

MOJAVE WATER AGENCY

PURCHASING POLICY

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Exhibit A - Request for Qualifications/Proposal (RFQ/RFP)

Exhibit B - Contract Form

Exhibit C - Travel/Expense Authorization

1.0 INTRODUCTION

1.1 Purpose

To assure purchases are accomplished in a manner providing the greatest value at the minimum cost to the tax payers of Mojave Water Agency (MWA), this policy provides uniform procedures for acquiring services and materials, and the construction and installation of facilities, for the MWA, including purchasing and bidding requirements, as required by California law including Government Code Section 54202 and California Public Contract Code 20680 et seq.

All purchases of services, materials, equipment or supplies, and the construction and installation of facilities, to be paid by MWA must adhere to the methods, authority, and dollar limits of this policy outlined below.

1.2 Scope and Intent

The authorizations set forth in this section are controlling throughout the entirety of this document and shall be held to be controlling when not specifically referenced. This policy explicitly prohibits splitting purchase orders for the purpose of evading the specified dollar limits.

1.3 Authority to Purchase

The authority to purchase is dependent upon the total dollar amount of the goods or services to be purchased. Spending limit authorities are granted according to the following schedule:

Position	<\$1,000	<\$2,000	<\$5,000	<\$25,000	>\$25,000
Board of Directors	Yes	Yes	Yes	Yes	Yes
General Manager	Yes	Yes	Yes	Yes	No
Assistant General Manager Chief Financial Officer	Yes	Yes	Yes	No	No
Department Managers	Yes	Yes	No	No	No
Exempt	Yes	No	No	No	No

Board of Directors authority shall be only by collective vote of the governing body and shall not be granted on an individual basis. All purchases shall be made in accordance with one of the MWA purchasing methods identified in Section 2 of this policy and in accordance with the procedures set forth in Sections 3 through 7, dependent upon the type of purchase or service.

1.4 Ethical Conduct in Purchasing

Ethical conduct in managing MWA's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general public. Therefore, when making a purchase, keep in mind the following factors: (1) Is this purchase necessary for the job at hand or for the Agency to carry on its normal business activities? (2) Is this a reasonable and lowest possible cost for this type of purchase?

1.5 Responsibilities of the Chief Financial Officer

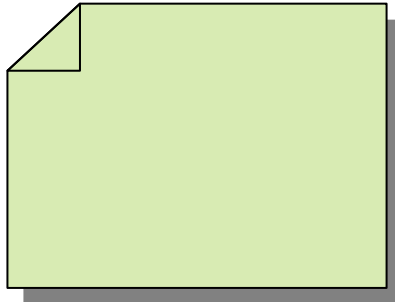
The Chief Financial Officer is responsible for: (1) administration of the purchasing policy; and (2) ensuring the Agency is obtaining the lowest reasonable cost that provides the maximum benefit.

1.6 Responsibilities of Departments

Each department shall be charged with the following purchasing responsibilities:

- A. Anticipate requirements sufficiently in advance of need to prevent downtime.
- B. Provide detailed and accurate specifications to ensure that purchases are consistent with requirements and expectations set out in this policy.
- C. Prepare requisitions in accordance with instructions to minimize transaction costs.
- D. Notify the Finance Department of vendor relation problems, shipping problems or any other circumstances that could affect purchasing.
- E. Minimize emergency and sole source purchases and provide written documentation if such purchases occur.

INSERT PURCHASING SYSTEM OVERVIEW



EXCEL SPREADSHEET OF WORKFLOW

2.0 GENERAL PURCHASING METHODS

Below are the various methods employees are required to use to purchase goods, materials, or services. Depending upon the type and amount of the purchase, certain methods may be the required alternative. Please look at the spending authority (Sections 3 through 7) first to determine the most appropriate method to follow, then follow the guidelines below.

