



## Money Matters

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## Agenda

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- Internal Controls-Electronic Payments
- Financial Closing/Best Practices
- Reporting
- Purchasing
- Bidding

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## Overview of Michigan Law Requirements-Internal Control

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## Cash Receipting

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- Township Treasurer must complete a formal receipt for all revenues coming into the Township.
- This can be accomplished by:
  - Computerized point of sales systems
  - Cash registers
  - Manual three part receipts

OFFICIAL RECEIPT	CHERRY LANE TOWNSHIP GENERAL FUND	NO: 1060
		DATE: 5-15-14

RECEIVED F CITY RECYCLING \$ 2,808.00

TWO THOUSAND EIGHT HUNDRED EIGHT AND NO/100'S ----- DOLLARS

FUND	ACCOUNT NO	AMOUNT
GENERAL	101-000-675	2,808.00


IN PAYMENT FOR: RECYCLING

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

AUTHORIZED SIGNATURE



## Cash Disbursements

- Generally the Clerk maintains the accounting records
- Treasurer maintains physical custody of the assets
- All disbursements, except (the property tax collection) require approval of the Board



## Cash Disbursements- Continued

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- Dual signatures are required for all checking accounts (except the separate tax collection checking account). The dual signatures MUST be the clerk (or deputy clerk) and the treasurer (or deputy treasurer).
- The separate tax collection bank account statutorily only requires the signature of the treasurer. We recommend that the Clerk post activity and reconcile banks to the general ledger



## Cash Disburesements- Continued

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- Adequate security must be provided over unused checks.
- Checks must NOT be signed prior to being completely filled out.
- All functions (i.e. deposit, write checks, issue checks, reconcile account) regarding a checking account should NOT be performed by the same individual.



## Cash Disbursements- Continued

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- Numerically controlled, pre-numbered checks must be used.
- Actual checks must be returned to the township -Under the Records Media Act electronically stored checks should meet this requirement.
- Appropriate documentation (supporting invoices) must be attached for all disbursements.
- Original bills, not copies, must be used for documentation.



## Cash Disbursements- Continued

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- All disbursements must be approved by the legislative body.
- The board may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings).



## Cash Disbursements- Continued

- This policy must be very limited and a list of payments made prior to approval must be presented to the legislative body for approval.
- Checks should not be returned to the originating office for distribution. OUR SUGGGESTION-after the Board approves payments, Treasurer should counter sign and mail payments to vendors. THEY SHOULD NOT BE RETURNED TO THE CLERK'S OFFICE, OR THE OFFICE WHICH ORIGINATES THE CHECKS.

## Implementing Modern Cash Management



## GFOA Recommendations

- Use Positive pay on All Disbursement Accounts.
- Use Controlled Disbursement Accounts.
- Implement Stronger Internal Controls for ACH Transactions.

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## What is Positive Pay?

- An Electronic check register is sent to the bank as often as checks are issued.
- Whenever a check is presented for payment but there is no record of it being issued, or a difference in the amount, the bank refers the check to its customer client for a pay/no pay decision, or is rejected for payment.
- According to the GFOA, only 15% of the governments under 50,000 use positive pay, even though many of these smaller units have poor internal control.

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## Positive Pay Benefits

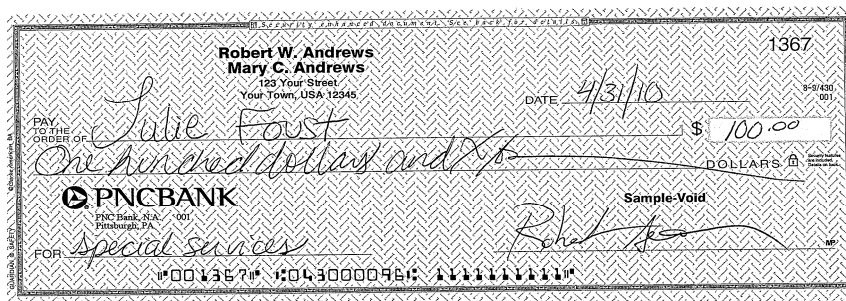
- Fraud Protection
- Account Reconciliation Services-  
outstanding items are calculated by the  
bank for you, and in some cases, (e.g.  
use of imprest accounts) bank  
reconciliation.
- Must review costs and determine  
feasibility, remember fraud expensive,  
bank charges are not!

