

**CHAPTER 6**

**PAYMENT AND PURCHASING PROCEDURES**

**Analysis**

**ARTICLE 1. STANDARD PURCHASING PROCEDURES**

6.1-1 Introductory Statement ..... 602  
6.1-2 Initial Step.....602-603  
6.1-3 Approval of purchasing requisitions..... 603  
6.1-4 Property completion of two-part purchase requisitions.....603-604  
6.1-5 Receipt of goods or services..... 604  
6.1-6 Certification of department head..... 604  
6.1-7 Approval of bills by governing body..... 604  
6.1-8 Payment procedures for emergency construction contracts... 604

**ARTICLE 2. PAYMENT TO PRIME CONTRACTOR, SUBCONTRACTOR, TIMELY PAYMENT; EXCEPTIONS; DISPUTES; RESOLUTION**

6.2-1 Definitions.....605-606  
6.2-2 Preparation of Agenda – Bill Paying..... 606  
6.2-3 Payment cycle..... 606  
6.2-4 Payment procedure..... 606  
6.2-5 Dispute Resolution.....606-607  
6.2-6 Partial payments; deposit bonds..... 607

**ARTICLE 3 ESTABLISHING PROCEDURES FOR PAYMENT OF CLAIMS**

6.3-1 Establishing procedures for payment of claims..... 608

## **ARTICLE 1.            STANDARD PURCHASING PROCEDURES**

### **Sec. 6.1-1.            INTRODUCTORY STATEMENT**

No article or service shall be contracted for or purchased by any department, board, agency or office of the Township of Pennsville except in accordance with the procedures set forth herein. The Township will not be bound by any purchase or contract made contrary to this policy. Any employee who willfully violates this policy may face disciplinary action, as well as personal liability for any costs or obligations improperly incurred.

The following procedures will be used to make all purchases except for emergency purchases and certain exempt items. Such purchases or contracts will be controlled by separate procedures.

### **Sec. 6.1-2            INITIAL STEP**

The initial step in the purchasing cycle is the preparation of a purchase requisition form, which is a two-part form used to request goods, materials and services. There are two purchase requisition forms: One for goods between \$200.00 and \$1,000.00, and one for \$1,000.00 and over.

The following information is required for all purchase requisitions. The numbers shown below correspond to those found on the forms.

- A.    Department – Full name of unit requesting purchase
- B.    Purchase Order Number - Leave blank. The Finance Office will assign the number.
- C.    Quantity and Unit – Quantity required and shipping unit (box, carton, case, pair, etc.)
- D.    Full Description of Requested Purchase – Be specific as possible. Give full description – i.e., model number, size, full specifications of required purchase.
- E.    Estimated Unit Price/Total Price – Provide as close an estimate as possible.
- F.    Date – Date of the request.
- G.    Account Number – Account to be charged.

- H. Vendor Name/Number – Requesting unit should supply the names and complete addresses of suggested vendors from whom the required goods or services are available, as well as the vendor number (from listing of vendor numbers as supplied by the Finance Office).
- I. Signature/Date – Signature and date of department supervisor making the purchase.
- J. Approved/Date - Signature and date of Chief Financial Officer.
- K. Amount – Total cost of purchase request.
- L. List of Quotations (Purchases over statutory quote threshold) – List all vendors contacted by phone or through the mail with quoted price.

For purchases over the statutory quote threshold, the purchase requisition for amounts \$1,000 and over should be used. Such purchases require the solicitation of at least three (3) quotes. These quotes should be written whenever possible. After the completion of the purchase order by the Finance Office, purchases over \$1,000.00 must be approved by at least three (3) committeemen.

For purchases over the statutory bid limit, formal advertised bid specifications must be prepared.

Depending on established policy, each department may be responsible for locating vendors able to fulfill the Township's supply or service needed and obtain informal price quotations. No order is to be placed or commitment made except by an approved written purchase order or by the emergency purchase procedures.

#### **Sec. 6.1-3                    APPROVAL OF PURCHASE REQUISITIONS**

The purchase requisition must be approved, signed and dated by the Chief Financial Officer – Item J above. The purchase order should be submitted well in advance (two or three weeks is desirable) of the time the goods, materials, or services are needed. This will allow sufficient time for review, for the preparation of specifications, advertisement for bids (when required) or for the solicitation of informal quotations for more difficult purchases.

