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| ***REPLACE WITH YOUR MASTHEAD*** | | |
| **VFIS logo black JPG** | **SOG Title:** | |
| **SOG Number:** | |
| **Original Date:** | **Revision Date:** |
| **ABC Fire Department General Operating Guideline** | | |

**Procurement**

***This is a sample of a standard operating guideline (SOG) on this topic. You should review the content, modify as appropriate for your organization, have it reviewed by your leadership team and if appropriate your legal counsel. Once adopted, make sure the SOG is communicated to members, implemented and performance monitored for effective implementation.***

**Background:** The ABC Fire Department (ABC FD) has developed this policy intended for compliance with 24 CFR 84.40 to 84.48. The policy sets recommended standards for company procurement and is derived primarily from the Federal Register and industry best practices. Federal grant makers or loan guarantors including the USDA, FEMA, and other Federal agencies require a similar policy as part of their document review. Furthermore, the public, municipalities, and grant makers require an open and transparent mindset and action to build the public trust for the ABC FD.

**Purpose:** This policy establishes the process for the procurement of supplies, equipment, construction, and services to ensure the items purchased are obtained by an open and competitive process seeking the most competitive pricing possible. This document further defines procurement and contract administrative practices, conflicts of interest, fidelity, certificates of insurance, and accounting software and related computer systems.

**Scope:** All personnel board members, corporate officers and line officers are expected to review and acknowledge this policy. Additionally, any individual with decision-making authority not included in the above-mentioned groups should review, be trained on, and acknowledge this policy.

**Policy:**

**Code of Conduct/Conflict of Interest**

This section governs the performance, behavior, and action of the ABC FD including board members, officers, volunteers, employees, members, or agents who are engaged in any aspect of procurement including, but not limited to, purchasing goods and services, awarding contracts, management of grant funds, or the administration and/or supervision of contracts.

1. No board member, officer, employee, volunteer, member, or agent of the ABC FD shall participate in the selection, award, or administration of a bid or contract supported by Federal or state funds if a conflict of interest is real or apparent to a reasonable person.
2. Conflicts of interest may arise when any board members, officer, employee, volunteer, member, or agent of the ABC FD has a financial, family, or any other beneficial interest to the vendor firm selected or considered for an award.
3. No board member, officer, employee, volunteer, member or agent of the ABC FD shall do business with, award contracts to, or show favoritism toward a member of his/her immediate family, spouse’s family, or to any company, vendor, or concern who either employs or has a relationship to a family member, or award a contract or bid which violates the spirit or intent of Federal, state, and local procurements laws, regulations, best practices and policies established to maximize free and open competition among qualified vendors.
4. Any board member, officer, employee, volunteer, member, or agent of the ABC FD who determines an actual, potential, or perceived conflict of interest should recuse themselves from the decision-making process and notify their supervisor in the organization structure of the conflict. In the event the board chair has the conflict, the conflict should be reported to their legal counsel for review.
5. The ABC FD’s board members, officers, employees, volunteers, members, and agents shall neither solicit or accept gratuities, gifts, consulting fees, trips, favors, or anything having a monetary value more than $25.00, from a vendor, potential vendors or from any party to a sub-agreement or ancillary contract.
6. As permitted by law, rule, policy, or regulation, the ABC FD shall pursue appropriate legal, administrative, or disciplinary action against a board member, officer, employee, volunteer, member of agent who is alleged to have committed, has been convicted of, or pled no contest to a procurement -related infraction. If said person has been convicted, disciplined, or pled no contest to a procurement violation, said person shall be removed from any further responsibility or involvement from all financial matters of ABC FD including that of grants management, procurement actions, or bids consistent with Federal, state, and local policies.
7. ABC FD will monitor the Office of the Inspector General (OIG) Exclusion list to review (1) vendors it uses for services, (2) prospective vendors, and (3) all individuals of ABC FD who meet the requirements as related to this procurement policy. This review will be kept as part of their personnel file and made available as a schedule or list of the date and time the individuals and vendors were compared to the OIG Exclusion list

**Certificates of Insurance**

1. A certificate of insurance will be required for all contractors used by the ABC FD for construction and maintenance including construction contractors, any construction subcontractor, service and maintenance contractors, and equipment suppliers.
2. Certificates of insurance should be received for (1) general liability insurance and (2) worker’s compensation insurance. Minimum accepted policies are $1M/$3M.
3. The schedule of expiration dates for each policy should be reviewing periodically in advance of the expiration dates. Contractors should not be permitted to enter ABC FD property without an updated certificate of insurance with valid dates.
4. ABC FD shall require a copy of the renter’s insurance policy showing the existence of liability insurance. This shall apply to both businesses and individuals.
5. ABC FD will include a hold harmless and indemnification clause include in the contract to protect the ABC FD officers and members against any demands, causes of action, or any other claim of the renting party, its members, agents, employees, subcontractors, patrons, guests, or invitees arising of or relating the leasing party’s rental.