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## Positive Pay

### DATE, DOLLAR AMOUNT, CHECK

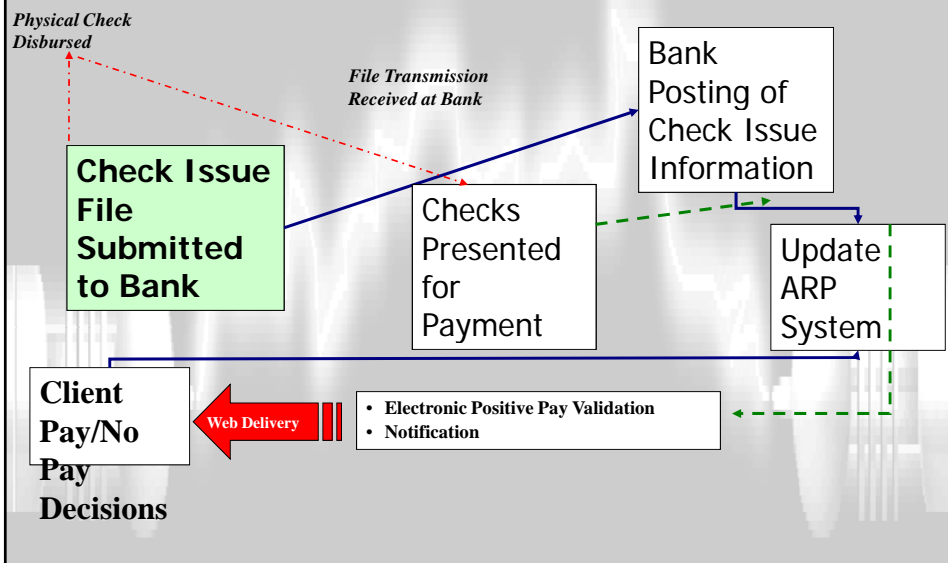
NUMBER and PAYEE can all be reviewed  
and compared against the check issue  
file



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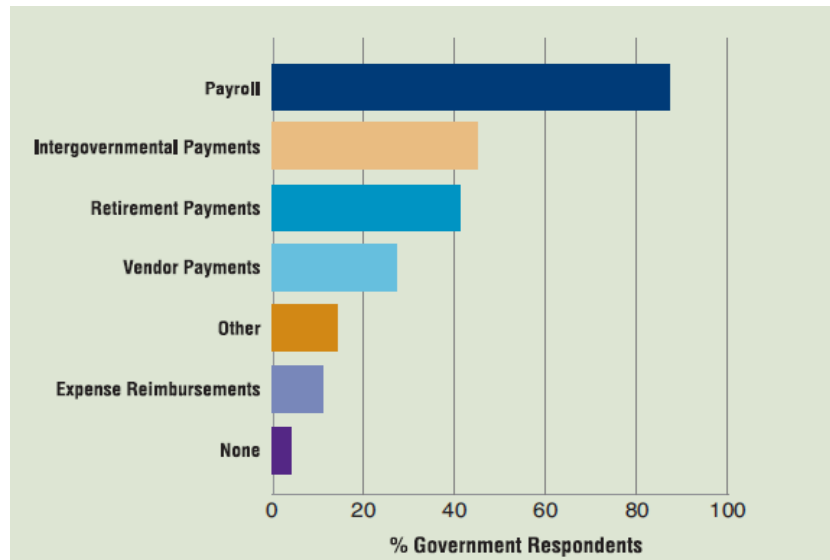
## Bank Match Positive Pay - How It Works...



## ACH Payments

- PA 738 of 2002 (MCL 124.301) requires the governing body to approve a resolution authorizing payments of "automated clearing house (ACH) transactions,". The act requires the resolution the following:
  - an ACH policy;
  - designation of electronic transfer officer;
  - documentation of payments, and
  - The establishment of internal controls system.