#### **Sec. 6.1-4                    PROPER COMPLETION OF TWO-PART PURCHASE REQUISITIONS**

The two-part purchase requisition should be properly completed and forwarded to the Finance Office to determine that legally appropriated funds are available. If available, the funds will be certified by the Finance Officer pursuant to NJAC 5:30-14.5. A purchase order is then completed by the Finance Office and signed by the Chief Financial Officer. Copies are made and used as follows: One serves as the basis for an encumbrance

along with the original copy of the purchase requisition. Another copy of the purchase order is returned to the requesting department along with the a copy of the purchase requisition. Another copy of the purchase order is sent to the vendor with the voucher attached.

**Sec. 6.1-5                    RECEIPT OF GOODS OR SERVICES**

On receipt of the purchase order, the vendor performs accordingly in providing the goods or services directly to the using department. The vendor returns the signed voucher and the original invoice(s) to the requesting department for certification that the goods or services were received.

**Sec. 6.1-6                    CERTIFICATION OF DEPARTMENT HEAD**

After certification by the department head who requested the purchase, the voucher is then forwarded to the Finance Office for final approval and payment authorization.

**Sec. 6.1-7                    APPROVAL OF BILLS BY GOVERNING BODY**

The bill is forwarded to the elected governing body for signatures and the Finance Officer will add the claim to the bill list for the governing body's approval. Upon approval by the Township Committee, the Finance Officer enters the date of payments and check number on the voucher.

**Sec. 6.1-8                    PAYMENT PROCEDURES FOR EMERGENCY CONSTRUCTION CONTRACTS**

Emergency purchases should only be authorized when a situation requires the immediate purchase or delivery of goods or services to meet an actual danger to the public health, safety or welfare.

The department supervisor requesting an emergency purchase should contact the Mayor or the Committeeman responsible for that department to receive approval. In the absence of the Mayor or the Committeeman, the department supervisor should have the authority to declare an emergency. On the next working day following the emergency, the department supervisor should submit a written report to the Chief Financial Officer describing the emergency and the steps taken to resolve the matter. A copy of the report should accompany the purchase requisition, which should be executed and processed according to normal procedures, and should be submitted to the proper persons for approval and signatures.

---

**ARTICLE 2**

**PAYMENT TO PRIME CONTRACTOR, SUBCONTRACTOR,  
TIMELY PAYMENT; EXCEPTIONS; DISPUTES; RESOLUTION**

**Sec. 6.2-1**

**DEFINITIONS**

- A. Billing – In accordance with the terms and definitions of the applicable contract, any periodic payment, final payment, written approved change order or request for release of retainage
- B. Billing date – The billing date for final payments means the date the bill is received by the Township’s Chief Financial Officer.
- C. Prime contractor – A person who contracts with the Township of Pennsville to improve real property.
- D. Public meeting – Any Township Committee meeting that is open to the public.
- E. Improve – To build, alter, repair or demolish any structure upon, connected with, on or beneath the surface of any real property; to excavate, clear, grade, fill or landscape any real property; to construct driveways and private roadways on real property; to furnish construction related materials, including tress and shrubbery, for any of the above purposes; or to perform any labor upon a structure, including any design, professional or skilled services furnished by an architect, engineer, land surveyor or landscape architect licensed or registered pursuant to the laws of this state.
- F. Structure – All or any part of a building and other improvements to real property.
- G. Owner – Any person, including the Township of Pennsville, who has an interest in the real property to be improved and who has contracted with a prime contractor for such improvement to be made. “Owner” shall be deemed to include any successor in interest or agent acting on behalf of the owner.
- H. Real property – The real estate that is improved upon or to be improved upon.
- I. Construction contracts – A Contract involving construction or a contract related thereto concerning architecture, engineering or construction management as is governed by c. 96 of P.L. 2006.

- J. Authorized approving agent – The Township’s designated representative for the project, and/or the Township engineer, and/or the Township engineer’s designated representative.
- K. Payment cycle – the next public meeting of the Township Committee of the Township of Pennsville subsequent to the approval and certification of a bill.

**Sec. 6.2-2 PREPARATION OF AGENDA – BILL PAYING**

The Township Clerk shall insure that any bills submitted for payment shall be added to the agenda for approval by the Township Committee as appropriate.

**Sec. 6.2-3 PAYMENT CYCLE**

The payment shall be defined in each and every construction contract entered into by the Township of Pennsville subsequent to the adoption of this ordinance, but all in cases such payment cycle shall be consistent with the provisions of NJSA 2A:30A-1.

