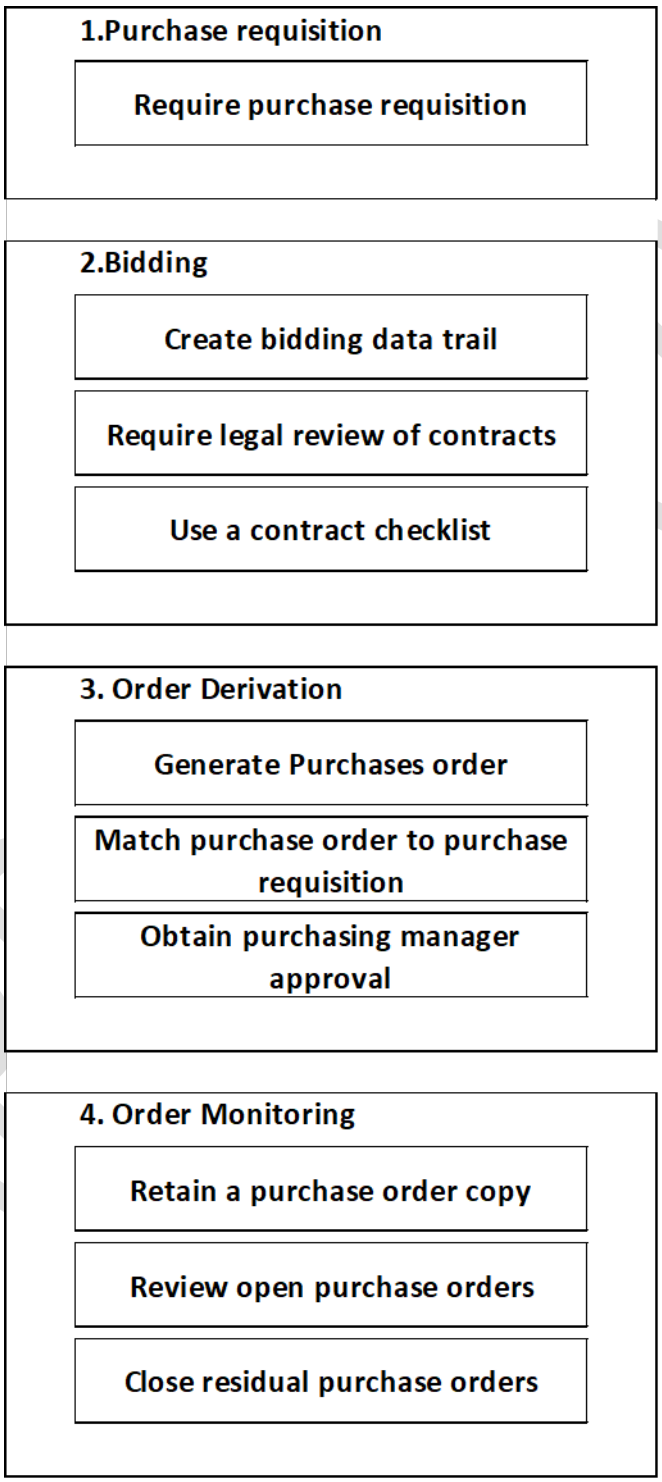
Fourth, the most essential control in the entire purchasing process is the purchase order since it is a legal authorization for a supplier to issue goods or services to the Park Board. Once created, the accounting department should verify it against the original purchase requisition. Fifth, if a purchase order is for a sufficiently large amount, it will be necessary to ensure all proper approvals are obtained.

Sixth, after purchase orders have been issued, the department manager should retain a copy to follow up with suppliers and eventually close its records of any outstanding purchase orders for which there may still be some residual balances.

APPENDIX B

15.2

Flowchart - Control System of Purchasing with Bids



Note: bidding can be performed before preparing a requisition

Section 16. Fraud Related Purchasing Controls

Fraud Related Purchasing Controls Checklist 16.1

APPENDIX B

16.1

FRAUD RELATED PURCHASING CONTROLS

There is always a reasonable chance that fraud could occur in the purchasing area since it involves creating a document that is legal authorization to buy from a supplier. If someone can access the Park Board's purchase orders, they could order goods for which the Park Board would be liable to pay suppliers. Accordingly, consider implementing the following controls to prevent or at least detect fraud:

1. **Prenumber Purchase Orders.** The Park Board prepares purchase orders and uses them as primary authorization to pay suppliers; thus, the purchase order document becomes quite valuable. Someone could fraudulently use a purchase order to order goods for themselves. To avoid this issue, purchase order creation will be limited to certain accounting staff.