Exceptions to these purchasing methods and spending authorities are specifically limited to the following:

- a) Utility bills (phone, gas, electric, etc.)
- b) Payroll disbursements, payroll checks, deductions, deposits and tax payments that are supported by a payroll report
- c) Gasoline credit card purchases
- d) Insurance premiums (workers compensation, general liability, etc.)
- e) General Agency Legal Counsel
- f) Software license maintenance
- g) Payments to Department of Water Resources and related expenses (State Water Contractors, Inc., and so forth)
- h) Permitting and other regulatory fees (construction permits, LAFCO payment, etc.)
- i) Watermaster Engineering Services

2.1 Regular Purchase Orders

Purchase orders are required for all purchases totaling more than \$100. Purchase orders shall be issued prior to ordering supplies, equipment and services and not “after the fact” for work already done or materials already ordered. The purpose of purchase orders is to manage the budget, not to pay invoices. As such, it is the responsibility of the Department Manager to approve all purchase orders, regardless of the amount, when the budget has been exceeded.

Requisitions will be prepared and forwarded for appropriate approvals prior to the initiation of a purchase order. Purchase orders shall be prepared and signed by the assigned Purchasing Agent and forwarded to the vendor for the purchase. Each purchase order is electronically approved and stored for purposes of tracking and paying for the purchase.

A completed purchase order shall contain the following information, at a minimum:

- Vendor name, address and telephone number;
- Invoice amount and quantity ordered;
- Purchase order preparation date;
- Account number or numbers to be charged.

The department shall submit a requisition, which includes the recommended vendor, with all supporting documentation attached and sent to Accounts Payable. Supporting documentation shall include complete specifications required for the purchase as well as any supporting documentation available, i.e. previously purchased item from a specific vendor. Accounts Payable shall review the recommendation and supporting documentation and may contact additional sources for quotations.

2.2 Open Purchase Orders

In the course of doing business, it is necessary to make immediate and/or emergency purchases. Upon request, departments may receive open purchase orders at the beginning of a fiscal year, or as needed for small, local purchases. All open purchase orders shall be closed at the end of the fiscal year. If granted, Accounts Payable shall send the open purchase order to the specified vendor and the Purchasing Party will be notified. Equipment and supplies may then be purchased from the specified vendor according to the terms and conditions of the open purchase order. Such purchases should be kept to a minimum. Open purchase orders shall not be used to purchase services, capital assets or individual purchases in excess of \$1,000.

2.3 Contract Purchase Orders

The Agency may contract with certain vendors for supplies or services or may piggy-back on other agencies contracted amounts (ie: County of San Bernardino's bid for office supplies). Contract purchase orders are the preferred method of purchasing repetitive-use items or services that may be common to several departments or within one department. Establishing contract purchase orders provides a means of obtaining volume pricing based upon the combined needs of all departments, reduces the administrative costs associated with seeking redundant competitive bids and processing a purchase order each time an order is placed, and allows departments to order as needed, reducing the requirement to maintain large inventories of stock.

If a contract purchase order exists, departments shall order all of their requirements from the successful vendor. No other source shall be used without prior approval of the Chief Financial Officer. Departments shall submit in writing to the Chief Financial Officer any performance problem encountered immediately following the occurrence so that corrective action may be taken.

Items bid through the US Communities Purchasing Alliance will also satisfy this requirement. For listing of items bid through the alliance, go to <http://www.uscommunities.org/>.

Contract purchase orders are annual and may include an option for renewal of specific products, product types, or services at agreed upon prices or pricing structure and for a specific period of time.

2.4 Check Requests

Check requests may be made for purchases for which petty cash cannot be used and the order amount is less than \$100. Examples of purchases for which check requests may be appropriate include, but are not limited to: education reimbursements, operating permits and conference registration fees less than \$100 (separate Travel Authorization form used).

Check requests shall be made by use of a financial requisition form, which shall include the following information:

- Date of purchase;
- Date by which the check is needed;
- Name of vendor or payee;
- Address of vendor or payee;
- Amount to be paid;
- Explanation of purchase;
- Authorized signature;
- Account number or numbers to be charged.

