SECTION 16 – PURCHASING

Overview

The purchasing function may be centralized or distributed among operating departments. Regardless of structure, local governments should maintain written policies and procedures that establish purchasing authority, promote competition, support compliance, and provide accountability throughout the procurement and contract lifecycle.

Policy

Florida law may require justification and annual reporting when a local government uses its own staff to perform certain construction or electrical projects instead of competitively selecting a contractor. Local policies should identify when these requirements apply and assign responsibility for the required documentation and reporting.

A government should have a policy regarding purchasing that

- Assigns authority and establishes procurement thresholds and methods.
- Addresses procurement requirements and procedures for noncompetitive, emergency, cooperative, and grant-funded procurements, when applicable.
- Promotes full and open competition, reducing the appearance and opportunity for favoritism.
- Inspires public confidence that contracts are awarded in an impartial and accountable manner.
- Prohibits dividing purchases to circumvent competition or approval requirements.

Such a policy should describe the duties and authority of the governing body, purchasing agent, legal counsel, finance staff, user departments, and any other agency-specific staff involved in procurement and contract administration, together with the procedures for carrying out those responsibilities. Budget approval should not be treated as procurement or contract authorization unless the local government's framework expressly provides otherwise.

Full and open competition is important to help obtain the best value for the taxpayer and prevent corruption. Competitive procurement should clearly define evaluation criteria; however, this does not always mean the lowest bidder will be chosen.

Governments utilizing cooperative purchasing programs should verify that the originating procurement was conducted through a competitive process and that use of the resulting contract is permitted by applicable law, policy, and funding requirements.

Governance Framework and Policy Alignment

When procuring goods or services and establishing or periodically updating procurement policies and procedures, governments should identify which state laws expressly apply to the entity and the particular procurement. Some provisions of Chapter 287 primarily govern state agencies, while others—such as Section 287.055, Florida Statutes—expressly apply to municipalities and political subdivisions. Local ordinances, grant requirements, and adopted policies may impose additional or more restrictive requirements. Potentially applicable provisions include:

- Section 218.391, Florida Statutes, Auditor Selection Procedures
- Section 255.0525, Florida Statutes, Advertising for Competitive Bids or Proposals
- Section 255.20, Florida Statutes regarding use of local government staff
- Section 255.0991, Florida Statutes regarding restrictions on local preferences in construction services
- Section 287.055, Florida Statutes regarding procurement of professional services (CCNA)

- Section 287.057, Florida Statutes, Procurement of Commodities or Contractual Services
- Section 287.05701, Florida Statutes regarding viewpoint neutrality in contracting
- Section 287.058, Florida Statutes regarding contract requirements including audit
- Section 287.135, Florida Statutes, regarding contracting restrictions applicable to certain scrutinized companies and other entities
- Section 287.139, Florida Statutes - Certification requirements applicable to certain county and municipal contracts and grants

Governments should also adopt and implement the National Institute of Governmental Purchasing's (NIGP) Values and Guiding Principles of Public Procurement, which emphasizes accountability, ethics, impartiality, professionalism, service, and transparency.

Grant and Federal Award Procurements

Procurement requirements associated with grants and federal awards may differ from locally adopted procurement thresholds and procedures. Governments should consider these requirements when establishing and periodically reevaluating procurement policies, thresholds, and procedures. Governments should also identify the funding source before initiating a procurement to ensure applicable procurement requirements are followed. Local governments conducting procurements under federal awards or subawards must comply with 2 Code of Federal Regulations (CFR) Sections 200.318 through 200.327, applicable federal agency regulations, award terms, and program-specific requirements, and should verify current thresholds and award-specific requirements before each procurement.

Contractual Services

Governments are responsible for ensuring effective and efficient procurement of contractual services in compliance with applicable federal and state laws, local ordinances and resolutions, contracts, grant agreements, and policies. Governments should periodically review standard contract forms and solicitation documents to ensure required statutory provisions and certifications are incorporated.

- Procurements should be supported by written contracts that clearly define services, responsibilities, and payment terms.
- Contracts should include sufficient detail to support administration, payment, monitoring, and audit. When Section 287.058, Florida Statutes, applies, the contract must include the provisions required by that section.
- Monitoring procedures should ensure that services are delivered as agreed, with compliance documented before payments are made.
- Purchasing staff, together with user departments, should conduct monitoring throughout the contract lifecycle, including contract performance, contract modifications, and compliance with contractual requirements.

Purchasing Cards

Many governments implement a purchasing card program as an efficient, cost-effective method for making and paying for small dollar or high-volume purchases. A well-controlled program can reduce the number of purchase orders and invoices processed by the finance department.

Advantages include:

- Simplified purchasing and payments
- Lower overall transaction costs
- Reduced paperwork

- Better management information on purchasing histories
- Control of dollar limits and categories of purchases
- Rebates or incentives from banks
- Faster payments to small businesses
- Alternative to petty cash
- Support for emergency preparation
- Expediting payment of travel expenses

Risks include duplicate payments, fraud, waste, abuse or public perception issues.

Recommended Controls:

- Competitive selection of a card provider
- Automated approval and reconciliation software
- Written agreements with banks
- Clear policies and procedures
- Staff training with a written manual and acknowledgement form
- Compliance with IRS 1099 reporting
- Regular monitoring and audits of card use

Prompt Payment

The Local Government Prompt Payment Act (Part VII, Ch. 218, Florida Statutes) requires timely payments to vendors:

- Non-construction services: undisputed invoices must be paid within 45 days of receipt.
- Construction services: payment is generally due within 25 business days when an agent must approve the request before submission to the local governmental entity, and within 20 business days when agent approval is not required before submission, as provided in Section 218.735, Florida Statutes.
- Interest accrues on late payments.

Agencies should establish procedures for the timely review, approval, and payment of invoices to ensure compliance, avoid penalties, and maintain good vendor relationships.

Internal Controls

Internal controls over purchases should ensure compliance with competitive purchasing requirements, purchase order approvals, and proper documentation. Controls should also ensure:

- Timely elimination of encumbrances.
- Proper recording of expenditures in the correct period.
- Documentation of grant expenditures to meet federal/state audit standards.
- Appropriate segregation of duties or compensating review procedures when segregation is not feasible.

Governments should periodically evaluate internal controls against published guidance such as the GFOA's Evaluating Internal Controls: A Local Government Manager's Guide.

References

- Part VII of Chapter 218, Florida Statutes – Local Government Prompt Payment Act. Official link
- Section 218.391, Florida Statutes – Auditor selection procedures. Official link
- Section 255.20, Florida Statutes – Local bids and contracts for public construction works. Official link
- Section 287.055, Florida Statutes – Consultants' Competitive Negotiation Act. Official link
- Sections 287.057, 287.05701, 287.058, 287.135, and 287.139 Florida Statutes – Procurement and contractual services requirements. Official link
- Government Finance Officers Association – Procurement and purchasing card best practices. Official link
- NIGP – Public procurement principles and practices. Official link
- Uniform Guidance (2 CFR Sections 200.318-200.327) – Federal procurement requirements. Official link