## Typical Electronic Payments Made By Governments



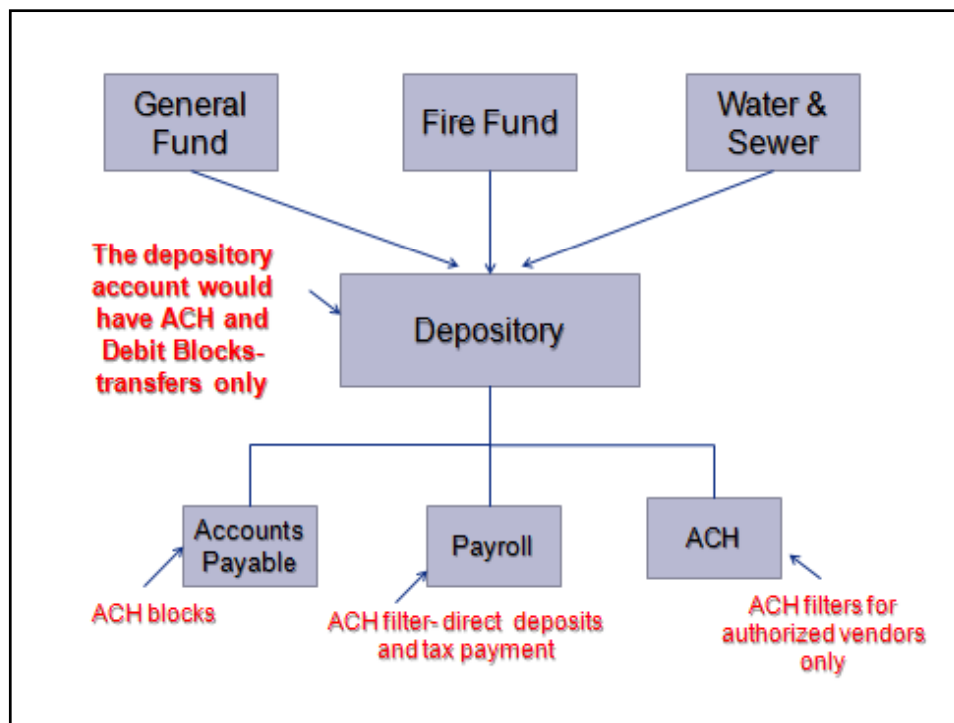
## Protecting ACH Transactions

- Prior to commencing electronic payments and receipts, townships should work with their banks, data processing professionals and auditors to ensure that the township is protected from fraud.
- A recent study conducted by the Government Finance Officers Association (2004) showed that governments are using the ACH system more frequently, *but lag in implementing fraud protection.*

## ACH Suggestions

- Use ACH Filters and Blocks-in the GFOA study, only 34% of the governments use ACH filters and blocks. These tools would allow the township to “block” all ACH transactions in specified accounts, or “filter” the ACH transactions to allow payments and receipts from authorized sources only.
- Use separate ACH bank account-only 24% of the governments surveyed in the GFOA study use separate bank accounts.

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## 2012 AFP Survey Results

- 71% of organizations experienced attempted or actual payments fraud
- 29% had increased incidents of fraud
- 46% reporting fraud experienced 1-5 instances of attempted or actual fraudulent activities
- 29% of victims experienced financial loss
- Among those that experienced loss, typical loss was \$18,400

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## Liability: Who Pays for Fraud?

- UCC Revisions define responsibilities for check issuers and paying banks under "ordinary care."
- Under 3-406, if the account holder fails to exercise ordinary care, they may be restricted from seeking restitution from fraud.
- UCC 4-406 requires customers to reconcile bank statements in a reasonable time-frame (soon after received)-or ACH transactions DAILY

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## Monthly and Annual Closings- Getting it Right

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- Use checklists for consistent results for proper use of computer software, and accounting review.
- Old School: Nail down the balance sheet, and do analytics of the Revenue/Expenditure reports

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## Excerpt of Checklist for Annual Closing

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1. Bank Reconciliation Balances Must Agree to General Ledger
2. Accounts Payable and Receivable Balances per the General Ledger Should Agree to Detail Subsidiary Records

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## Excerpt of Checklist for Annual Closing

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3. Verify that Transfers In equal Transfers Out within all funds.
4. Verify that interfund loans receivable equal interfund loans payable
5. Verify that the trial balance for each fund is in balance

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## Excerpt of Checklist for Annual Closing

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6. Taxes & Assessments Receivable
  - Reconcile A/R balance with amounts returned delinquent to the County March 1 (real taxes)-likely applies to March 31 year end Townships only
  - Delinquent Personal Property Taxes-if recognizing on accrual basis, reconcile A/R balance per GL to Township Treasurer's records. Consider 'valuation' adjustments.

