



VILLAGE OF LAKE ZURICH, ILLINOIS

Purchasing Manual

June 21, 2010

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Chapter 1 – Introduction

A. Statement of Policy

The purpose of this document is to provide the Village of Lake Zurich staff with guidelines and directions for the acquisition of goods and services. When used with good judgment and common sense, the policies and procedures conveyed within will allow the Village to obtain required supplies and services efficiently and economically.

The manual is divided into sections dealing with purchasing policies and procedures. The policy sections contain all the purchasing policies reviewed and recommended by the Village Administrator and Director of Finance and adopted by the Village Board which must be adhered to by Village employees. The procedures sections provide a “how-to” guide for processing purchase requisitions, purchase orders, travel authorization and expense reports and other procedures regarding payment processing.

Employees are expected to read the document and provide the Department of Finance with feedback regarding the policies and procedures contained within. This is designed to be a fluid document and will be modified from time to time to conform to changes in legislation, technology and actual practice. Although it may not answer every question related to purchasing practices, it provides general guidelines for purchasing activities. Employees who need help dealing with specific situations not covered by the manual should contact the Finance Director for assistance.

The Village Administrator, under the direction of the Village Board, shall be the final authority with regards to enforcement of any of the provisions of this manual. Failure to follow the procedures outlined in this manual may lead to disciplinary action in accordance with the provisions of the Village of Lake Zurich Personnel Handbook.

Chapter 2 – Purchasing Policies

A. Code of Ethics

All Village personnel engaged in purchasing and related activities shall conduct business in a manner above reproach in every respect. Transactions relating to expenditure of public funds require the highest degree of public trust to protect the interests of the Village and the residents of Lake Zurich. Village employees shall strive to:

1. Ensure that public money is spent efficiently and effectively and in accordance with statutes, regulations, and Village rules and policies.
2. Maintain confidentiality at all times.
3. Not accept gifts or favors from current or potential suppliers which might compromise the integrity of their purchasing function.
4. Specify generic descriptions of goods wherever possible in lieu of brand names when compiling specifications.
5. Never allow requisitions and purchase orders for identical goods or services to be split in order to circumvent established purchasing policies.
6. Purchase without favor or prejudice.
7. Ensure that all potential suppliers are provided with adequate and identical information upon which to base their offer or quotation and that any subsequent information is made available to all bidders.
8. Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and selection is based upon the lowest total cost compliant bid from vendors that are reliable and their goods or services meet or exceed specifications.
9. Offer a prompt and courteous response to all inquiries from potential or existing suppliers.

It shall be the responsibility of the Village Administrator to determine if a violation of this Code of Ethics has occurred and if disciplinary action is necessary in accordance with the Village's Personnel Handbook.

B. Gifts and Gratuities – Village Guidelines for Accepting

Village personnel should be aware that offers of gratitude from vendors can be designed to compromise objective judgment in product or service selection. Accordingly, it is Village policy to observe the highest standards of ethics and to shield the employee, the Village and the vendor from any suggestion or appearance of conflict of interest.

No employee shall permit any influence by vendors which could conflict with the best interest of the Village or prejudice the Village's reputation. Expenditures of Village funds to vendors shall not by intention personally benefit any person officially connected with the Village. Employees shall strive to follow the following guidelines:

1. Tangible gifts or gratuities shall not be accepted where their value suggests something more than merely a social gesture. Such gifts should be returned with a statement of Village policy. Promotional or advertising items of nominal value such as key chains, pens, coffee mugs, calendars and holiday candy are acceptable. Gifts that are capable of being shared, such as a box of chocolates, shall be shared within the office or section where the recipient works. Food gifts of nutritional value may be donated to a local charity.
2. Association with vendor representatives at business meals or business organization meetings is occasionally necessary and is neither questionable nor unethical, provided the individual keeps himself/herself free of obligation.
3. Personal loans of money or equipment are not to be accepted from a vendor or an individual associated with a vendor doing business with the Village.
4. Solicitation of vendors for merchandise or certificates to serve as door prizes or favors is normally prohibited. However, exceptions may be approved by the Village Administrator.
5. Corporate discounts granted to Village employees are acceptable only if they are offered to all Village employees and other corporate clients of the vendor.

If in any doubt about the propriety of accepting a gift, the matter should be referred to the Department Director who will, if necessary, discuss the matter with the Village Administrator or his/her designee.

C. Approval of Village Purchases

No employee shall purchase goods or services on behalf of the Village without first seeking approval as required by this document. All purchases shall require advance approval of the appropriate Department Director and the Village Administrator in accordance with the guidelines described below:

<u>Dollar Limits</u>	<u>Required Approval</u>
Less Than \$500	Supervisor
\$500 but less than \$5,000	Department Director
\$5,000 but less than State Limit	Department Director, Village Administrator
State Limit or greater	Department Director, Village Administrator, Village Board

Approval for purchases shall occur before the purchase is made. At the discretion of the Department Director, approval levels for Supervisors may be increased to an amount not to exceed the Department Director's authority. In addition, any person responsible for approving purchases at any level may delegate their approval authority to a designee in the event they are unavailable to approve purchases.

Chapter 3 – Competitive Quotes & Exceptions to the Policy

A. General Policy for Soliciting Quotes

Employees are responsible for obtaining quotes for purchases of services and products in the instances outlined below. (Note below the Change in Dollar Limits when Possibly Doing Business with Person/s Connected with Village.) When submitting a purchase request prior to purchase, quotes shall be attached to a Purchase Request Form (see Exhibit A and returned to the appropriate department for a purchase order to be generated after signatures are obtained. Requests submitted without the required quotes or a satisfactory explanation of why quotes were not obtained (e.g. sole source, emergency, standardized vendor etc.) will be returned to the originator without approval.