2. **Password-Protect the Vendor Master File.** A supplier could offer a kickback to a Park Board employee for altering the terms of payment listed in the vendor master file, or a Park Board employee could create a fake supplier and use it to pay himself. These problems can be mitigated by using passwords to restrict access to the vendor master file.

3. **Review Expense Trends.** There may be an unusual blip in an expense line item in a particular month that was not caught by any in-process controls. Once investigated, the system can be modified to catch similar offending transactions in the future.

APPENDIX B

Section 17. Periodic Actions Purchasing Controls

Periodic Actions Purchasing Controls Checklist 17.1

APPENDIX B

17.1

PERIDODIC ACTIONS PURCHASING CONTROLS

The following controls help ensure that purchase orders are used when mandated, created correctly and that the records supporting the purchasing system are properly maintained. They are not necessarily part of a specific process; instead, the accounting department schedules them as separate tasks. These controls are:

1. **Reject Deliveries Without a Purchase Order**. In every organization, there exists someone who places orders without going through the purchasing procedures. A possible control over this behavior is to require the receiving department to reject all deliveries made for which there is no authorizing purchase order.
2. **Consolidate the Vendor Master File.** It is entirely likely that multiple vendor files will be opened for a single supplier. This makes it difficult to assemble consolidated information for a single supplier, needed for spend management analysis. Consequently, the accounting department should engage in periodic examinations of the vendor master file to see if any records can be consolidated.
3. **Designate Suppliers as Inactive.** If a supplier has not been used for some time or has been decertified, the accounting department should set its status to inactive in the vendor master file. By doing so, managers will be much less likely to contact the supplier for bids or place orders with it. This is a significant control if the Park Board wishes to do its business with fewer suppliers to achieve volume discounts and stop doing business with peripheral suppliers.

APPENDIX B

Section 18. Stand-Alone Accounting Controls

Stand-Alone Accounting Controls Checklist 18.1

APPENDIX B

18.1

Stand Alone Controls

There are several stand-alone controls in association with specific controls. These controls are:

1. **Department Staff Shall be Independent of Payables and Receiving Staff.** This control is needed to prevent collusion in the creation and payment of fraudulent supplier invoices.
2. **Professional Services Shall be Bid Every Five (5) to Ten (10) Years**. This control is designed to review competitive pricing for all types of professional services. Otherwise, relationships tend to continue for years, with pricing not being considered.

APPENDIX B

Section 19. Appendices

Contract Process Checklist 19.1

Form CIS: Local Government Officer Conflicts Disclosure Statement 19.3

Galveston Park Board of Trustees – Sole Source Justification Form 19.5

Form 1295 – Certificate of Interested Parties 19.7

APPENDIX B

19.1

GALVESTON
ISLAND
Park Board of Trustees

Contract Process Checklist

Date: ___/___/_____

Vendor Name: _____

Purpose/Type of Contract: _____
_____

Contract Funding Account: _____

(Please follow the steps on this checklist and submit this along with all other required documentation for execution)

Department Responsibilities

Contracts with a value of $10,000 or more OR will be using contingency funding:

- ☐Park Board of Trustees Approval (attach approval).
- ☐Request Contract Number from Administrative Services Manager.
  - Contract number: _____
- ☐Form 1295 completed (attach Form 1295).

Contracts with an aggregate value of $50,000 or more:

- ☐Sole Source – justification form submitted and approved by CFO
- ☐Contract competitively bid
  - ☐Specifications developed and legal ad placed
  - ☐Responses received, evaluated/scored, and vendor selected

All Contracts regardless of value

☐Chief Financial Officer Review and Approval (attach approval)

☐Legal Counsel Approval (attach approval)

☐Submit agreement and all required documents to Administrative Services Manager for review and Chief Executive Officer signature.

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19.2

Administrative Services Manager Responsibilities (continued Contract Process Checklist)

☐Obtain required approval signature.

☐Scan and Master File all documentation.

☐Distribute copy of signed contract to initiating department.

APPENDIX B

The City of Galveston Staff Reports Policies and Procedures Manual

Appendix C

Approved by: _____

Brian Maxwell, City Manager

Effective Date: _____

Board Approval Date: _____

APPENDIX C

Section 1

Policy 1 – Staff Reports shall be Informational only.