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## Excerpt of Checklist for Annual Closing

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7. Review payroll and accounts payable expenditures for possible accruals, if “material”. This would include any goods or services received prior to the end of the fiscal year that were paid in the subsequent year

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## Excerpt of Checklist for Annual Closing

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8. Review revenue accounts for possible accruals, of amounts received in subsequent year these revenues must meet the revenue recognition criteria of “measurable and available”-for ‘governmental funds’, and ‘earned’ for proprietary operations (e.g. “unbilled water”).

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## Excerpt of Checklist for Annual Closing

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- 9. Update fixed asset records and agree to general ledger (proprietary funds)
- 10. Make fixed asset additions and deletions to governmental fund records
- 11. Tie out long term debt schedules to general ledger balances in proprietary funds

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## Excerpt of Checklist for Annual Closing

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- 12. Prepare worksheet on unused vacation, sick leave, compensatory time and employer's related payroll obligation, in governmental funds this will be used to prepare the "government-wide statements", in proprietary funds, these should be recorded in the liability section of the general ledger.

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## Balance Sheet Approach

TRIAL BALANCE REPORT FOR CHERRY LANE TOWNSHIP				
PERIOD ENDING 03/31/2015				
		BALANCE	BALANCE	
GL NUMBER	DESCRIPTION	DEBIT	CREDIT	
<b>General Fund</b>				
101-000-001.100	PNC BANK GEN. FUND CHECKING	821,514.20		Should agree to bank reconciliation
101-000-001.102	PNC GEN FUND SAVINGS	390,378.35		
101-000-003.013	FLAGSTAR CD	301,797.42		
101-000-004.000	PETTY CASH	150.00		
101-000-040.100	DELINQUENT AR COUNTY	15,702.37		
101-000-041.000	ACCRUED INTEREST RECEIVABLE	2,285.34		
101-000-084.206	DUE FROM FIRE FUND	15,397.77		should agree to 'do to' in other funds
101-000-084.207	DUE FROM POLICE FUND	3,240.83		
101-000-202.000	ACCOUNTS PAYABLE		2,870.75	
101-000-390.000	FUND BALANCE		1,071,621.77	

should agree to County Settlement

should agree to open AP/aging from AP Module

should agree to prior year audit

Cherry Lane Township			
Open Invoice Report-Accounts Payable			
31-Mar-15			
			Invoice Amount
101-265-920.000	DTE	March electrical	365.00
101-446-801.002	Cherry Lane Road Commission	March invoice	1,775.00
101-294-800.001	William Howard Taft	March legal service	730.75
			2,870.75

# Balance Sheet Approach SAD

TRIAL BALANCE REPORT FOR CHERRY LANE TOWNSHIP			
PERIOD ENDING 03/31/2015			
GL NUMBER	DESCRIPTION	BALANCE DEBIT	BALANCE CREDIT
852-000-001.000	MULTI-LAKE SEWER DEBT.CASH CHECKING		
852-000-002.002	JP MORGAN CHASE	23,052.82	
852-000-040.101	DELINQUENT AR COUNTY	2,032.35	
852-000-045.000	SPECIAL ASSESSMENT A/R	126,987.64	
852-000-339.000	DEFERRED REVENUE		126,987.64
852-000-390.000	FUND BALANCE		15,253.52
852-000-401.000	TAX DISTRIBUTION		59,033.71
852-000-402.001	DELINQ PROPERTY TAX		2,032.35
852-000-404.000	S/A PAYOFF PRINCIPAL		2,002.40
852-000-404.001	S/A PAYOFF INTEREST		76.17
852-000-665.000	INTEREST INCOME		68.28
852-000-699.000	TRANSFER IN		
852-000-999.999	TRANSFER OUT		
852-852-991.000	DEBT PRINCIPAL	25,000.00	
852-852-993.000	DEBT FEES	125.00	
852-852-994.000	DEBT INTEREST	28,256.26	
Total - All Funds:		205,454.07	205,454.07