<u>Up to \$500</u>	Employees are encouraged to seek verbal quotes at least once a year.
<u>\$500 - \$5,000</u>	Three verbal quotes must be obtained. The quotes must be included on the Purchase Request Form. Physical records regarding the dates, contacts, and quotes received shall be retained in the department's files for auditing purposes.
<u>\$5,000 – State Limit</u>	Three written quotes. The quotes must be listed on the Purchase Request form and copies of the quotes attached to it. Hard copies shall also be retained in the department's files for auditing purposes.
<u>Above State Limit</u>	Must be competitively bid in accordance with State law and Village ordinances. Village Board approval is required for all contracts of this dollar amount.

Supplies purchased more than once during a fiscal year (e.g. forms, copier supplies, etc.) do not need quotes every time a purchase is made. However, competitive quotes for these items shall be sought at least once every three years to ensure that vendors are competitive.

Note: Change in Dollar Limits when Possibly Doing Business with Person/s Connected with Village.

Wherein the Village could possibly be doing business with any Village of Lake Zurich employee or any person appointed or elected to a Village board or commission, the Village Administrator issues the following written policy outlining procedures for compliance with state law:

Expenditures < \$1,500: Budgeted expenditures for public purpose wherein the expenditure is less than \$1,500 and the Village could possibly be doing business with any Village employee or any person appointed or elected to a Village board or commission will require three verbal quotes and signature of Department Director and Village Administrator before purchase.

Expenditures > \$1,500: Budgeted expenditures by the Village for public purpose, wherein the expenditure is \$1,500 or more and the Village could possibly be doing business with any Village employee or any person appointed or elected to a Village board or commission shall require the Director to seek competitive sealed bids by legal advertisement in any newspaper of

general circulation in an area of resource which will supply the need, and (mandatory) any local-published newspaper, at least 15 or more days prior to an established date on which no further bids shall be accepted. Bids received pursuant to such solicitation shall be opened and read at the date and time established for such opening. The expenditure shall be awarded to lowest responsible bidder, after approval of the Village Board.

B. Aggregate Purchasing

Multiple planned purchases that are under the state limit individually, but over the state limit in aggregate during any fiscal year are subject to the competitive bid requirements listed above. Department directors should exercise their best judgment and make a good faith effort to determine the anticipated purchase amount for the fiscal year. Purchases that unexpectedly exceed the state limit in any fiscal year must be competitively bid in the subsequent fiscal year. Intentional manipulation of purchases to circumvent the competitive bidding requirements is prohibited.

C. Joint Purchasing

State of Illinois

Village employees are authorized to obtain goods and services using the State of Illinois Joint Purchasing program. When available through the State program, it is not necessary for Village employees to obtain quotes or to competitively bid the goods or services which are sought. Employees shall be responsible, however, for ensuring that the goods or services are of a quality sufficient to meet the Village's needs and that pricing is competitive.

When making purchases using the State's assigned vendor, employees shall submit a purchase order to the vendor directly and shall include the State of Illinois contract number and the Village's assigned Joint Purchasing member I.D. number on the purchase order.

Other Units of Government/Intergovernmental Organizations

Employees are permitted to purchase items jointly with other units of government or intergovernmental organizations when the price of the goods or services sought is competitive and the quality meets the Village's standards. Prior to initiating the transaction, employees shall seek the approval of the Director of Finance or his/her designee. Questions regarding joint purchasing opportunities should be directed to the Director of Finance.

D. Sole Source Purchasing

Purchases for parts, supplies, services, or equipment that are available only from a single source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:

1. Equipment for which there is no comparable competitive product or is available only from one supplier
2. Public utility services from natural or regulated monopolies

3. A component or replacement part for which there is no commercially available substitute, and which can be obtained only from the manufacturer
4. An item or service where compatibility is the overriding consideration, such as computer software
5. A used item, for example, office furnishings or modular work centers, that becomes immediately available and is subject to prior sale

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases in excess of the state limit shall be presented to the Village Board prior to acquisition with a request to waive bids and approve the purchase.

E. Emergency Purchases Policy

Emergencies are defined as events that could not have been foreseen where immediate action is necessary to safeguard the public's health and safety. In the event of an emergency affecting the public health and safety, the Village Administrator or his/her designee may authorize a vendor to perform work necessary to resolve such emergency without formal bid solicitation. Documentation of the emergency and the need for immediate action shall be presented to the Village Board in a reasonable period of time following resolution of the crisis.

The following procedures shall be followed in the event an emergency purchase order is needed: An emergency purchase order can be used authorizing a vendor to perform any and all work necessary during an emergency. The Department Director will issue an emergency purchase order to the vendor. If the emergency purchase exceeds \$5,000, the purchase must be approved by the Village Administrator or his/her designee.

After the emergency has been resolved, the Department Director shall submit a purchase requisition for the goods or services purchased. The department shall explain the need for the emergency purchase order and reference the purchase order number that was issued to the vendor. The Director of Finance or his/her designee will then add the requisition to the emergency purchase order.

State law allows the Village President to declare a 'local disaster' for a period of up to seven (7) days. The declaration may be extended with consent of the Village Board. When a local disaster is declared, the Village Emergency Operations Plan is activated.

All employees shall use established FEMA forms to track and report emergency expenditures (whether or not a local disaster was officially declared) to ensure accountability and prompt reimbursement.

Chapter 4 – Competitive Bidding & Requests for Professional Services

A. When a Formal Bid is Required

All purchases of goods or services exceeding the state limit shall be subject to the competitive bidding process, including a Notice of Municipal Letting for Board approval, and shall be let, by free and open competitive bidding after advertisement, to the lowest responsible bidder or any other bidder whom the Village Board deems to be in the best interest of the Village.

With the exception of bids for capital projects handled through an engineering contract, all bids shall be issued using the Village's standard bid document as approved by the Village Attorney. In accordance with state law, the Village Board, by a two-thirds vote of all the Board persons then holding office may waive the bidding procedures and enter into a contract or agreement. Requests for bid waivers shall be made only when goods or services are proprietary (i.e. sole source), where standardization is necessary or desirable (e.g. furniture), in emergencies as defined in this manual or when it is in the best interests of the Village to do so. In any instance, a statement justifying the need for a bid waiver shall be included in the department's recommendation and accompany the memo for inclusion on the Village Board's agenda.

