

TOWN COUNCIL
OCTOBER 9, 2018

PROCESS IMPROVEMENT – PURCHASING THRESHOLDS



Efficiency and Process Improvement

Purchasing is recommending streamlining the approval threshold for the Purchasing Manager, Town Manager and Town Council based on the SE Florida National Institute of Government Purchasing Survey (NIGP).

Recommended Change	Efficiencies Gained
Increase Purchasing Manager threshold for requisitions and contracts from \$14,999 to \$24,999.	Currently Purchasing Manager approves 85% of all requisitions, the requested change will change that amount to 93%. Requisitions will be able to be processed faster enabling staff to complete work more efficiently.
Increase Town Manager threshold for requisitions and contracts from \$34,999 to \$64,999.	Currently the Town Manager approves 7% of all requisitions. With the requested new authority, the manager will approve 2% of all requisitions.
Increase Town Council threshold for all new requisitions, contracts and renewals for amounts greater than \$65,000.	The Town Council currently reviews 8% of all requisitions and contracts. The requested change would decrease the amount to 5%. Town Council will still review all multi-year contracts valued greater than \$65,000.

Comparison of Recommended Changes

Current Threshold Dollar Amount	Total No. of Purchase Orders	%	Current Approver	Proposed Threshold Dollar Amount	Total No. of Purchase Orders	%	Proposed Approver
<2,500	851	61%	Purchasing Mgr.	No change	No change	61%	No Change
\$2,500 to \$14,999	348	25%	Purchasing Mgr.	\$2,500 - \$34,999	447	32%	Purchasing Mgr.
\$14,999 to \$34,999	99	7%	Town Manager	\$35,000 - \$64,999	35	2%	Town Manager
>34,999	106	7%	Town Council	>\$65,000	70	5%	Town Council

SE Chapter of NIGP Purchasing Threshold Comparison 2017 Study

Cooperative Survey

	Town of Palm Beach	Boca Raton	City of Palm Beach Gardens	City of Delray Beach	Town of Jupiter (see note 3)	Village of Wellington	City of West Palm Beach
What is the threshold for a non-competitive quote	under 2,500	5,000	2,500	under 2,500	under \$2,500	under 2,499	10,000 10,000-50,000 and 100,000 for construction
What is the threshold for a competitive quote	2,500 and greater	5000-49,999	greater than 2500	\$2,500-\$64,999	25,000	2,500 to 25,000	
Who obtains the quotes, Purchasing or the end-user Department	End User and Purchasing	End User under 5, Purchasing	End User & Purchasing	End user < \$10K, Purchasing >10K	user department	End User and Purchasing	end user and purchasing greater than 50,000 and 100,000 for construction
What is the threshold for an advertised competitive bid	35/50/100 (See note 2)	25/50/100 (See note 1)	10,000	64,999	49,999	25,000	50,000 and 100,000 for construction
What is city/town/village manager threshold	35/50/100 (See note 2)	49,999	64,999	64,999	49,999	25,000	greater than 50,000 and 100,000 for construction
What is the threshold for Council/Commission approval	35/50/100 (See note 2)	50,000	65,000	65,000	50,000	25,000	and 100,000 for construction

Notes:

1) 35,000 Term Contract, 50,000 Services/Supplies, 100,000 Construction

2) 35,000 Services/Supplies, 50,000 Vehicles & Electrical Construction, 100,000 Construction

3) Town of Jupiter does not participate in SE FL NIGP, thresholds pulled from their website

Village of Wellington is currently reviewing threshold approval.

Efficiencies Achieved by Change of Threshold in 2017

Changes Implemented in November 2017	Efficiencies Gained
Increased one quote threshold from \$1,000 to \$2,500 that user departments secure	User departments spent less time securing quotes for goods or services. This will allowed requisitions and purchase orders to be processed faster to obtain necessary goods and services. Note that purchasing still verified pricing submitted to ensure that best value is obtained for Town.
Increased quote threshold from \$4,999 to \$9,999 that user departments secure	The majority of all purchases processed by purchasing fall within this category. This expedited the timeline to secure the goods or services. Note that purchasing still verified pricing submitted to ensure that best value is obtained for the Town.
Increased approval threshold for Purchasing Manager, Town Manager and Town Council	Increased approval thresholds brought us in line with other local municipalities. User departments benefited by expedited approval process. The Town has sound internal controls within Eden to ensure review of all purchases. Process provided streamlined approach to approvals.

Highlight of Efficiencies Gained by Change of Threshold

- Town Council approves the operating and capital budgets when the budget is reviewed and approved. For FY 19, all multi-year contracts were presented to Town Council for review and approval. This procedure change provided fuller transparency.
 - In a survey issued to Town users in September 2017, the biggest assistance to end users has been the increase of one quote up to \$2,499 which has eliminated additional time required by them to address small dollar purchase needs.
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Internal Controls/ Check and Balances

All purchases for goods and services are processed by means of a requisition before a purchase order can be issued within the ERP Software, Tyler Eden regardless of dollar amount.

For the majority of requisition approvals, the requesting employee's supervisor, the division manager, department director have to approve the requisition before it can be sent to purchasing for processing.

Once purchasing approves the requisition within Eden, the requisition is forwarded electronically to Finance, and depending on amount, Town Manager for approval.

- Finance verifies if the budget exists to move the requisition forward for approval and reviews whether the item is a capital asset for asset tracking. Finance reviews Information Technology purchases greater than \$1,500 and general commodities and services valued at \$2,500 or more.
- Purchasing verifies if the appropriate vendor was contacted for quote and that all subsequent paperwork is properly attached to requisition to ensure a good audit trail. More importantly, purchasing ensures that competition for goods and services is sought.

Next Steps

Update Purchasing Threshold within Purchasing Manual.