SHOULD AGREE TO BANK RECONCILIATION

SHOULD AGREE TO PROPERTY TAX SETTLEMENT

SHOULD AGREE TO PRIOR AUDIT

SHOULD AGREE TO SAD DETAIL RECORDS

SHOULD AGREE TO BOND AMORTIZATION SCHEDULE

Sp. District Heading	Parcel # Owner	Principal	Admin Fee	Interest	Penalty	Total Instant	Prin Bal Payoff	Int
102	D -04-18-463-023	0.00	0.00	0.00	0.00	0.00	750.00	41.40
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-18-463-030	0.00	0.00	0.00	0.00	0.00	540.00	29.81
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-18-464-001	0.00	0.00	0.00	0.00	0.00	540.00	29.81
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-18-464-007	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-18-464-008	0.00	0.00	0.00	0.00	0.00	540.00	29.81
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-18-464-009	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-19-200-001	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
102	D -04-19-206-001	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MULTI-LA	<del>XXXXXXXXXXXXXXXXXXXX</del>							
Total Parcels: 491		0.00	0.00	0.00	0.00	0.00	126,987.64	7,610.13



## What Do Our Auditors Need?

Both the Clerks Guide to Township Government, and Treasurer Guide to Township Government published by the MTA, contain listing of items generally needed, here is a summary of the more pertinent information:

- Bank statements and cancelled checks of all township bank accounts for the 12 months under audit, and the month subsequent to audit.
- Cash receipt books and journals.

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## What Do Our Auditors Need?

- Property tax documents including the L-4029 millage rate request funding the current years budget, tax warrant, county settlement worksheet, and listing of disbursements by the township to the various tax collecting authorities with totals by tax roll.
- Spreadsheet of disbursements of delinquent personal property tax collected by the township and deposited into the trust and agency account. This spreadsheet should be totaled by tax collecting unit.

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## What Do Our Auditors Need?

- Listing (or print out) of all accounts receivable of the township as of the year end. This includes special assessments (both current and deferred amounts due) water, sewer charges, rubbish charges, and other township services such as rescue billings.
- Invoices for all bills paid during the audit period

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## What Do Our Auditors Need?

- Copies of 941 quarterly tax returns for the periods covered by audit, and form W-2 and W-3 for the calendar year closing during the audit. (e.g. for a 3-31-09 audit you would provide the auditors with 941 returns for all four quarters of 2008, and the first quarter of 2009, as well as W-2 and w-3's for 2008).
- General ledger, cash disbursement journal and trial balances of all funds.
- Listing of Accounts payable by fund, as of the date of year end.
- Cash disbursement journal for the month following year end

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## What Do Our Auditors Need?

- Copy of approved budgets and amendments during the year
- Original signed minutes for all meetings held during the fiscal year, and those meetings subsequent to year end up to the last date of audit field work
- All insurance policies and bonds in force during the audit period
- Significant contracts and agreement entered into during the fiscal year, as well as any federal or local grant contracts, or agreements.

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## Financial Reports

### Our Recommendations:

- Detailed financial report
- Investment report
- Balance sheet
- Cash activity by fund

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# Required Financial Reports

From the Accounting Procedures Manual



## 1) Detailed financial report including:

- Account number
- Description
- Amended budget
- Current period
- Year to date
- Budget balance
- Provided monthly by the clerk
  - Information comes from the general ledger

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		2013-14	2014-15	2014-15	2014-15	% of
		ACTIVITY	ACTIVITY	ORIGINAL	AMENDED	AMENDED
GL NUMBER	DESCRIPTION		THRU 03/31/15	BUDGET	BUDGET	BUDGET
<b>Fund 101 - GENERAL FUND</b>						
101-000-401.001	CURRENT PROPERTY TAXES	241,361	248,416	260,000	250,000	99.37%
101-000-402.001	DELINQ PROPERTY TAX	11,209	17,910	11,000	17,000	105.35%
101-000-447.001	PROPERTY TAX ADMIN FEE	117,321	116,899	120,000	118,000	99.07%
101-000-451.000	LICENSES & PERMITS	10,299	7,995	7,000	8,000	99.94%
101-000-451.001	PLANNING REVENUES	9,742	8,962	5,000	9,000	99.58%
101-000-451.002	ZBA REVENUES	7,500	5,400	6,000	5,400	100.00%
101-000-451.003	LAND DIVISION REVENUES	780	620	480	650	95.38%
101-000-539.000	STATE SHARED REVENUE	449,159	461,629	460,000	475,000	97.19%
101-000-601.000	CHARGES FOR SERVICES	8,778	8,660	8,750	9,000	96.22%
101-000-655.000	FINES AND FORFEITS	4,945	5,904	5,000	6,000	98.40%
101-000-665.000	INTEREST INCOME	9,467	6,579	8,000	6,500	101.22%
101-000-672.000	REFUNDS & REIMBURSE	15,424	16,464	200	17,000	96.85%
101-000-674.000	CABLE TV FRANCHISE	49,376	53,180	50,000	55,000	96.69%
<b>NET OF REVENUES/APPROPRIATIONS - 000-</b>		<b>935,361</b>	<b>958,618</b>	<b>941,430</b>	<b>976,550</b>	<b>98.16%</b>