B. Preparing the Bid Document

1. It is the responsibility of the respective departments to prepare the bid document. When preparing the bid document, each department shall be responsible for obtaining a bid document number from the Finance Department and for ensuring that the most recent version of the bid document has been used.

2. All bid documents must contain the following information:

- Cover memo (includes signature line for Village Administrator approval)
- Table of Contents
- Notice to Bidders
- General Terms, Conditions and Instructions
- Specifications of the item/service
- Bid Proposal Form
- An appropriate sample contract (required if the bid is for goods, services, construction services, or goods and installation services)
- All contractor certification forms (e.g. sexual harassment, tax compliance, prevailing wage, contract execution)

3. After the bid document has been prepared, it must be reviewed and approved by the applicable Department Director, Village Administrator, and Finance Department. Then a "Notice of Municipal Letting" memo explaining the project and asking to go out for bids, including bids specs if possible must be approved the Village Board.

4. The Department Director will be responsible for forwarding the legal notice to the newspaper for publication. A legal notice of the bid must be placed in a newspaper with a general circulation

in the Village at least fifteen (15) days prior to the bid opening. The bid notice must also be posted on the Village website.

5. The Department Director will mail the approved document to prospective bidders. Bid documents should not be mailed to bidders before the ad is placed in the newspaper.

6. When applicable, state and federal guidelines supersede the policies in this section.

C. Additional Requirements for the Bid Document

1. **Bid Bonds, etc** - A bid bond, cashier's check, certified check, or other approved security in an amount equal to 10% of the bid is required to guarantee the successful bidder will sign a contract in the following instances: 1) the bid is for a construction project, 2) any other bid for which the Director of Finance deems it necessary to protect the interest of the Village.

2. **Performance Bond** - When preparing the bid document, departments should consider whether to require contractors to provide a performance bond if awarded the contract. In instances where the bid is for construction services or significant building improvements, it is customary to require the contractor to provide a performance bond. A performance bond, issued by a surety company, stipulates a legal, written obligation to guarantee 100% payment for any financial loss caused by default of the contractor. When assigned to the Village of Lake Zurich, it grants an assurance as to the performance and successful completion of the terms of the contract and assures payment of the taxes, licenses or assessments associated with the contract. The contractor shall provide the performance bond with the appropriate Labor and Material Bonds within ten (10) calendar days of award of the bid. Bonds required to guarantee performance and payment for labor and material for the work shall be in a form acceptable to the Village and shall provide that they shall not terminate on completion of the work, but shall be reduced to ten percent (10%) of the contract sum upon the date of final payment by the Village for a period of one (1) year to cover a warranty and maintenance period which Contractor agrees shall apply to all material and workmanship for one (1) year from the date of issuance of the final payment by the Village.

3. **Insurance** - Contractor agrees to provide and maintain certificates of insurance evidencing the minimum insurance coverage and limits set forth below during the term of the contract. Such policies shall be in force and from companies acceptable and satisfactory to the Owner to afford protection against all claims for damages to public or private property, and injuries to persons, arising out of and during the contract term. A copy of the certificate of insurance shall name the Village of Lake Zurich, its officers, agents, employees, representatives and assigns as additional insured. The policy of insurance shall contain no provisions that invalidate the naming of the Owner as additional insured. The insurance coverage and limits set forth below shall be deemed to be minimum coverage and shall not be construed in any way as a limitation on Contractor's duty to carry adequate insurance or on Contractor's liability for losses or damages under this Contract. The minimum insurance coverage and limits that shall be maintained by the Contractor and his sub-contractors at all times while providing, performing, or completing the Work are as follows:

- **Worker's Compensation:** The Contractor is required to carry, with a company authorized under the laws of the State of Illinois, a policy for protection against liability under the Worker's Compensation and the Occupational Disease Statutes of the State of Illinois with limits of not less than \$500,000 per claim.

- **General Liability:** The Contractor shall carry a comprehensive general umbrella liability policy for all operations with limits of not less than \$1,000,000.00 each accident for bodily injury liability and not less than \$1,000,000.00 each accident for property damage liability.
- **Professional Liability Insurance:** The Contractor shall carry minimum of \$500,000.00

All such insurance must include an endorsement whereby the insurer agrees to notify the Owner at least 30 days prior to non-renewal, reduction, or cancellation. The Contractor shall cease operations if the insurance is canceled or reduced below the required amount of coverage. All costs for insurance as specified herein will not be paid for separately, but shall be considered as incidental to the Contract.

4. Bid Submittal - All companies or individuals who wish to bid on a good or service must submit their bids in a sealed envelope before the deadline of the bid. Upon receipt of a sealed bid, the Village employee will initial and stamp the date and time of receipt on the outside of the envelope. The sealed bid will be forwarded to the Finance Department. If a list of bidders is maintained, all vendors on the list should be sent a copy of the bid document. It is the responsibility of each department to develop bid lists for those goods or services for which they are responsible and forward such lists to the Purchasing Coordinator. If bid documents are to be distributed at the Village Hall, the front desk personnel must be supplied with at least 3 copies (or more depending on the number of bidders expected) of the bid document.

5. Pre-Bid Conference - If a pre-bid conference is conducted, departments should specify in the Notice to Bidders whether attendance is a mandatory condition of bidding. At the pre-bid conference, the responsible department should ensure that all attendees sign a "sign-in" sheet to ensure compliance with this requirement of bidding. Failure to attend a mandatory pre-bid conference shall disqualify a bidder from being awarded the contract unless, at the department's discretion, bidders are allowed to not attend by signing a waiver.

D. Bid Opening Procedures

All sealed bids shall be publicly opened by the Village Administrator or his / her designee at the time stated in the legal notice. At least one other employee shall serve as a witness and tabulate the bid results. All proposals shall be open to public inspection and a tabulation of all bids shall be available from the Department Director. The following procedures must be completed prior to the bid opening:

- If the bid opening will be conducted at a place designated by the village, the originating department shall be responsible for reserving a conference room for the day and time. This can be done by contacting the Executive Assistant.
- All bids must be received before the deadline on the day of the bid. Each bid shall be marked with the initials of the Village recipient and a date and time of receipt of the bid document. Village Hall front desk personnel should be notified of the time and place of the bid opening for that day and reminded that any bids received after the deadline for accepting bids should be labeled "Not received in time" on the bid document and initialed and marked with the date and time of receipt.
- A bid tabulation form must be completed. During the bid opening, both the person opening the bids and the person tabulating the bids must sign the bid tabulation sheet as witnesses.

