



Our township does not have a formalized purchasing policy. Do you have any suggestions?

Your township may wish to consider adopting purchasing policies by resolution or ordinance after careful study of your current practices and future needs. Formalized purchasing policies are designed to ensure that all purchases of goods and services provide the best value for the township and that all vendors are treated fairly and impartially.

Most communities have several different methods used to select vendors, including competitive bidding, quotations and small purchase orders (blanket orders)

Townships must weigh the costs of developing bid specifications and administration with the benefits of the competitive bidding through a formalized process. Many communities have a high dollar threshold for purchasing through competitive bids or requests for proposals, a mid-term policy for other purchases, and a small purchase policy, where township officials, department heads and employees can accomplish small purchases through “blanket orders” (purchase orders that are awarded to vendors on an annual basis to accomplish small-dollar transactions).

Any township purchasing policies should be mindful of the fact that procurement standards for purchases of goods and services for state and federal grants usually require adherence to Office of Management and Budgeting (OMB) standards, which may differ from their own.



Should we centralize purchasing in a single department?

Municipal purchasing typically falls into two categories: centralized and decentralized systems. In the past, a central purchasing authority was believed to ensure purchasing integrity, fix accountability and provide for the efficient processing of the transaction. Further, a central purchasing authority was desirable to limit the power of the department and to assure professionalism of public purchasing. Many experts now believe that this “paradigm” is not in keeping with modern, more nimble governance. They believe that purchasing must be decentralized to provide more responsive support to end-users, and to empower department managers to procure what they need without impediment by a centralized organization.

Perhaps the best solution will be found in combining elements of both—user departments would develop specifications, perhaps with engineering assistance, and use a centralized process to award contracts.



How should check-writing procedures for townships work?

We recommend the following:

- Use three-part checks—the original copy of the warrant/check becomes a check after it’s signed by the treasurer; the other two copies are for the clerk and treasurer’s records.
- Clerk prepares the checks (which serve as the “warrant”) and presents them to the township board for approval.
- Township board approves payment.
- Clerk signs the check, which now represents a “town order” and forwards signed checks to treasurer. If using a three-part check, the clerk should retain one copy, which should be attached to the invoices or bills it pays.
- Treasurer counter-signs the check and forwards directly to vendors.

Checks should be pre-numbered, and controlled by another officer not initiating cash disbursements. For smaller townships, the treasurer could control the numeric sequence of the checks, if the clerk initiates the check-writing process. The clerk would request additional checks from the treasurer, and the treasurer could account for checks as they come back for counter-signature, noting any missing numbers and inquiring as to their disposition.



Our board meets monthly. What if there isn't enough time to go through this process?

The board can pre-authorize certain disbursements, such as utility bills, payroll taxes and bond payments, that have to be accomplished prior to board meetings. These authorizations should be for specific types of transactions, and are then subject to ratification at the next meeting.

Information provided in *Financial Forum* should not be considered legal advice, and readers are encouraged to contact their township auditor and/or attorney for advice specific to their situation.

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