Procedure 1.1 – Staff should review Staff Reports to include certain qualifications.

Section 2

Policy 2 – All proposed ordinances, resolutions, or other shall be supported by a Staff Report.

Procedure 2.1 – Introduction - first paragraph of Staff Report.

Procedure 2.2 – Request from City Council – second paragraph of Staff Report.

Procedure 2.3 – Prior City Council action – third paragraph of Staff Report.

Procedure 2.4 – Series of Events Leading to this Point – fourth paragraph of Staff Report.

Procedure 2.5 – Fiscal Impact – fifth paragraph of Staff Report.

Procedure 2.6 – Alternatives to the project – sixth paragraph of Staff Report.

Section 3

Policy 3 – Cost Overruns and Project Enhancements.

Procedure 3.1 – Change Orders – seventh paragraph of Staff Report.

Section 4

Policy 4 – Staff Recommendations, Signed Approvals, and Relevant Attachments.

Procedure 4.1 – Staff Recommendations – eighth paragraph of Staff Report.

Procedure 4.2 – Signed Approvals – ninth paragraph of Staff Report.

Procedure 4.3 – Relevant Attachments – tenth paragraph of Staff Report.

APPENDIX C

Section 5

Policy 5 – Before and After Submissions to City Council.

Procedure 5.1 – Review of Staff Reports for Generic Qualifications.

Procedure 5.2 - Review of Staff Reports for Specific Qualifications.

Section 6

Policy 6 – Submission of Staff Report to City Secretary's Office.

Procedure 6.1 – Future Goal – Staff Report Software Portal.

APPENDIX C

Policy 1

1. Sec. 2-16 Fiscal Note Policy – Galveston, TX Code of Ordinances

The fiscal note shall be informational only and shall not be binding on council's decision to continue or climate a program.

Previously Approved Date: Ord. NO 96-64, 52, 6-13-1996; Ord. NO. 98-78,52, 8-27-1998

** This policy has already been approved by Council. Procedure 1.1 includes certain staff report suggestions researched by The City Auditor's Office as best practices and is recommended for review to The City Manager's Office to be used as a checklist when creating the staff report.

APPENDIX C

Procedure 1.1

Staff should review Staff Reports to include certain qualifications, such as:

- To serve as the basis for a proper and appropriate decision to be made by City Council.
- To provide concise, easy to understand information to all interested parties.
- To be defensible if challenged at any time of the project.
- To ensure all readers of the Staff Report can follow and comprehend the information and conditions to understand the recommended actions.
- To ensure that City Council understands the program already achieved (if applicable) the present goals and objectives (if changed), and what challenge or new challenge will staff have to complete the project.
- To ensure City Council receives information in a Staff Report if new problems have arisen or as soon as possible. Also, staff should report possible solutions to those new problems to City Council.

APPENDIX C

Policy 2

All proposed ordinances, resolutions or other actions to be approved by City Council shall be supported by a staff report which includes:

1. The source of the request.
2. Fiscal note prepared by city staff.

The fiscal note shall set forth the:

1. Costs for implementing the proposed action.
2. Costs for continuing the action.
3. Cumulative costs over time.

The fiscal note shall identify:

1. The funding source for the action.
2. Any other relevant information pertaining to the economics of the proposed action.

Previously Approved Date: Ord. NO 96-64, 52, 6-13-1996; Ord. NO. 98-78,52, 8-27-1998

** This policy has already been approved by Council. Procedures 2.1 through 2.6 are suggested procedures researched by The City Auditor's Office as best practices and is recommended for review to The City Manager's Office to be used as a checklist when creating the staff report.

APPENDIX C

Procedure 2.1

The Staff Report should set the stage for good discussion making for City Council by presenting key information in a way that makes it easy to grasp the critical issues. The introductory first paragraph of a Staff Report should include the following five steps:

1. Council meeting date.
2. To: City Manager, Mayor, and City Council Members.
3. From Employee: (include Department and Title).
4. District and specific location of project.
5. Project name as listed in the CIP.

APPENDIX C

Procedure 2.2

The second paragraph of the Staff Report should include:

1. Requesting from Council:
    - Staff should tell City Council “The Description of the Action” that is requested from Council.
    - If the action is to approve a contract, staff must include the amount of the contract.
    - Staff must use “Layman Terms” to describe the subject matter. Laymen Terms is a non-technical explanation that anyone who is not a professional and does not have technical mastery of the field can understand.
    - Staff must inform Council “How” this project will improve the standard of conditions for the citizens of Galveston.