- Participants attending the bid opening must sign the bid opening sign-in sheet

If bid deposits are required, they shall be forwarded to the Finance Department immediately following the bid opening. Procedures for depositing and returning bid deposits are described below.

E. Post Bid Opening Requirements

After the bid opening has taken place, the Department Director shall prepare a memorandum that explains the purpose of the bid, includes the names and addresses of the companies who submitted bids as well as the amount each company bid, and recommends which company should be awarded the bid. The recommendation should be based on the following:

- The ability, capacity, and skill of the bidder to perform the contract to provide the service required
- Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference
- The character, integrity, reputation, judgment, experience and efficiency of the bidder
- The quality of performance of previous contracts of services
- The previous and existing compliance by the bidder with laws and ordinance relating to the contract or service
- The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service
- The quality, availability, and adaptability of the supplies or contractual service to the particular use required
- The ability of the bidder to provide future maintenance and service for the use of the subject of the contract
- The number and scope of conditions attached to the bid
- Responsiveness to the exact requirements of the invitation to bid
- Ability to work cooperatively with the Village and its administration
- Past records of the bidder's transactions with the Village or with other entities as evidence of the bidder's responsibility, character, integrity, reputation, judgment, experience, efficiency and cooperativeness.

Once approved by the Department Director, their memo recommending award of bid shall be submitted to the Purchasing Coordinator by the Tuesday of the week preceding the week of the Village Board meeting to be placed on the Board Meeting agenda.

With the exception of contracts let through an engineering contract, all bid files shall be maintained by the Finance Department. After the issuing department has prepared the Village Board agenda item, the bid file shall be sent to the Purchasing Coordinator along with the bid packages, original bid tabulation sheet, bid opening sign-in sheet and all other documentation. After Board approval, the bids will be stored in the Department of Finance where they can be accessed when necessary (State law requires bid files be maintained for ten (10) years following the bid opening). Within fourteen (14) days following Village Board approval of the contract, Departments will mail letters to all bidders notifying them of the bid results and will contact the successful bidder to have the Village's contract signed and to obtain performance bonds and certificates of insurance when required. The signed contract will be forwarded to the Executive Assistant for safekeeping after it is received.

Signed contracts, certificates of insurance and performance bonds must be obtained from the contractor before work begins. It is the responsibility of the applicable department to ensure that the Village's contract has been signed, and certificate of insurance and performance bond obtained before work begins.

The Department of Finance shall be responsible for handling bid deposits. If a bid deposit was required, it must be returned to all except the three (3) lowest responsive and responsible bidders on each contract within fourteen (14) calendar days after the opening of the bid and within 24 hours of when the award letter is mailed. The bid deposit of the accepted bidder is to be returned only after acceptance by the Village of satisfactory performance bond where such bond is required or completion of contract where no performance bond is required. The remaining bid deposits of each contractor should be returned within fourteen (14) days after the Village Board has awarded the contract.

F. Requests for Professional Services

Some contracts, by their nature, are not adapted to award by competitive bidding. Examples include, but are not limited to, contracts for the services of individuals possessing a high degree of professional skill where the education, experience or character of the individual is a significant factor in determining their ability to meet the Village's needs. These contracts generally result from a request for qualifications (RFQ) solicited from consultants for "Professional Services."

The Village is required by the Local Government Professional Services Selection Act to follow specific procedures when hiring an architect, engineer or land surveyor. The procedures must be followed unless 1) an emergency situation exists and an architect, engineer or land surveyor must be selected in an expeditious manner, or 2) when the cost of such services "is expected to be less than \$25,000." If none of these conditions apply, the Village must solicit proposals and adhere to the following requirements:

1. **Public Notice.** Permitting firms engaged in the lawful practice of their professions to annually file a statement of qualifications and performance data with the Village. The Village must also 1) mail a notice requesting a statement of interest in the specific project to all firms who have a current statement of qualifications and performance data on file with the Village and 2) place an advertisement in a local newspaper of general circulation throughout the Village, requesting a statement of interest in the specific project and further requesting statements of qualifications and performance data from those firms which do not have such a statement on file with the Village. Such advertisement shall state the day, hour and place the statement of interest and the statements of qualifications and performance data shall be due.

2. **Selection Procedure.** The Village then must evaluate the firms submitting letters of interest, taking into account qualifications, ability of professional personnel, past record and experience, performance data on file, willingness to meet time and budget requirements, location, workload of the firm and such other factors as the Village may determine in writing are applicable. The Village may conduct discussions with and require public presentations by firms deemed to be the most qualified regarding their qualifications, approach to the project and ability to furnish the required services.

3. **On the basis of evaluations, discussions and presentations, the Village shall select no fewer than three (3) firms which it determines to be the most qualified to provide services for the project and rank them in order of qualifications to provide services regarding the specific project.**

The Village shall then contact the firm ranked most preferred and attempt to negotiate a contract at a fair and reasonable compensation, taking into account the estimated value, scope, complexity, and professional nature of the services to be rendered. If fewer than three (3) firms submit letters of interest and the Village determines that one or both of those firms are so qualified, the Village may proceed to negotiate a contract.

4. Contract Negotiation. The Village shall prepare a written description of the scope of the proposed services to be used as a basis for negotiations and shall negotiate a contract with the highest qualified firm at compensation the Village determines to be a fair and reasonable bidder. In making this decision, the Village shall take into account the estimated value, scope, complexity and professional nature of the services to be rendered.

5. If the Village is unable to negotiate a contract with the preferred firm, negotiations with that firm shall be terminated. The Village shall then begin negotiations with the firm which is next preferred. If the Village is unable to negotiate a contract with that firm, negotiations with that firm shall be terminated. The Village shall then begin negotiations with the firm which is next preferred.