2.5 Petty Cash

Petty cash is used for immediate-need or emergency purchases totaling not more than \$100 or for which all other approved methods or instruments of purchase are impractical. A petty cash voucher shall be produced for all expenditures of petty cash. The petty cash voucher shall include the following information:

- Amount/Type of purchase;
- Date of purchase;
- Location of purchase;
- Signature of purchaser

Immediately following the purchase, the receipt shall be stapled to the petty cash voucher and submitted to the Senior Administrative Assistant. The Senior Administrative Assistant ensures that all petty cash vouchers have been properly authorized. When funds are near depletion, the Senior Administrative Assistant prepares a reconciliation of the petty cash drawer and obtains approval from the Department Manager and then submits a request to Accounts Payable for petty cash replenishment. Only the designated Department Manager and the Senior Administrative Assistant shall have access to the petty cash boxes, and in no case shall the total petty cash (combined cash and receipts) exceed \$1,000 Agency wide.

2.6 Contracts

Contracts are used in conjunction with purchase orders to minimize risk. Approved contracts shall be accompanied by a purchase order processed in the amount of the

contract. The original contract shall be sent to the counterparty for signature. Contract payments are requested by approved invoice or progress draw. Only the General Manager may sign contracts.

2.7 Invoices

The Accounting Department is responsible for invoicing goods and services and reconciling all relevant documentation. Invoices shall be stamped with the date received. All invoices shall identify the authorized purchase order number.

Accounts Payable shall match invoices to their corresponding purchase orders and receipt documentation to verify that:

- The purchase order reconciles in all respects with the vendor's invoice;
- The goods have been received and the receiver signed the invoice or packing slip; and
- The purchase order has been authorized in accordance with this policy.

2.8 Check Preparation

All Agency checks of any amount shall bear the signature of any two of the following: The General Manager, the Assistant General Manager, the Chief Financial Officer, the Controller, or the President of the Board. Agency checks are controlled and stored by the Controller.

2.9 Change Orders

Once a purchase order has been issued, any subsequent change or cancellation thereof shall be done by authorized change order via a revised purchase order. The revised purchase order must be re-approved for the larger amount in accordance with the spending limits identified in this policy. For change orders in excess of the General Manager's spending authority, the change order can only be authorized in accordance with Section 2.10 below or with prior Board authorization. Change orders are not needed where the new cost remains in the same level of authorization of, and is within 10% of, the original purchase order.

2.10 Emergency and Time-Sensitive Purchases

For time-sensitive projects (includes construction) and related change orders, the General Manager shall be authorized to approve such change orders in excess of the General Manager's spending authority. The purpose of the change order shall then be presented to the Board within one month of becoming aware of the occurrence in accordance with the contract terms (must be submitted in writing by the contractor), followed by formal approval once final estimates have been provided by the contractor or consultant (but no later than three months).

In case of emergency, the Agency, pursuant to a four-fifths vote of the Board of Directors, may repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts.

Before the Board of Directors takes any action to respond to the emergency, it shall make a finding, based on substantial evidence set forth in the minutes of its meeting, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency.

The Board of Directors , by a four-fifths vote, may delegate, by resolution or ordinance, to the General Manager, Chief Financial Officer, or other nonelected Agency officer, the authority to order any action pursuant to the above paragraphs. If a person with authority delegated pursuant to Board resolution or ordinance orders any action as specified above to respond to the emergency, that person shall report to the Board, at its next meeting, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency. If a person with authority delegated as above orders any action specified in the above paragraphs to respond to the emergency, the Board shall initially review the emergency action not later than seven days after the action.

If the Board of Directors orders any action specified above to respond to the emergency, the Board shall review the emergency action at its next regularly scheduled meeting and at every regularly scheduled meeting thereafter to determine, by a four-fifths vote, that there is a need to continue the action, until the action is terminated, When the Board reviews the emergency action as specified above, it shall terminate the action at the earliest possible date by a four-fifths vote when the conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

2.11 Sole Source Purchases

Purchases may be made pursuant to this section if and only if needed supplies, materials, equipment, or services are of a proprietary nature, or are otherwise of such specific design or construction as to be available from only one source. After reasonable efforts to find alternative suppliers, the General Manager or designee may dispense with any proposal or bid requirements and recommend making the purchase from the sole source.

2.12 Travel Expenses

All travel must be approved in advance using the Travel Expense Authorization form (Exhibit C). The Travel Expense Authorization form will be copied and used to substantiate all expenditures related to the travel. Department managers may approve daily travel. The General Manager must approve all overnight travel. See Section 7 for further details.

