|  |
| --- |
| **PURCHASING AND DISBURSEMENTS** **POLICY** The Louisiana Legislative Auditor (LLA) is providing the following best practice to help local government entities create their own written policies and procedures. Because this document may not include all legal provisions applicable to different types of local government entities, entities should consult with legal counsel when developing written policies and procedures. Also, many of the legal provisions referenced in this document may not apply to quasi-public organizations, such as nonprofits. Quasi-public organizations should refer to the LLA’s legal FAQs for additional guidance. |
| Good controls over purchasing and disbursements require appropriate checks and balances; therefore, more than one individual should be involved in the purchasing and disbursement functions. Any personal use or misappropriation of assets of the municipality will result in termination of employment and possible legal action.**Purchasing*** Management is to centralize the purchasing function and also implement controls to ensure that purchases are (1) reasonable and necessary; (2) budgeted; (3) documented and approved; (4) received and safeguarded; and (5) used solely for the public purposes/functions of the municipality.
* Management is to implement a purchase order system that requires certain documentation to be generated before a purchase can be made and before a disbursement is made. Documentation is to include the following:
	+ Purchase order – The purchase order form must clearly describe the item(s) and quantities to be purchased, be signed by the person/department making the request, and be approved in writing by a designated municipal official. The clerk is to verify that adequate funds are budgeted and available and that the purchase is in compliance with the *Louisiana Public Bid Law* [Louisiana Revised Statute (R.S.) 38:2211 et. seq.].
	+ Receiving report – documentation/evidence that the items (e.g., supplies, materials) were actually received by the municipality (signed by the employee receiving items).
	+ Invoice – documentation/evidence from the vendor of the services or materials provided to the municipality.
	+ Approval – verification by both the clerk and mayor (e.g., initials and date) that documentation is present to support the payment and the amount owed is correct. The invoice must be attached with the purchase order and receiving report and be provided to the mayor for review/approval before the disbursement is made.
* Related party transactions are strictly prohibited (i.e., transactions with any individual(s) or business that is “related” to a municipal official or employee).
* Management must always provide an open and competitive atmosphere and ensure that written bids/quotes are solicited for purchases (including recurring purchases) that exceed the applicable dollar thresholds provided in the *Louisiana Public Bid Law*.
* Bid documentation (e.g., solicitation letters, advertisements, bids/quotes, tabulation sheets, minutes, etc.) demonstrating such compliance is to be maintained and filed in an organized manner.
* For purchases to be made under an existing state contract, the board must formally acknowledge that the municipality is bypassing the requirements of the Public Bid Law and is adopting the requirements of the *Louisiana Procurement Code* (R.S. 39:1551 – 1755) to make such purchases. Management must monitor and ensure that such purchases are made in compliance with those requirements.
* For “piggyback” purchases (i.e., municipality makes a purchase using another agency’s contract), management must obtain documentation from the other agency that clearly demonstrates the contract was previously bid and is a viable contract. The price paid by the municipality must be the same as the contract’s bid price.
* For purchases/contracts made under the *request for proposals* (RFP) method, management must establish appropriate scoring criteria and maintain documentation of its evaluations.
* Purchases/procurements related to homeland security must be made from the federal General Services Administration (GSA) supply schedules. Management is required to ensure strict compliance with all applicable GSA requirements.

**Disbursements*** All disbursements are to be made by check. Cash payments are prohibited.
* The accounts payable/disbursement function is to be centralized in town hall and be under the supervision of the municipal clerk.
* The supply of blank/unused checks is to be maintained under lock and access restricted to only authorized personnel.
* The mayor is to sign all checks of the municipality. However, a designated board member is to be given the authority to sign checks in the mayor’s absence (Note: The municipal clerk is prohibited from signing checks.).
* Disbursements can only be made from an original invoice. The mayor and clerk are to document their review and approval to pay on all invoices.
* All documentation (e.g., purchase order, receiving report, invoice) supporting a disbursement should be attached together and be maintained in town hall.
 |
| <https://www.lla.la.gov/resources/local-government-reporting/best-practices> 10/10/2014 |