6. If the Village is unable to negotiate a satisfactory contract with any of the selected firms, it shall re-evaluate the architectural, engineering or land surveying services requested, including the estimated value, scope, and complexity and fee requirements. The Village shall then compile a second list of not less than three qualified firms and proceed in accordance with these procedures.

If a contract is used other than the Village's standard contract, the following items should be included: indemnification, insurance, and venue. This language can be obtained from the Director of Finance. If, after reviewing these procedures, employees have questions regarding which services are exempt, they should contact the Village Attorney for clarification.

Chapter 5 – Methods of Payment Processing

A. Regular Purchase Orders

With the exception of purchases processed with a blanket purchase order (see description below), all purchases shall require the issuance of a regular purchase order to the vendor before an order for goods or services is filled. No employee shall have the authority to purchase items on the Village's behalf without first entering a purchase requisition and obtaining the required approvals from supervisory staff or the Village Board where applicable. The Village will not issue "confirming" purchase orders. Purchase orders will be required for all items purchased outside the Village. Purchase orders will be required for all items purchased inside the Village that exceed \$500 individually or in aggregate. Employees shall be responsible for planning for purchases exceeding \$500 in advance, and should allow sufficient time to have a requisition processed and purchase order issued and mailed or faxed to the vendor. With the exception of emergency purchase orders, the Department of Finance will not issue purchase order numbers in advance unless a requisition has been processed and has received the necessary approvals.

Receiving tickets will need to be turned in to the Finance Department as soon as possible after the item or items are received with the receiving date clearly marked.

B. Change Orders to Regular Purchase Orders

After a regular purchase order is issued to the vendor, it may become necessary to change it to include additional quantities, shipping costs, etc. When this occurs, the employee who completed the original requisition shall process another requisition for the change order. The employee shall **note the original purchase order number** for which the change is being made and explain briefly the need for the change. Please note that change orders to original contracts over the state limit require the prior approval of either the Village Administrator or Village Board. For more information, contact the Director of Finance.

C. Confirming Purchase Orders

Except in the case of emergency purchase orders, the Village will not issue confirming purchase orders to vendors. With the exception of local purchases under \$500, each department is responsible for ensuring that a valid purchase order is issued to the vendor prior to the acquisition of goods or services.

D. Prepayments

The Village will not pay for goods and services until the goods are received or the service is rendered.

Exceptions:

- Deposits on certain jobs when approved by the Director of Finance.
- Memberships and books or periodicals.
- Payments to local, State, and Federal government entities.
- Service and maintenance contracts where necessary.
- Small orders (under \$500.00) where the Department Director approves prepayment

- Credit Card payments when the balance is paid by the due date.
- Approval by the Director of Finance or Village Administrator.

E. Manual Checks

Manual checks are interim checks issued to vendors as payments for goods delivered or services performed. The checks are issued between normal accounts payable cycles when an emergency or other extenuating circumstance as determined by the Finance Department makes it impractical or unreasonable to process the payment following normal payment methods. As the name implies, manual checks are labor intensive and time consuming to issue, therefore, their use as a method of payment shall be restricted to unique or special circumstances.

All requests for manual checks must be processed by completing a purchase requisition form. The completed form shall include the vendor's name and address, the account number against which it is being charged, a description of the item purchased, and an explanation as to the need for the check. The form shall also include the signature of the applicable Department Director. Completed forms shall be submitted to the Finance Department for approval.

The Department of Finance will not issue manual checks in instances where reasonable means could have been taken to process the payment following normal payment methods.

F. Petty Cash

This policy sets forth procedures for the handling of petty cash. It further establishes the procedures for reporting petty cash disbursements by department to the Department of Finance as well as reimbursements to each petty cash box.

Petty cash boxes are located at Finance, Building and Zoning, Police, Fire/Rescue, Public Works and the Recreation Center. Each department is responsible for seeing that the total number of receipts and cash equal the amounts detailed below. The Petty Cash box is subject to audit and the responsible individuals will be accountable for any non-compliance with this procedure or shortage of funds.

The following policy and procedural guidelines have been established to promote a more efficient and accountable petty cash operation. All departments within the Village are responsible for abiding by this policy. There are no exceptions.

1. Petty Cash Disbursements

- a) Requests for changes to a petty cash fund may be made to the Finance Director.
- b) There is a \$75 limit per petty cash request per employee per day. Any amount above \$75 must be submitted through the accounts payable process. Reimbursable expenses under \$75 incurred by an employee should be reimbursed from petty cash rather than through the accounts payable process.
- c) No one is allowed to take money from petty cash without a petty cash request form and a cash receipt which must be signed by the appropriate supervisor. The petty cash request form must also be signed by the employee who will receive the money. If a petty cash request form is submitted without a receipt, the employee must bring back a receipt

before they are reimbursed. If the employee did not obtain a receipt for submittal with the petty cash request form, supervisory approve MUST be noted on the petty cash receipt form. All receipts must be original. Employees may make copies for their own records, but the original receipt must be given to the respective person responsible for petty cash.

- d) All petty cash request forms must contain the following information:
- Date
 - Detailed description of the expenditure with account(s) to be charged
 - Name of person(s) to receive money
 - Department
 - Receipt signed by the supervisor

2. Petty Cash Box Reimbursement Policy

- a) The person responsible for the petty cash box is the person designated by the Department Director to maintain the fund. They not only disburse petty cash to various employees, they must reconcile the petty cash box and request petty cash reimbursements by the payables deadline.
- b) The maximum amount of petty cash allotted is \$400. If this amount is not sufficient to meet the needs of the department, the Department Director can request an increase in the petty cash allotment. This request must be approved by the Director of Finance.
- c) Petty Cash will be subject to periodic announced and unannounced audits to determine compliance with these procedures. Any discrepancies with compliance or cash balance shall be immediately reported to the Director of Finance and a written report shall be provided with copies to the Village Administrator and Department Director.
- d) Any questions regarding these procedures may be directed to the Finance Department at Village Hall.