3.0 AUTHORIZATIONS FOR GENERAL PURCHASES

3.1 Definition

General purchases include supplies, materials, and equipment. For purchases that include a combination of supplies, materials, equipment and professional services for the installation, repair or maintenance of the goods being purchased, the section on Professional Services must be followed. Splitting the purchase is not allowed.

3.2 Purchases of up to \$2,000

Department managers shall possess the sole authority to authorize purchases of up to \$2,000. Exempt employees shall have the authority to authorize purchases up to \$1,000.

All purchases totaling more than \$100 shall be made pursuant to an authorized purchase order. For purchases totaling less than \$100, purchase orders may be issued to satisfy vendor requirements or to encumber departmental funds. Petty cash is the preferred method of payment for purchases under \$100.

3.3 Purchases from \$2,000 and up to \$5,000

Purchases totaling from \$2,000 and up to \$5,000 require the advance authorization of the General Manager, Assistant General Manager or the Chief Financial Officer. Comparative pricing shall be required when reasonable. Where comparative pricing is not reasonable (i.e., where the cost of the comparison would negate any price benefit), it shall not be required. However, all authorized purchase orders made without the use of comparative pricing shall be accompanied by a detailed explanation. Department Managers shall not award purchase orders in excess of \$2,000 without the approval of the General Manager, Assistant General Manager or Chief Financial Officer, except in the event of an emergency purchase.

3.4 Purchases from \$5,000 and up to \$25,000

Purchases totaling from \$5,000 and up to \$25,000 require the advance authorization of the General Manager or his designee. The General Manager or his designee shall not award purchase orders in excess of \$25,000 except in the event of an emergency or time-sensitive purchase.

The General Manager or his designee may make an award to the lowest responsible quote. The lowest responsible quote will be from a bidder who provides the lowest monetary quote and has the required expertise and financial viability to perform the work or provide the product to be purchased. The General Manager or the Chief Financial Officer may also reject any and all quotes and attempt to obtain better terms.

3.5 Purchases from \$25,000 and up

The purchase of supplies and equipment with an estimated value of \$25,000 or more requires authorization by the Board of Directors. The Department Manager is responsible for preparing the necessary staff reports needed for obtaining Board approval. In addition, at least 3 quotes will be required, except in instances where 3 quotes cannot be obtained or are not provided or where obtaining such quotes do not add value and reduce cost, i.e. sole source vendor or vendor specialization.

4.0 AUTHORIZATIONS FOR PROFESSIONAL SERVICES (other than Public Works contracts)

4.1 Definition

Work performed by outside consultants because of specialized knowledge or expertise or for limited time/project oriented work. This also includes work performed by outside resources for the installation, maintenance or repair of equipment and/or materials when the purchase is a combination thereof. An example of this includes the purchase and installation of computer software and hardware by one vendor.

4.2 Services of up to \$2,000

Department managers shall possess the sole authority to authorize services of up to \$2,000. Exempt employees shall have the authority to authorize services up to \$1,000.

4.3 Services from \$2,000 and up to \$5,000

Services totaling from \$2,000 and up to \$5,000 require the advance authorization of the Assistant General Manager or the Chief Financial Officer. Comparative pricing shall be required when reasonable. Where comparative pricing is not reasonable (i.e., where the cost of the comparison would negate any price benefit), it shall not be required. However, all authorized purchase orders made without the use of comparative pricing shall be accompanied by a detailed explanation. Department Managers shall not award purchase orders in excess of \$2,000 without the approval of the General Manager, Assistant General Manager or Chief Financial Officer.

The General Manager, Assistant General Manager or the Chief Financial Officer may make an award to the lowest responsible proposal. The lowest responsible proposal will be from a bidder who provides the lowest monetary proposal and has the required expertise and financial viability to perform the work or provide the product to be purchased. The Assistant General Manager or the Chief Financial Officer may also reject any and all proposals and attempt to obtain better terms.

4.4 Services from \$5,000 and up to \$25,000

Services from \$5,000 and up to \$25,000 require the advance authorization of the General Manager or his designee and require a formal contract prepared on the Agency standard contract form. Only the General Manager may sign contracts.