**Sec. 6.2-4 PAYMENT PROCEDURE**

- A. The Township’s authorized approving agent shall, within twenty (20) days of the billing date, approve and certify the work that is the subject matter of the bill.
- B. In the event the authorized approving agent does not approve and certify the work performed which is the subject matter of the bill within the aforesaid 20-day period, then the bill shall be deemed “approved”.
- C. Subsequent to approval and certification, the bill shall be paid during the next payment cycle.
- D. In the event the payment is not authorized, the Township’s authorized approving agent shall advise the prime contractor of the reason or reasons for nonpayment, the deficiency, and what is required to resolve it. In the event the deficiency is resolved, payment shall be made forthwith. In the event the deficiency is not resolved, the bill shall not be paid, leaving the parties to their rights under Sec. 6.2-5 below.

**Sec. 6.2-5 DISPUTE RESOLUTION**

All construction contract documents entered into by the Township of Pennsville in accordance with the provisions of P.L. 1971, c. 198 (C.40A:11-1 et seq.) after the effective date of P.L. 1997, c. 371 (C.40A:11-50) shall provide that disputes arising under the contract shall be submitted to binding arbitration before the American Arbitration Association. The alternate dispute resolution provided for in this contract shall not apply

to disputes concerning the bid solicitation or award process, or to the formation of contracts or subcontracts to be entered into pursuant to P.L. 1971, c. 198 (C40A:11-1, et seq.) Nothing in this section shall prevent the Township of Pennsville from seeking injunctive or declaratory relief in court at any time as it in its sole discretion shall deem appropriate.

The Township Clerk shall insure that all construction contracts shall contain a provision setting forth dispute resolution procedures as set forth in this Article.

**Sec. 6.2-6 PARTIAL PAYMENTS; DEPOSIT BONDS**

Any construction contract the total price of which exceeds \$100,000 entered into by the Township of Pennsville involving the construction, reconstruction, alteration, repair or maintenance of any building, structure, facility or other improvement to real property, shall provide for partial payments to be made at least once a month as the work progresses, subject to the receipt of the contractor's monthly billing, unless the contractor shall agree to deposit bonds with the contracting unit pursuant to P.L. 1979, c. 152 (C.40A:11-16.1).

**ARTICLE 3**

**ESTABLISHING PROCEDURES FOR PAYMENT OF CLAIMS**

A. All vouchers, claims and warrants shall be submitted to the department against which this claim is being made, properly itemized with certification supporting same, on forms furnished by the Township of Pennsville. The department head or his designee shall review each claim submitted against the department, and the responsible department head shall certify by signing that all conditions of said claim are true and correct pursuant to statute.

B. All vouchers, claims, warrants, purchase orders and supporting documentation should be processed by the responsible department promptly upon receipt and forwarded to the Chief Financial Officer for audit; however, no claims can be accommodated for payment at the regular Township Committee Meeting if received any later than the close of business on the Thursday preceding the regular meeting of the Township Committee.

C. The Chief Financial Officer's office shall determine that all vouchers, claims, Warrants and purchase orders have been properly received and authorized for payment by the respective department head or his authorized designee. Further determination shall be made that said claim is covered by a corresponding budgetary or emergency appropriation, bond ordinance, or purchase order where required. The Chief Financial Officer will authorize and conduct any such other audit functions as may be deemed necessary.

D. The Chief Financial Office shall certify in writing to the Township Committee that all vouchers presented to the Committee for its action, as listed in detail in the supplementary binder, have been examined for correctness, funds available, and properly executed by the department heads.

E. Where a discount is allowed within a limited discount period or a proven emergency or valid need occurs, claims shall be audited, signed and approved by the Chief Financial Officer, or in his absence the Township Committee department chairman, paid by the Chief Financial Officer, and presented to the Committee for its confirmation when listed in detail in the supplementary binder.

F. It shall be the duty of the Township Clerk to record all claims approved by the Committee in total in the official minutes with detailed list to be maintained in a separate claims register, indicating that the Committee has by formal action approved the same with appropriate record as to any claims disapproved or rejected. All records pertaining to approved or disapproved bills or claims shall be available for public inspection.

G. All disbursements and payments of the aforesaid obligations shall be by check issued on the order of the Township Committee, and signed by any two of the following: Mayor, Deputy Mayor, Chief Financial Officer and Township Clerk.