G. Purchasing Card Payments

1. Purchases made by employees will be paid by accounts payable once the cardholder certification and approving official verification has been completed and account codes are assigned for each item of each transaction.
2. The cardholder will be issued one copy of the billing statement for each purchasing card. This is called a Cardholder Activity Report and will have a listing of all items processed during the current billing cycle.
3. The cardholder must reconcile the Cardholder Activity Report to the Record of Purchasing Card Use form and note any errors. The cardholder attaches the Cardholder Activity Report to the original Record of Purchasing Card Use form and the receipt/s and/or sales drafts received at the time of purchase. The cardholder signs the Record of Purchasing Card Use form certifying that items were purchased and forwards this documentation to the Department Director within one working day after it is received. Non-compliance may mean denial of future use.

4. The Department Director reviews the Cardholder Activity Report and Record of Purchasing Card Use forms and verifies approval of purchases. The Department Director then signs the Record of Purchasing Card Use form. At that time all documents are forwarded to the Finance Department. These steps should be completed within three business days.

5. The Department Director, or their representative, will be responsible for receiving all documentation for purchasing card use. Should the Department Director, or their representative, not receive all of the Cardholder Activity Reports, Record of Purchasing Card Use forms and supporting documentation, it will be his or her responsibility to contact the cardholder and have the information furnished ASAP. All documentation should be furnished to the Finance Department at the same time. If, however, one or more statements are for some reason not received, the remaining should not be held while one or more is being verified.

6. Accounts payable will audit the documents for compliance with these procedures and process them for payment.

NOTE: If a cardholder had no purchase activity on his or her purchasing card for a particular billing cycle, no Cardholder Activity Report will be generated for that cardholder (unless adjustments for previously billed transactions are processed during that cycle).

H. Local Vendors

Any items purchased from a local vendor may be charged to the Village account with the vendor giving the employee a copy of the ticket for the item purchased. The employee will need to put an account number on the ticket, sign it clearly, and submit it to the Finance Department. Accounts Payable will match the tickets with the statement and set them up for approval by the Finance Department for payment.

Chapter 6 – Miscellaneous Purchasing Policies & Guidelines

A. Change Order Policy

State statute requires Village Board approval of all change orders that exceed the state limit and for all change orders which, when combined with those previously approved, increase or reduce the contract price by more than the state limit. The following financial policy is consistent with this statute.

Change orders which increase or reduce the time for completion of the contract by more than 30 days (regardless of the original contract price) require Village Board approval. In these instances, departments shall follow the procedures for submitting change orders to the Village Board outlined above.

It shall be the responsibility of each Department Director to ensure that all change orders are submitted to the Village Administrator or Village Board for approval. In addition, Department Directors shall be responsible for monitoring all contract payouts and retainages and ensuring that the amount of the change order is correct.

Changes to professional service contracts (e.g. engineering, architectural or land surveying work) shall be treated as contract amendments.

Procedures For Submitting Change Orders to the Village Board

Change orders requiring Village Board approval shall be placed on the Village Board's agenda and shall be accompanied by a memorandum explaining the need for the contract revision. If a change order is for less than the state but the combination of all change orders exceeds the state limit, Village Board approval is required.

Change orders shall be numbered sequentially and shall bear the signature of the Department Director. In instances where a final balancing change order (regardless of the amount) reduces the contract price, departments shall instruct Finance to close out the remaining encumbered funds.

In special circumstances, a change order requiring Village Board approval may be authorized by the Village Administrator or his/her designee prior to being placed on the Village Board agenda. After receiving authorization, however, the department, following the requirements outlined above, shall have the change order placed on the Village Board's agenda for the following meeting.

B. Fixed Asset Policy

A fixed asset policy is herein established to insure compliance with governmental financial reporting standards and to safeguard Village assets.

Fixed assets shall include land, buildings, machinery, equipment and vehicles with a life expectancy of two years or more. To be included in this definition, the capitalization threshold of the asset or minimum value of the asset at the time of acquisition is established at \$20,000.

Responsibility for control of fixed assets rests with the operating department wherein the asset is located. The Director of Finance shall ensure that such control is being maintained by establishing a fixed asset inventory that is updated on a regular basis and which documents all additions and deletions to the fixed asset inventory. Operating departments shall report the disposal or relocation of a fixed asset promptly to the Director of Finance or his/her designee. Assets acquired during the year shall be recorded as expenditure against the appropriate capital expenditure account. In the Comprehensive Annual Financial Report, these expenses are depreciated over the useful life of the asset.

Assets shall be recorded in the fixed asset inventory by using an appropriate description and by recording the identification or serial numbers where applicable. Tagging of all assets will not be required. Assets not capitalized under this policy but which, in the opinion of the Director of Finance may, in the aggregate, account for a substantial asset group, shall be inventoried by the appropriate operating department by a means or system suitable for maintaining control of the assets. The Director of Finance shall determine the appropriate means or system to be used in these situations.

C. Disposal of Village Property

Village property of value may not be sold or traded without prior approval of the Village Board. If the item has value, notify the Finance Department to determine if the item needs to be removed from the Village's records. Include information identifying the equipment to be disposed, the name of the manufacturer, model number, serial number, and an estimate of salvage value if applicable. The Finance Department is authorized to transfer usable surplus materials to another department requesting such materials, or to approve disposal of the property where appropriate. The Department Director shall, working through the Executive Assistant, prepare an ordinance for the Village Board agenda recommending disposal of the property.

In instances where Village property no longer has value, departments may dispose of the property without Village Board approval. However, the Finance Department needs to be notified to determine if the item needs to be removed from the Village's records. Include information identifying the equipment to be disposed, the name of the manufacturer, model number, serial number.

D. Purchases Near the End of the Fiscal Year

When purchases are made near the end of the fiscal year (i.e. April 30), departments shall be responsible for ensuring that purchases are expensed (i.e. charged) against the fiscal year in which they were received. The date goods are received or services are performed determines which fiscal year they are expensed against. Consequently, goods and services will be expensed in the current fiscal year only if they are received or performed by April 30th. This is true regardless of when the purchase requisition is processed or the purchase order is issued. Items not received by April 30 will be expensed in the next fiscal year. The Finance Department shall issue a reminder notice regarding year end purchases to all departments each year in April.