		2013-14	2014-15	2014-15	2014-15	
		ACTIVITY	ACTIVITY	ORIGINAL	AMENDED	% of
GL NUMBER	DESCRIPTION		THRU 03/31/15	BUDGET	BUDGET	AMENDED BUDGET
<b>Dept 101-TRUSTEE</b>						
101-101-706.001	SALARY & WAGES	19,200	19,200	19,200	19,200	100.00%
101-101-707.000	PER DIEM	220	1,200	480	1,400	85.71%
101-101-860.000	TRAVEL & TRANSPORTATION	175	95	100	100	95.00%
101-101-861.000	DUES & PROF DEVPT	375	275	400	400	68.75%
NET OF REVENUES/APPROPRIATIONS - 101-TRUSTEE		19,970	20,770	20,180	21,100	98.44%
<b>Dept 171-SUPERVISOR</b>						
101-171-706.001	SALARY & WAGES	22,479	27,044	26,100	27,044	100.00%
101-171-727.001	SUPPLIES		202	100	202	100.00%
101-171-727.002	POSTAGE	1	1		1	100.00%
101-171-860.000	TRAVEL & TRANSPORTATION	301	910	800	910	100.00%
101-171-861.000	DUES & PROF DEVPT	491	487	500	487	100.00%
101-171-955.001	MISC					
NET OF REVENUES/APPROPRIATIONS - 171-SUPERVISOR		23,272	28,644	27,500	28,644	100.00%
<b>Dept 209-ASSESSOR</b>						
101-209-706.005	CLERICAL WAGES		235	1,000	235	100.00%
101-209-727.001	SUPPLIES	132	510	600	600	85.00%
101-209-727.002	POSTAGE	1,476	1,589	2,200	1,600	99.31%
101-209-801.001	CONTRACTED SERVICE	40,800	43,850	40,800	42,000	104.40%
NET OF REVENUES/APPROPRIATIONS - 209-ASSESSOR		42,408	45,949	43,600	44,200	103.96%
<b>Dept 215-CLERK</b>						
101-215-706.001	SALARY & WAGES	23,892	25,500	26,100	25,500	100.00%
101-215-706.002	DEPUTY WAGES	15,284	19,306	22,427	18,906	102.12%
101-215-727.001	SUPPLIES	816	361	900	361	100.00%
101-215-727.002	POSTAGE	173	95	300	95	100.00%
101-215-801.002	CONTRACTED SERVICES	84	62	90	90	68.89%
101-215-860.000	TRAVEL & TRANSPORTATION	318	414	600	390	106.15%
NET OF REVENUES/APPROPRIATIONS - 215-CLERK		40,567	45,738	50,417	45,342	100.87%



## Required Financial Reports From the Accounting Procedures

### 2) Investment report including:

- Name of the financial institution
- Type of investment
- Anticipated yield
- Date of maturity
- Provided quarterly by the treasurer

