

CAPE ROYAL HOME OWNERS ASSOCIATION

PURCHASING

Policy No.: 300

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Revised: 8/18/2020

SCOPE

Cape Royal Home Owners Association (CRHOA) has established the following policies for the purchase of goods and/or services in order to control cost, to ensure purchases are reasonable with respect to operations, to reduce the possibilities of improprieties, abuse or misuse, and to maintain complete records of approved orders and purchase contracts. Implementing a successful purchasing system requires; establishing appropriate purchasing guidelines; considering purchase commitments by taking into account available budget, costs, is the purchase reasonable; and reviewing and approving all purchase orders to ensure the order is complete and accurate.

POLICY

Proper approval shall be obtained prior to committing a firm order or contract to purchase, and administrative control shall be reviewed to ascertain that the amount of the requisition is within the approved CRHOA limit, and purchase orders shall be made on approved purchase order forms and reviewed for correctness. Purchase order copies shall be filed to allow for timely follow-up on uncompleted orders.

GUIDELINES

Board of Directors

- ◇ The CRHOA Board of Directors (CRBOD) shall establish purchasing guidelines that define approval requirements and procedures for purchase commitments.
- ◇ The CRBOD has ultimate responsibility for expenditures and shall give their approval of the following purchases:
 - ◆ All goods and services approved by a committee chairperson that has been detailed in the approved budget.
 - ◆ All operating requests for expenditures of \$2,500 or more, shall require approval by Board resolution **prior to** commitment of funds;
 - ◆ All purchases from approved reserve appropriations shall require approval by Board resolution **prior to** commitment of funds;
 - ◆ Purchases for certain specialized goods and services that require technical expertise or that will impact multiple committees or stakeholders.

Purchase Commitments

- ◇ The CRHOA Committee Chairperson may enter into purchase commitments not to exceed \$2,499.99 if expenditures are reasonable with respect to operations and is within

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their approved budget. Splitting purchase commitments into more than one order to circumvent the \$2,500 or more limit for Board of Directors approval is strictly prohibited.

- ◇ Contracts shall be documented in writing and approved by the CRBOD **prior to** signing. Moreover, the CRHOA Committee Chairperson shall prepare a complete projection of its requirements for the specified goods or services to avoid losses from inappropriate commitments.
- ◇ A review shall be performed periodically of any commitments that have not been matched with receiving reports or equivalent records of goods or services received. The results shall then be reviewed and approved by chairperson of the committee and a report made to the CRBOD.
- ◇ Contracts that extend over multiple budget years must clearly detail expenditures for each budget year in a single Board resolution. In addition, the Committee Chairperson must include any approved amounts in future budget submissions with reference to the original approved resolution as necessary.

PROCEDURES

The following procedures are designed to assist accounting in maintaining administrative controls over orders placed for goods and/or services. Proper CRHOA personnel, established guidelines, reviews and approvals of all purchases orders are key elements of efficient and effective internal accounting controls.

Ordering Procedures

Responsibility – CRHOA Committee Chairperson

Action

1. Reserve appropriation or operating requests for expenditures \$2,500 or more will receive at least three (3) sealed bids from vendors. The HOA Committee Chairperson or Board Liaison shall provide written documentation or justification if they determine it is not possible to obtain 3 bids.
2. Vendors must be informed of specific requirements to the project and procedures for purchase commitments including final date to receive sealed bids.
3. Sealed Bids will contain a receiving date received from vendor.
4. Sealed Bids will be opened and reviewed the following business day from expiration date.
5. The Committee Chairperson will forward all Opened Bids to the CRBOD with their recommendation to the selected vendor along with a copy to the Finance Committee Chairperson.
6. All purchase orders will contain a 30-Day cancellation clause.
7. Bid documents will be retained in the accounting file.

Responsibility - Accounting

Action

1. Review the orders for accuracy prior to their release by reconciling the dates and quantities to the requisition, comparing prices to master files or standards, and checking extensions and footings.

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2. Photocopy order form and distribute:
 - ◆ Send original order form to the vendor
 - ◆ Electronic copy of the order/invoice to the CRHOA Committee Chairperson

Responsibility – Committee Chairperson

Action

1. Examine all incoming shipments for any package damage.
2. Notify the HOA bookkeeper immediately if the shipment shows signs of damage.
3. Decide to either accept or reject the damaged shipment from the carrier.
4. Count the pieces (i.e., packages, skis, barrels) of all accepted shipments and confirm with the bill of lading and note any exceptions (i.e., package damage or shortages).
5. Obtain package list from shipment or date work completed on vendors invoice and record in receiving log. Record date and receiving number on the vendor's packing list.

Follow-up Purchasing Procedures

Responsibility – CRHOA Committee Chairperson

Action

1. Review and approve the report of unmatched purchase commitments.
2. Send a letter to carrier with requisition proof of deliver for non-delivery or shortage of goods. File a claim after thirty days if no answer or notification of loss is received from the carrier.