E. Use of Sales Tax Exemption Number

Use by Employees

Village purchases are not subject to sales tax; therefore, employees shall make efforts to inform vendors of the Village's tax exempt status and to ensure that sales tax is not paid for purchases made with petty cash or credit cards. Sales tax, if charged, will be the responsibility of the purchaser to pay unless otherwise authorized. Sales tax exemption forms may be obtained from the Accounts Payable Clerk in the Finance Department.

Use of the Village's sales tax exemption number is restricted to purchases made on behalf of the Village. State law prohibits use of the Village's sales tax exemption number to secure exemptions for personal reasons and such use will subject the responsible individual and all guilty parties to a fine of not more than \$10,000 or to imprisonment for not more than five years or both, together with costs of prosecutions.

Use by Outside Contractors or Vendors

The Illinois Department of Revenue regulations allow contractors to use the Village's sales tax exemption number to purchase materials used in construction of public improvements which will be eventually dedicated to the Village. Use of the exemption number is limited to purchases directly related to work being done on behalf of the Village. Contractors are responsible for any tax due on purchases determined to be non-exempt and for purchases not made on the Village's behalf.

Requests by contractors for the Village's sales tax exemption number shall be forwarded to the Director of Finance or his/her designee. The Village will provide a letter of explanation regarding the correct use of the Village's tax exempt number along with a sales tax exemption certificate. It is the responsibility of the contractor to properly account for the use of the Village's tax exemption number. The Village of Lake Zurich reserves the right to audit purchases to assure compliance with the terms and conditions governing use in accordance with Illinois law.

Chapter 7 – Travel Policies & Guidelines

A. Travel Policy

Travel can play an important role in accomplishing the Village's mission to provide superior and responsive governmental services to the people of Lake Zurich. When conducting business on behalf of the Village, employees are expected to use good quality services and accommodations appropriate for the business to be conducted. Good judgment and ethical practices on the part of each traveler remain the most important factors in controlling travel expenses.

Each Department Director is responsible for obtaining travel authorization. Travel authorization is a two part process including: 1) authorization of all overnight travel in advance; and 2) expense reporting following completion of the trip. Authorization of travel expense reports is more than a formality. It indicates that expenses submitted have been reviewed and have been found to comply with Village regulations regarding travel and authorized business expenses.

All out-of-state travel must be approved in writing by the Village Administrator

All Village personnel traveling or incurring business expenses on behalf of the Village, and those responsible for the approval of these expenses, are expected to use these measures to assist in maintaining control over travel expenditures. The policies detailed here apply to all funds under Village control and are superseded only in those instances where funding agencies apply specific and more restrictive rules and rates.

B. Travel Authorization

All travel that requires an overnight stay or is estimated to cost over \$500 must be approved in advance by the Department Director and the Village Administrator. Requests for travel authorization shall be submitted using the Village's Travel Authorization Form (see Appendix) before any travel arrangements have been made.

C. Travel Arrangements

To reduce travel costs, Village employees are encouraged to seek multiple quotes from an on-line travel service (i.e. www.travelocity.com, www.expedia.com, www.kayak.com, etc) when purchasing air travel and reserving cars and hotel rooms. Whenever possible, travel should be arranged using the least expensive means possible. Employees should use good judgment when determining logical routes for arriving at the intended destination. Remember to get quotes for all airports within 30 miles of your destination. Provide a print out of the on-line reservation options, highlighting the itinerary selected. If the least expensive location / schedule is not selected, include an explanation.

D. Air Travel

Employees are required to request flights according to approximate arrival and departure time, rather than by specific carrier or flight number, in order to obtain the lowest available fare with logical routing for all trips. In general, lowest available fare is defined as the least costly fare available at the time of ticketing, and may include one stopover or connecting flight. In order to

take advantage of available discounted fares, travelers are requested to make reasonable adjustments in their travel plans.

Employees should make air travel arrangements as far in advance as possible to take advantage of special fare savings. Travelers should be aware that some discounts have travel restrictions and cancellation penalties, and therefore good business judgment should be exercised. Air travel at Village expense must be in coach class.

E. Ground Transportation

It is expected that employees use the most effective ground transportation available, considering cost, time, availability, and scheduling. The cost of public transportation is reimbursable and requires a receipt.

Taxi and Airport Transportation

Whenever practical, airport or hotel ground transportation should be the preferred method of transportation to hotels or meeting sites. Taxis may be used as necessary taking into consideration the cost of other means of transportation. A receipt is required for reimbursement of these expenses.

Rental Passenger Automobiles

Rental automobiles may be used as necessary but must be approved in advance by the Department Director. Receipts are required for reimbursement of all expense related to rental automobile use. Rental cars should be limited to standard size passenger cars.

Personal Vehicles

Expenses of travel by automobile are reimbursable at the IRS authorized rate. The mileage reimbursement allowance covers all automobile related costs; gasoline, insurance, maintenance etc. Toll charges and parking fees when supported by receipts, are reimbursable in addition to mileage allowance. The total personal automobile expenses shall not exceed the lowest available air fare. Employees using personal vehicles on Village business must have adequate automobile insurance coverage. The Village's insurance does not cover use of personal vehicles.

F. Meals

The per diem allowance for meals (including taxes and tips) while on Village business shall not exceed the Internal Revenue Service (IRS) standard allowance for the locality (See the Finance Department for the current allowances). If the destination is not included in the IRS list, the standard meal allowance for the nearest city shall apply. Meal expenses exceeding the standard allowance are the responsibility of the employee.

When traveling on Village business, employees should select restaurants which are reasonably priced for the locality. In addition, employees shall be aware that the Village will not pay for alcoholic beverages consumed with meals and that receipts are required for meals purchased during the course of the business trip.