**Investments other than Pooled Funds for the 3rd Quarter:**

<u>General Fund</u>						
<u>Investment Date</u>	<u>Institution</u>	<u>Type</u>	<u>Amount</u>	<u>Rate</u>	<u>Duration</u>	<u>Rating</u>
07/02/07	Citizens Bank	CD	\$300,000	5.25%	98	
07/05/07	Citizens Bank	CD	\$203,850.00	5.20%	21	
07/26/07	Citizens Bank	CD	\$186,000	5.30%	90	
08/02/07	Time Warner/MK	CP	\$608,019.38	5.30%	88	A2P2
08/09/07	Citizens Bank	CD	\$290,986.60	5.30%	119	
08/23/07	Flagstar Bank	CD	\$407,087.11	5.49%	112	
09/13/07	Chase Morgan Bank	CD	\$309,591.10	5.53%	98	
09/14/07	Flagstar Bank	CD	\$500,000	5.69%	104	
09/14/07	Flagstar Bank	CD	\$540,000	5.69%	111	
09/28/07	State Bank	CD	\$400,000	5.20%	104	
<u>DPW Fund</u>						
07/24/07	Flagstar Bank	CD	\$665,000	5.36%	118	
08/02/07	Time Warner/MK	CP	\$608,019.38	5.30%	88	
08/09/07	Fifth Third Bank	CD	\$386,274.01	5.25%	119	
08/17/07	Chase Morgan Bank	CD	\$500,000	5.44%	55	
08/24/07	Flagstar Bank	CD	\$860,000	5.49%	111	
08/30/07	Private Bank	CD	\$343,486.42	5.25%	112	
09/13/07	Chase Morgan Bank	CD	\$509,240	5.53%	105	
09/28/07	State Bank	CD	\$630,000	5.20%	104	
<u>Civic Campus Fund, Police Building #351-Bond</u>						
08/16/07	Chase Morgan Bank	CD	\$526,148.44	5.37%	47	
08/17/07	Chase Morgan Bank	CD	\$800,000	5.41%	69	
09/14/07	Flagstar Bank	CD	\$1,740,000	5.62%	67	
<u>Civic Campus Project, #475</u>						
09/19/07	Chase Morgan Bank	CD	\$871,787.97	5.41%	119	
09/28/07	State Bank	CD	\$107,030.25	5.20%	110	
<u>Maple Cemetery</u>						
09/27/07	Citizens Bank	CD	\$ 58,050.18	4.75%	84	

Please note that all investments are in accordance with the Township's Investment Policy and State statutes and meet the Township's three investment objectives: Preservation of Capital, Liquidity, and lastly Yield. For comparison purposes, the following common benchmark indices depict rates of

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## Financial Reports

### Best Practice

### 3) Balance sheet

- Each fund
- Provided monthly by the clerk
- Information comes from the general ledger



		March 31	
*** Assets ***		2014	2015
101-000-001.000	Cash-Checking	59,338.54	10,274.88
101-000-002.000	Petty Cash	300	300
101-000-003.000	Certificates of Deposit	120,000.00	120,000.00
101-000-026.000	Taxes Receivable-Delinquent-Real	4,798.96	4,631.06
101-000-035.000	Other Current Account Receivables	12,379.80	17,749.16
101-000-084.000	Due From Other Funds	4,730.63	7,249.73
	Total Assets	201,547.93	160,204.83
*** Liabilities and Fund Balance ***			
101-000-202.000	Accounts Payable	8,065.96	4,432.22
101-000-214.000	Due to Other Funds	-	2,519.10
101-000-234.000	Employer Pension Contribution	3,373.34	4,105.54
101-000-257.000	Salaries Payable	8,797.13	9,475.94
101-000-395.000	Fund Balance	181,311.50	139,672.03
	Total Liabilities and Fund Balance	201,547.93	160,204.83



## Financial Reports

### Best Practice

#### 4) Cash activity by fund

- Summary of cash activity by:
  - Fund
  - Bank account
  - Investment account
- Provided monthly by the treasurer

**Billings Township Treasurer's Report—Period 11/01/2012-11/30/2012**

Account	Beginning Balance	Received	Disbursed	Transfers, Voids, etc.	Ending Balance
Debt Retirement—Sewer	\$679,569.84	\$2,187.91	\$0.00	\$0.00	\$681,757.75
General Fund Checking	\$228,157.94	\$40,470.53	\$72,443.13	\$0.00	\$196,185.34
Sewer Account	\$66,899.64	\$5.51	\$0.00	\$0.00	\$66,905.15
Sewer Operation	\$543,073.87	\$20,428.09	\$5,463.02	\$0.00	\$558,038.94
Tax Account	\$16,593.13	\$20,324.05	\$31,842.35	\$0.00	\$5,074.83
Billings Twp. Fire Dept.	\$193,102.65	\$13.52	\$43,286.77	\$0.00	\$149,829.40
<b>Total Bank Accounts</b>					<b>\$1,657,791.41</b>
Petty Cash	\$90.28	\$0.00	\$0.54	\$0.00	\$89.74
<b>Total Cash Accounts</b>					<b>\$89.74</b>
CD General—0978	\$13,116.02	\$0.00	\$0.00	\$0.00	\$13,116.02
CD General—5441	\$54,296.84	\$0.00	\$0.00	\$0.00	\$54,296.84
CD General—4901	\$81,141.91	\$0.00	\$0.00	\$0.00	\$81,141.91
CD General—0876	\$72,115.84	\$0.00	\$0.00	\$0.00	\$72,115.84
CD Fire—2561	\$50,000.00	\$0.00	\$0.00	\$0.00	\$50,000.00
CD Fire—0960	\$85,195.28	\$0.00	\$0.00	\$0.00	\$85,195.28
<b>Total Investments</b>					<b>\$355,865.89</b>
<b>Grand Total</b>					<b>\$2,013,747.04</b>
<b>Special Assessments (Included in "General Fund Checking" Above):</b>					
Garbage	\$115,530.80	\$9.24	\$18,384.30	\$0.00	\$97,155.74
Kaypat Drive	\$2,211.91	\$0.00	\$50.00	\$0.00	\$2,161.91
Mosquito	\$45,494.44	\$0.00	\$8,677.36	\$0.00	\$36,817.08
Oslund Drive	\$10,549.43	\$0.00	\$0.00	\$0.00	\$10,549.43
Parks & Recreation	\$7,441.49	\$0.00	\$0.00	\$0.00	\$7,441.49
Janice Lane	\$1,528.00	\$0.00	\$0.00	\$0.00	\$1,528.00