APPENDIX C

Procedure 2.3

The third paragraph of the Staff Report should include:

Prior Council action: Tell City Council if they have considered this project or parts of this project in the past. Also, tell City Council if there is a project that is closely related to this one. This should include:

1. All payment information:
    - Date of approval (include minutes from the meeting).
    - Vendor.
    - Amount approved.
    - Revenue sources.
    - Purchasing method used- Competitive bidding.
    - Include any Conflict of Interest.
    - All of this should be with the Prior Council.
    - Project name (use CIP name).
    - Contract number given by City Secretary.

2. Status of Original Approval
    - Approval.
    - Rejected.
    - Deferred.

APPENDIX C

Procedure 2.4

The fourth paragraph should provide a background to City Council. This should include a "Series of Events Leading to this Point." Staff should write the chronology by considering:

- What is the background?
- Why did the background occur like it did?
- Where did this background occur?
- When did this background happen?
- How did this background come about?
- Are there any outstanding issues to tell City Council about?
- Is there a provision of law, rule, policy or ordinance City Council should know about?
- Should staff reference any related Programs or Policies from the Capital Project Plan to City Council?
- Are there any other adopted Plans or Strategic Documents that City Council needs to know about?

** Please note all of these items may not be applicable for each project.

APPENDIX C

Procedure 2.5

The fifth paragraph of the Staff Report will be the Fiscal Impact of the Project. It will include:

1. Total Cost of Project:
   - How much will the recommended Project Cost?
   - Tell City Council is this a one-time cost or recurring cost?
   - Reference a Budget or Capital Improvement Plan to explain the cost of the Project.
   - Are existing resources adequate? If not, how will the extra cost be funded? Are there any revenues or cost offsets to tell City Council about?
   - If a new appropriation is required, tell City Council "How" the City will afford it.

2. Funding sources for the project:
   - Identify the source of funding- Grants? General Funds? Fees?
   - Will Debt Financing be required?
   - Will it be necessary to transfer any funds at all?

Example:

Funding Source	Amount
2017 General Obligation Bond (XXXX)	$20.00
2014 Water Bond (XXXX)	$50.00
2009 Sewer Bond (XXXX)	$10.00
Total Cost of Project	$80.00

** An Excel table should be added to Fiscal Impact section of Staff Report. Because the excel table will probably be used by more than one staff member it is important for each user to perform a separate mathematical check after entering new data. The Deputy City Manager should also ensure mathematical accuracy and formula checks of the excel table before and after submission to City Council.

APPENDIX C

Procedure 2.6

The sixth paragraph of the Staff Report should include:

1. Alternatives to the project:
   - List the alternatives of the requested project.
   - Give a brief explanation of each alternative to City Council including an impact of each alternative.
   - Tell Council the “associate costs” of each alternative.
   - Discuss and disclose the “associated risks” of each alternative to City Council.

APPENDIX C

Policy 3

Change Orders shall be written as to inform the City Council of the difference between "Cost Overruns" and Project Enhancements". Staff will also inform City Council of the dollar amounts of Cost Overrun and the dollar amounts of Project Enhancements.

** This policy is suggested by The City Auditor's Office to be considered as an in-house policy for The City Manager's Office. Procedure 3.1 includes certain staff report qualifications researched by The City Auditor's Office as best practices and is recommended for review to the City Manager's Office to be used as a checklist when creating the staff report.

APPENDIX C

Procedure 3.1

The seventh paragraph of the Staff Report should address if the request is for Change Orders.

1. Change orders to the project:
   A. In this a cost overrun?
      - Amount of Cost overrun?
      - Was the cost overrun originally mentioned as a possibility in the original staff report? Please describe.

   B. Timing Delays (please explain situations and solutions).

   C. Is this a project enhancement?
      - Amount of project enhancement?
      - Please describe why this is a project enhancement and not a cost overrun.

APPENDIX C

Policy 4

The Staff Report should contain:

- Staff Recommendations.
- Signed Approvals from appropriate Executive Management.
- Relevant Attachments.

** This policy is suggested by The City Auditor's Office to be considered as an in-house policy for The City Manager's Office. Procedures 4.1 through 4.3 includes certain staff report suggestions researched by The City Auditor's Office as best practices and is recommended for review to the City Manager's Office to be used as a checklist when creating the staff report.