Per Diem allowances for partial days traveled shall be based on the per meal allowances outlined below. These allowances shall also apply to employees attending in-state seminars and conferences not requiring an overnight stay. In either event, employees will not receive a per diem allowance but will be reimbursed for meals not included in the registration costs. The following limits shall apply to meals purchased while conducting Village business:

Breakfast

Breakfast will be allowed whenever the incurred travel begins earlier than a normal breakfast (or concludes following breakfast) and no meal is served at the seminar or conference. The per-meal allowance for breakfast shall be \$7.

Lunch

Lunch will be reimbursed provided that the trip begins before the lunch hour (or concludes following the normal lunch hour) and lunch is not included as part of the conference or seminar. The per-meal allowance for lunch shall be \$11.

Dinner

Dinner will be reimbursed when the employee is away from the Village for the evening meal or does not return until after the normal dinner hour and no meal was provided as part of the conference or seminar. The per-meal allowance for dinner shall be the balance of the IRS per diem allowance for the locality. For example, if the per diem allowance for the locality is \$39, the allowance for dinner shall be \$21 (calculated as \$39 minus \$7 for breakfast and \$11 for lunch).

G. Hotels

Travel necessitating overnight lodging is discouraged, however, an employee when traveling for Village business and requiring overnight lodging should secure lodging no more or less than his or her home environment. Lodging which equals a medium priced "chain-type" motel is acceptable. Blocks of rooms at or near a conference site, set aside for conference participants, are likewise acceptable lodging.

H. Non-Allowable Expenses

The Village's policy is to reimburse its employees for all reasonable and necessary expenses incurred while transacting the affairs of the Village. However, the Village will not reimburse for the following items, considered to be personal in nature, while traveling for Village business:

- Cleaning, pressing, and laundry;
- Personal entertainment including movies, theatre tickets, videos or pay per view services in a hotel room, magazines, sightseeing fares, etc;
- Airline and other trip insurance;
- Beautician, barber, manicurist and shoe shine;
- Personal telephone calls except to report changes in schedule;
- Repairs on personal automobiles damaged while on company business;
- Traffic violations and court costs;
- Membership fees in airline clubs.
- Family members traveling with employee.

- Additional expenses related to personal travel.
- Meals or lodging at a friend or relative's home.

I. Approved Forms of Payment

Payments will not be made unless the Travel Authorization / Expense Reimbursement Form has been approved by the Department Director and Village Administrator and submitted to the Finance Department.

Employees that have Village issued credit cards may use them to pay for travel related expenses. However, employees shall still be responsible for obtaining receipts and submitting a completed Travel Authorization / Expense Reimbursement Form to the Department of Finance when the travel has been completed.

J. Advances

Travel advances may be issued to employees to cover travel expenses that cannot be paid for by credit card. The advance will be established at an amount that is reasonable. All travel advances are issued and maintained subject to timely reporting of all travel expenses. A travel advance will be issued upon receipt of a Travel Authorization / Expense Reimbursement Form containing the following information:

- Name, title and department of employee receiving the travel advance
- Account number the expenses will be charged to
- Purpose of the trip / Destination
- Beginning and ending dates of the trip
- Estimate of all expenses including registration, transportation, meals, lodging, and miscellaneous expenses including items paid directly
- Required signatures authorizing the expense

Credit cards are the preferred payment method during travel. (Receipts must be kept and attached to the Expense Report). However, cash advance requests require the signature of the applicable Department Director and/or Village Administrator. Travel advance forms must be completed and submitted to the Department of Finance at least twenty-five (25) days before the date needed, if possible. Employees are responsible for ensuring that the completed travel advance form is received by the Finance Department prior to the accounts payable deadline for the date the funds will be needed. Travel advances must be settled within seven (7) days after completion of the travel. A travel advance will not be issued if any prior advance is outstanding.

K. Expense Reporting

The Travel Authorization / Expense Reimbursement Form should then be completed in accordance with the instructions noted on the form. Travelers should provide as much detailed information of all expenses on the statement as possible including the cost of registration, books, meals, hotel, airfare, etc. how it was paid - whether it was paid directly to a vendor (e.g. registration fees) or by credit card (e.g. hotel bill). Original receipts must be included except when impractical to do so or when specifically exempt by this policy.

A copy of the Travel Authorization / Expense Reimbursement Form should be completed, showing the Post-Trip Actual Expenses and completing the bottom portion of the form, including

required signatures. This form, along with any unused travel advance money, should be turned in to the Finance Department within 7 days of completion of the business trip.

NOTES

Questions regarding any aspect of this document shall be directed to the Finance Department.

Any deviations not discussed in these regulations must be approved by the Village Administrator.

PURCHASE REQUEST

Item _____ Date _____

Department _____ Employee _____

Account Number _____

<u>Company</u>	<u>Address</u>	<u>Quote</u>
1.)		
2.)		
3.)		

Company recommended for purchase _____

If low quote is not recommended, please explain _____

Approved

Disapproved

Department Director signature _____

Village Administrator signature _____

Attach written quotes if request is \$5,000 - \$19,999. \$20,000 and above requires competitive bids.

Travel requiring an overnight stay or is estimated to cost over \$500.00, including registration, must be approved in advance by Department Director and Village Administrator.

**Village of Lake Zurich
Travel Authorization Form / Expense Reimbursement Form**

Employee: _____ Dept. / Div. _____

Reason/Destination _____ Account # _____

Dates of Travel: _____ Transportation Mode: _____

	Pre-Trip Estimated Expenses	Post-Trip Actual Expenses
Registration:	_____	_____
Transportation:	_____	_____
Meals:	_____	_____
Lodging:	_____	_____
Other:	_____	_____
Total:	_____	_____

Is a cash advance for expenses required? If yes, enter amount: _____

Dept Director Signature _____ Date _____

Village Administrator Signature _____ Date _____

(To be completed after the Trip)

Upon return, a receipt is required for all expenses paid for by the Village of Lake Zurich. A receipt is also required for reimbursement of eligible expenses to the employee. In the case of per diem meal allowances, a copy of the meeting agenda is required.

Total Actual Expenses _____

Amount Advanced: _____

Paid by Village of Lake Zurich _____

Amount Owed To Village / Employee _____

Employee Signature _____ Date _____

Director / Village Administrator _____