The threshold of \$5,000 is deemed to be met when the aggregate total for that vendor in any fiscal year meets or exceeds \$5,000.

The General Manager or his designee may make an award to the lowest responsible proposal. The lowest responsible proposal will be from a bidder who provides the lowest monetary proposal and has the required expertise and financial viability to perform the work or provide the product to be purchased. The General Manager or the Chief Financial Officer may also reject any and all proposals and attempt to obtain better terms.

4.5 Services from \$25,000 and up

The use of services from outside vendors with an estimated value of \$25,000 or more requires authorization by the Board of Directors. The Department Manager is responsible for obtaining Board approval. In addition, at least 3 proposals will be required, except in instances where 3 proposals cannot be obtained or are not provided or where such Request for Proposals do not add value and reduce cost, i.e. sole source vendor or vendor specialization.

The \$25,000 threshold is deemed to have been met when the aggregate total for that vendor in any fiscal year meets or exceeds this amount. The General Manager or his designee shall not award purchase orders or contracts in excess of \$25,000 except in the event of an emergency purchase (see Section 2.10 for emergency purchases)..

4.6 Services in excess of \$75,000

A formal RFP/RFQ, prepared using the Agency standard RFP Format (Exhibit A) will be required for all services anticipated to exceed \$75,000, except where sole sourcing is the recommended or preferred choice (ie: due to prior knowledge and work with the Agency). In such cases, documentation of the reason for sole sourcing must be in writing and included with the purchase order. Should the standard RFP need to be modified, the General Manager or the CFO must review and approve the requested changes.

The Department Manager will be responsible for overseeing the RFP/RFQ process and ensuring all specifications are provided to the departmental Senior Administrative Assistant. When prequalification of the vendor is desired, Request for Qualifications will be solicited. Once received, the Agency will create a short list of qualified firms which will be invited to participate in the RFP process.

Once the proposals are received, a determination will be made on the award of a contract. The Senior Administrative Assistant will prepare all contracts using the Agency's standard contract form for professional services and forward to the department manager for review before forwarding to the Chief Financial Officer for final approval (See Exhibit B). Final negotiations of the contract will be between the Department Manager and the vendor. Only the General Manager may sign contracts.

Items bid through the US Communities Purchasing Alliance will also satisfy this requirement. For listing of items bid through the alliance, go to <http://www.uscommunities.org/>.

4.7 Services in Excess of \$500,000 or Change to Standard Contract Terms

For any contracts in excess of \$500,000, legal counsel must review prior to finalizing the contract terms. Any changes to contract terms will also require legal counsel review. The Chief Financial Officer will take the lead in working with the contractor and legal counsel for any material changes to the Agency standard contract form.

5.0 AUTHORIZATIONS FOR PUBLIC WORKS CONTRACTS

5.1 Definition

Work performed by outside contractors for the construction, erection, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind (See California Public Contract Code).

5.2 Public Works Projects of up to \$2,000

Department managers shall possess the sole authority to authorize projects of up to \$2,000. Exempt employees shall have the authority to authorize projects up to \$1,000.

All purchases totaling more than \$100 shall be made pursuant to an authorized purchase order. For purchases totaling less than \$100, purchase orders may be issued to satisfy vendor requirements or to encumber departmental funds.

5.3 Public Works Projects from \$2,000 and up to \$5,000

Projects from \$2,000 and up to \$5,000 require the advance authorization of the General Manager, Assistant General Manager or the Chief Financial Officer. Comparative pricing shall be required when reasonable. Where comparative pricing is not reasonable (i.e., where the cost of the comparison would negate any price benefit), it shall not be required. However, all authorized purchase orders made without the use of comparative pricing shall be accompanied by a detailed explanation. Department Managers shall not award purchase orders in excess of \$2,000 without the approval of the General Manager, Assistant General Manager or Chief Financial Officer, except in the event of an emergency. An explanation of the emergency must be provided with the requisition for the project.