APPENDIX C

Procedure 4.1

The eighth paragraph of the Staff Report should include the staff recommendation to City Council:

1. A "Definitive" Recommendation of what staff wants City Council to do. The recommendation should be:
    - Concise.
    - Accurate.
    - Comprehensive.

APPENDIX C

Procedure 4.2

The ninth paragraph of the Staff Report should include:

1. Approval- City Manager: _____
    - Please observe Deputy City Manager must notate when signing for city manager.

2. Approval- City Attorney: _____
    - Please observe City Attorney must notate when his/her signature is not applicable.

3. Approval – City Finance Director: _____

4. Approval – Depart Head: _____

APPENDIX C

Procedure 4.3

The tenth paragraph of the Staff Report should include relevant attachments. This should include:

1. Relevant attachments to Project:
    - Resolutions.
    - Professional Service Agreements.
    - Significant Correspondence.
    - Maps.
    - Any other relevant documents.

APPENDIX C

Policy 5

The Deputy City manager will review staff reports “before and after” submission to city council.

The Deputy City manager will review the staff Report for:

- Completeness.
- Accuracy (Correctness for Mathematical Computations).
- Comprehensiveness.

** This policy is suggested by The City Auditor’s Office to be considered as an in-house policy for The City Manager’s Office. Procedures 5.1 and 5.2 includes certain staff report suggestions researched by The City Auditor’s Office as best practices and is recommended for review to the City Manager’s Office to be used as a checklist when creating the staff report.

APPENDIX C

Procedure 5.1

The Deputy City Manager will review the Staff Report generically for:

1. Did the City Council receive enough information to make an informed decision?

2. What other information could City Council have received that would have possibly changed their decisions? (i.e. Trend Analysis or Data Risk).

3. Has management asked City Council if they have received enough information or if they fully understand the Staff Report?

4. Are the Staff Reports too lengthy for City Council to make a decision?

5. Does the Staff Report dovetail to give the City Council the best information? (i.e. Soft Information gives the City Council a brief narrative to explain the Hard Information. Hard Information given to the City Council are facts).

6. Do the Staff Reports integrate financial and non-financial information so that City Council may properly access risks.

7. Does the Staff Report include a graph when appropriate?

8. Is a glossary needed to explain technical or unusual terms?

9. Has the Deputy City Manager asked the following concerning the Staff Report?

    1. Can the Council trust the information?
    2. Do the Staff Reports cover all critical issues?
    3. Are the Staff Reports up to date?
    4. Is the data on the Staff Report clear?
    5. Does the data give an assessment of past and future risk?
    6. Is the data reported in a consistent manner?
    7. Is the data presented in a way Council can understand?
    8. Do the Staff Reports have any negative information to report?

APPENDIX C

Procedure 5.2

The Deputy City Manager will also review the Staff Report specifically for:

1. Reasons for Project Cost Overruns

There could be several reasons for project cost overruns in an organization. However, the most common reasons are unclear scope definition, irrelevant estimation, unanticipated risks, and incompetent resources. These reasons are discussed in detail below.

2. Unclear Project Scope

Having a scope that is not clear, which is ambiguous or confusing is bound to cause issues. The project team will do what they will think they have understood from the project scope. Often, the resources tend to make assumptions and these in the end could prove to be wrong. Whether the scope was not defined or communicated well or it was not understood correctly either way, there will be undesirable outcomes coming out of the project. These, in turn, may result in the need for corrections or rework, causing project cost overruns.

3. Irrelevant Activity Estimation

Correct estimations are crucial in the project. Estimation about the activity duration, the number of resources required, for example, are just a few things that often are incorrectly estimated. For instance an activity that could have been done by two resources, were assigned three resources. Or, if any activity could be done in 5 days were given 8 days. This too will cost the organization more if not corrected.

4. Unanticipated Risks

Absence or ineffective risk management are very common reasons for project issues and project cost overruns. Risks Related to employees, cost, materials, equipment, suppliers, etc. – all could lead to project issues. Often, organizations have risk management processes in place. However, the staff assigned for the risk management activities might be incompetent. This could become the reason for forgotten risks, improperly planned or ineffectively managed risks. And, when these risks occur, the higher cost is incurred in managing them. If there is not a plan or budget to overcome a risk that has not been anticipated during project planning, obviously, it will cost time and budget for the project.