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## Purchasing

- General Appropriations Act
  - Can designate supervisor and/or others the ability to make purchases without board approval
- Purchasing policy
  - Routine purchases
    - Establish procedures
      - Authority based on cost of purchase
      - Different requirements as cost increases


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## Purchasing Policy-

- Emergency purchases (define)
  - Who/What/How
- Identify factors to be used in choosing vendors
  - Value/Reputation/Twp. Location
- Bidding
  - purchases above a specific dollar amount /contracts for services
  - Require approval of township board
  - Establish procedures

<http://www.michigantownships.org/members/infosearch>.

## Bidding is Required: Fact or Fiction

- 
- PA 167 and 168 of 1993 -Sealed competitive bids required for purchases of \$20,000 or more (was fact now fiction)
  - The board could exempt:
    - Contracts for professional services
    - Emergency repairs or services
  - Possible loss of statutory revenue sharing
  - PA 342 of 1996 (Fact)
    - Repealed PA 167 and 168 of 1993
  - **FACT** - if the township board adopted a policy in the early 1990's and has not repealed it or changed it, the policy still applies

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## Bidding

- Competitive bidding is best practice for the procurement of supplies, services and/or construction projects
  - Possible exceptions
    - Small purchases
    - Sole source procurement
    - Emergency purchases
    - Professional services
  - Not legally required but may be a requirement of a grant or a regulatory agency

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## The Bid Process

- Invitation For Bids
  - Used to initiate the competitive bid process
  - Invitation should include
    - Instructions for bidders
    - Description of proposed purchase/service
    - Contract terms and conditions
  - The invitation should include a statement reserving the township's right to reject any and all bids
  - Provide a reasonable time for bidders to prepare and submit bids

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## Invitation to Bid

- Provide a bid form
- Send the invitation to bid to as many vendors as possible
- Place ad in newspaper
- Require bids to be “good” for a certain period of time
- Require a bid deposit
- Require certification that the bidder is not an Iran-linked business (PA 217 of 2012)

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## Pre-bid Conference

- Used to explain the project or review plans and/or specifications
- Notify all prospective bidders
- Held long enough after bid materials have been out
- Held early enough before bids are due to allow bidders time to incorporate what they learned in their bids
- Use a written addendum if any changes to plans or specifications are made

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## Receiving, Opening and Recording Bids

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- Receiving
  - Time and date stamp
  - Do not open
  - Store in a secure place

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## Receipting, Opening and Recording Bids

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- Opening and recording
  - Open publicly at the date, time and location advertised
    - Does not need to be at a board meeting
  - Name each bidder and bid amount
  - Record the name and bid of each bidder
  - Bids should be made available for public review

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## Bid Evaluation

- Apparent low bidder
  - Although not required to accept the low bid, the township should have a good reason for not doing so
  - Local provider policy
- Check
  - Math
  - Insurance
  - References
    - Work completed on time
    - Quality of work
  - Bid specifications (XX brand or equivalent)
  - Alternates

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## Award

- The township may want to adopt a policy that states: Contracts will be awarded to the lowest, responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation to bid.
  - Used in advertising
- The township board approves award
- A written notice of award is issued
- A written notice to proceed is issued
- Unsuccessful bidders are notified of the award

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## Acknowledgements

- Charter Township of Delta, Eaton County
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