5.4 Public Works Projects from \$5,000 and up to \$25,000

Projects from \$5,000 and up to \$25,000 require the advance authorization of the General Manager or his designee and require a formal contract prepared on the Agency standard contract form for public works projects, prepared by the Senior Administrative Assistant and reviewed by the department manager. The General Manager or his designee shall not award purchase orders or contracts in excess of \$25,000 except in the event of an emergency purchase (See Section 2.10). The threshold of \$5,000 is deemed to be met when the aggregate total for that vendor in any fiscal year meets or exceeds \$5,000.

5.5 Public Works Projects from \$25,000 and up

The use of services from outside vendors with an estimated value of \$25,000 or more requires authorization by the Board of Directors. The Department Manager is responsible for obtaining Board approval.

In addition, pursuant to the California Public Contract Code, the MWA Act and this Policy, all contracts for the construction of any unit of work estimated to cost in excess of twenty-five thousand dollars (\$25,000) shall be let to the lowest responsive and responsible bidder after competitive bidding. The board shall have the right to reject any or all bids, in which case the board may call for new bids. All public works project bid packages will be reviewed by legal counsel prior to letting the bids and prior to finalizing contracts.

Items bid through the US Communities Purchasing Alliance may also satisfy this requirement. For listing of items bid through the alliance, go to <http://www.uscommunities.org/>.

The bidding procedures followed shall be in consultation with legal counsel and in compliance with Part 2 of the California Public Contract Code.

Ancillary costs for the permitting of the project are deemed to be approved once the contract is let.

6.0 AUTHORIZATIONS REAL PROPERTY

6.1 Definition

Land purchased or easements obtained for the construction of public works projects, or land purchased for other reasonable and necessary operations of the Agency.

6.2 Real Property up to \$25,000

Real property purchases up to \$25,000 may be authorized by the General Manager.

6.3 Real Property in excess of \$25,000 or greater than appraised value

Board authorization is required for all real property being purchased in excess of \$25,000.

7.0 AUTHORIZATION EMPLOYEE EXPENSE/REIMBURSEMENT PROCEDURES

7.1 Definition

Any reasonable and necessary employee expense incurred on behalf of or for the benefit of the Agency.

7.2 Overview

All employee reimbursements require an appropriately detailed purchase order, Travel Request Form, or other approved method of purchasing outlined in Section 2.0, with the signature of a Department Manager. Department Managers cannot sign off on their own purchase order; they must have the approval of the General Manager. It is the responsibility of the employee to turn in all receipts. Any missing receipts will be the responsibility of the employee and will need to be paid by the employee.

7.3 Travel Expenses

All travel must be approved in advance by preparing the Agency's "Travel Request Form" (Exhibit C). Department managers may approve daily travel. The General Manager must approve all overnight travel.

The Travel Request Form must estimate the total cost of the travel. Upon return, actual costs need to be inserted and the form turned in to Accounts Payable. If the costs exceed the estimated amount by more than 10%, the department manager (or General Manager if overnight travel) must re-authorize the Travel Request Form with the new amount of travel shown.

The preferred method of payment for travel is with Agency credit card or as a reimbursement to the employee. Where advance payment is required, a requisition will need to be filled out stating that advance payment needs to be mailed in advance of the travel, along with the proper conference information attached to the requisition.

Additional considerations when travelling are:

a) Meals

Expenses incurred for meals while travelling will be reimbursed upon submitting receipts, along with the completed and approved Travel Request Form. Receipts are required for reimbursement as well as for substantiation of meal charges placed on an Agency credit card in accordance with IRS rules. Meals for two or more must contain additional justification of the business purpose.

Meals should be kept at a reasonable cost, at or near \$30 for dinner, \$25 for lunch and \$20 for breakfast. Tip shall be no more than 20% of the cost of the meal. Under no circumstances will the Agency reimburse or pay for alcohol.

b) Transportation

Transportation will be paid at no greater than the actual cost for authorized airfare and car rental, if necessary. In cases where the employees' personal car is used, mileage will be reimbursed at the current federal rate along with all parking fees. However, the cost of reimbursement may not exceed the cost of alternative travel (ie: vehicle reimbursement exceeds cost of flight and parking). In such cases, the lesser cost will be reimbursed.