APPENDIX C

Procedure 5.2 (continued)

5. Incompetent Resources

Assigning a lesser skilled resource to an activity may be a cheaper option. However, when the same resource makes mistakes or takes longer to complete an activity, there will be challenges to face.

If there is an activity estimated to be completed in five days for a $20,000 cost, it may cost you maybe $5,000 more with an incompetent resource. Resource management in projects is an art. You should never find overqualified resources nor incompetent resources.

Over qualified resources will increase the cost while incompetent resources will increase the cost as well.

6. Prevention of Scope Creep

Scope Creep is basically adding additional functions or features to the new product, work, or requirements that are unnecessary and beyond the agreed-upon scope. Scope creep can happen in any project. And it can cause project cost overruns as well as time delay and decreased satisfaction. Adding an additional feature that yields good results isn't bad. However, if it is not necessary and approved, it is scope creep, and this must be prevented.

There could be many reasons why Scope Creep could occur, such as:

- Lack of clarity on what exactly is required.
- Beginning development of something before thorough planning.
- Lack of change control.
- A poor time or cost estimation.

Fighting Scope Creep is simple. You have to firmly establish the requirements that match the organization's needs, requests, and expectations. When this is done, it's important for the project team to have a thorough understanding of what really is required. This step is crucial. It's because based on this understanding, the team will develop and deliver the required product.

The project manager must clarify each requirement with executive management. The project team should also clarify the project scope or activities where they have a doubt. The project team should stick to the requirements. And, if there is a doubt, they must clarify it from the project manager. Moreover, no favoritism, nepotism, or bias should be allowed in the projects. Any additions that may be done must be approved first then incorporated into the product.

APPENDIX C

Procedure 5.2 (continued)

7. Acquire the Right Skills Needed

Once the project requirements and needs of the project are known, executive management should acquire the resources with the right skills. E.g., if any activity requires a senior resource, but executive management assigned a junior resource, the organization might think they are saving money. In reality, the activity may take a longer time to complete and exceed the planned cost.

Executive management must choose the resources that have the right skills as well as the appropriate level of experience. This is important because a lesser skilled resource may understand the requirements wrong. Or they may be incompetent in developing something exactly as expected. It may even happen that the resource is doing something right but they are too slow. These reasons may cause the project to delay or may need to be reworked with some of the activities. This, in turn, will cause project cost overruns.

If your planning is perfect, the documentation is thorough but your resources are not skilled enough, executive management will face issues. Managing extra issues will always incur more costs. Therefore, executive management should acquire only the resources that have the ability to work on the project. Based on statistics, every dollar spent on corporate training programs return $30 in return. So, corporate companies' value to train their employees to increase project delivery competence.

8. Train Project and Non-Project People

The fact that people also cause project cost overruns, and not always the project plan, work procedures, or other things, is often ignored. Usually, the project manager focuses on the project activities, project documents, and the resources necessary to complete the project. However, they should also consider the fact the untrained project people, with no fundamental project management knowledge or enough experience, may also be an obstacle to success.

9. Create Project Management Awareness Among Non-Project People

Work done by untrained non-project resources can actually make things worse. They are not aware of the processes to follow. Furthermore, no one is centrally controlling them and they do not tend to work under plans. So the untrained resources could, for instance, cause inefficiencies in work, produce errors in deliverables, or make wrong decisions. The negative impact of untrained people could be insignificant but it could also be disastrous for the project. Issues caused by untrained people could require product repair or rework. This would consequently lead to project cost overruns.

APPENDIX C

Policy 6

The final copy of the Staff Report shall be documented with the City Secretary's Office no later than ten (10) working days of the Council Meeting date in which the Staff Report was submitted to City Council. The final copy of the Staff Report includes staff recommendations, required signature approvals, and relevant attachments.

** This policy is suggested by The City Auditor's Office to be considered as an in-house policy for The City Manager's Office. Procedure 6.1 includes a suggestion for the City Manager's Office and City Secretary's Office to establish as a future goal between the two offices.

APPENDIX C

Procedure 6.1

The Staff Report shall be sent to City Council via a portal instead of stacks of paper documents. Using a software portal will allow City Council to review Staff Reports in an organized format even "after" decisions have been made. It will also allow City Council to do their own research on decisions made before they were elected to City Council. The Staff Reports should be sent via secure intranet settings.

APPENDIX C