**Solicitation and Competition**

The procurement process and transactions will be conducted to provide free and open competition among supplies to the maximum extent possible in compliance with standards outlined in Accounting and Audits section of this document. The ABC FD shall begin with an analysis of the need for the procurement to avoid the purchase of unnecessary items (this may include for example, an examination of lease versus purchase alternatives). The purchaser must then identify and clearly specify standards for the goods or services to be acquired and seek offers where possible to obtain the best possible quality at the best available price.

1. **Authority to Purchase**. The ABC FD Board of Directors determines the individuals by named office who are authorized to make purchases and have a reasonable expectation for reimbursement (if paid out of the individual’s pocket) if it is done for the benefit of ABC FD in accordance with the guidelines established by the Board.
   1. The Board of Directors may delegate this responsibility subordinate individuals within the organization structure. They should receive appropriate training on the policy, process for procurement, and how to request approval for items that exceed the amount of their purchase authority.
   2. Note: ABC FD understands the board and its officers have ultimate responsibility for their actions and continued oversight on all small purchases made by these individuals.
2. **Cost Analysis.** A cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. This analysis can be in the form of comparing price quotations received from vendors, published market prices, and evaluating price reductions through discounts and other vendor cost-saving tools to the ABC FD.
3. **Recurring Payments.** All contracts involving any recurring payments require board approval at the stated amount or schedule. The rationale is the board must account for all existing recurring encumbrances and determine the effect of the recurring contract to the approved budget for the current year and its effect on the ABD FD ten-year financial plan.
   1. **Variances.** ABC FD will review and approve any change in recurring charges which varies by 10%, unless prior approval was granted based on a payment schedule, or other document receiving board approval.
   2. **Auto-**Pay. ABC FD will not permit a vendor to automatically charge any ABC FD bank card, checking account, or other financial currency without human interaction. Rationale: This avoids the frustration and time-consuming process of overcharges or mega charge to your account.
4. **Exception:** Auto Drafts for debt service for fleet, real-estate, and equipment are permissible.
5. **Small Purchase Amounts. NOTE: This section is a sample. Dollar amounts and the process are determined by the local emergency service organization (ESO).** 
   1. **Under $150.**
   2. **$150 to $500**
   3. **$500 to $9,999**
   4. **Over $10,000.**

**Contract Administration**

The ABC FD utilizes a contract administration process to ensure proper oversight and management of the procurement of goods and services.

1. **Prior to the Purchase.** A purchase order request or voucher must accompany supporting documentation The minimum required procurement records must clearly show how the ABD FD:
   1. Obtained price sampling for small purchases
   2. Selected the method of procurement and the type of contract to be used
   3. Evaluated whether to accept or reject bids and rationale
   4. Identified the basis for the purchase recommendation – best price is self-explanatory. However, a better quality of product, superior warranty, or sole source vendor should be explained in detail
2. **Works in Progress, Delivery, and Completion.** The ABC FD evaluates contractor performance including, but not limited to, whether contractors have met the terms, conditions, and specifications of the contract. This may include progress inspections, interim products, inspections of goods delivered and/or services provided, and other such methods that provide assurance the good or services are delivered and completed within the scope of the contract.
   1. Inspections for damage. Goods received by shipment or other delivery means shall by inspected immediately or as soon as reasonably practicable thereafter.
   2. The receipt, packing slip, or delivery ticket should have a notation that all good were inspected and function as expected. The individuals inspecting and testing the good should sign the ABC paperwork and submit to the treasurer prior to payment being released.
   3. All equipment must be identified by asset tag and recorded on an equipment schedule before being placed in service.
   4. Other goods should be entered into an inventory list.
3. **Procurement of goods or services $10,000 or higher**. To avoid potential conflicts, acceptance of goods or services should be reviewed by (4) different individuals prior to executing the acceptance document.
   1. The individual making the original request
   2. An administrative officer
   3. An operations officer
   4. A board member

1. **Storage of Records.**
   1. All procurement documents are to be stored manually, or electronically on company owned computers and servers.
   2. All procurement documents are to be stored for a period of seven years from the date of payment, or as otherwise required by manufacturer warranty, grant makers, donors, relief association bylaws and guidelines, municipal requirements, or other industry best practices.
   3. Primary responsibility rests with the treasurer of the ABC FD.
2. **Utilization of State and Local Contracts**
   1. ABC FD may purchase products via state and local government purchase contracts.
3. **Emergency Purchases**
   1. ABC FD may purchase products via sole-source for priority items in emergency situations where the normal purchasing process is not
4. **Multiple- Year Contracts** 
   1. ABC FD may enter into contract covering multiple years for major equipment purchases of apparatus, EMS vehicles, medical equipment, and major equipment.

**Fidelity**

1. Two (2) signatures are required on checks signed only after written in full.
2. Never sign blank checks or allow the use of signature stamps, even for convenience.
3. All financial institutions should have signature cards on file, updated annually and updated anytime there is a change in authorized signors.
4. Bank statements should be received and reconciled by an individual without check writing authority.
5. Annually audit MVFD financial records by an independent third-party.
6. Do not permit persons with close personal ties such as husband/wife, brother/sister, business partners have control over organizational check writing or reconciliation.
7. Require purchase orders and invoices for purchased goods or services. Receipt of goods and services should be independently validated.
8. Separate the functions of check-writing and deposits.
9. Maintain a log book on all deposits with signatures from two individuals.
10. Conduct background checks on all officers and new members. Periodically review background check of any individual involved in the handling of organization finances or assets.
11. All ABC FD financial policies are in writing.
12. ABC FD will verify insurance policy has proper fidelity coverage is in place.

In addition to the best practices already mentioned, persons handling funds, especially cash, during fundraising and special events should:

1. Do not handle cash without a third-party present.
2. Use video for security and monitoring cash transactions.
3. Provide a receipt for cash transactions.
4. Large amounts of cash should be periodically picked-up, documenting personnel involved, times and amounts picked up. Cash should be periodically deposited at financial institution to minimize amount of cash on hand.
5. Two individuals at a minimum should be involved in the reconciliation of deposit of cash.

**Accounting Software, Computers and Related Systems**

ABC FD will take steps to mitigate the risk of losing financial data and the possibility of a fidelity event by implementing the following best practices.

1. Use MVFD-owned computer hardware, tablets, and licensed software. Assign those machines to organization officials or require work be performed in the organization office on company-owned hardware.
2. Use of company-owned computers, hardware and systems is limited to ESO business only.
3. Authorized personnel should be using a unique, company-owned email rather than personal email accounts.
4. Complex passwords should be utilized by each individual and not shared. The passwords should not be the same for each financial institution.
5. Antivirus software installed and utilized on any computer or electronic device used for storage of ESO financial records.
6. Company wireless connections should be password protected and encrypted, if possible.
7. Establish a process for regularly backing up data to a separate location on the computer, and two separate physical locations to mitigate catastrophic loss of data.
8. Use two-factor authentication.
9. Do not conduct transactions on an unsecured/encrypted wireless connection.
10. Properly dispose of old ESO computer hardware, erase hard disk drives, and destroy, if possible, and other memory devices.

**Accounting and Audits**

1. The ABC FD follows the following accounting practices: [delete a or b as applicable]
   1. General Accepted Accounting Practices (GAAP) Audits is the standard for 501 C3 - C4 entities that are truly non-profit.
   2. Governmental Accounting Standards Board (GASB) is the standard for local or state government for tax supported funding and would not be considered a traditional Non-profit but more a governmental entity.
2. The ABC FD regularly consults with their financial advisor, accountant, and CPA to make sure the ABD FD is following the above-referenced standard.
3. Assets received by the ABC FD through grants, especially with Federal funds, will be inventoried and tracked after the acquisition for the expected life of the acquired item.
4. ABC FD will notify grant maker if grant funded items are eligible to be sold, traded-in, or discarded. Records of communications with grant makers are to be retained with ABC FD accounting files.

***This is a sample guideline furnished to you by VFIS. Your organization should review this guideline and make the necessary modifications to meet your organization’s needs. The intent of this guideline is to assist you in reducing exposure to the risk of injury, harm or damage to personnel, property and the general public. For additional information on this topic, contact your VFIS Risk Control representative.***