

CITY OF MILPITAS, CALIFORNIA
STANDARD OPERATING PROCEDURE

SUBJECT: PAYMENT APPROVAL FOR AUTHORIZED GOODS & SERVICES PURCHASES

I. PURPOSE OF THE POLICY

The purpose of this procedure is to establish invoice payment authorization processes, requirements and thresholds for goods and services procured from approved contracts/purchase orders, as well as items not linked to a contract/purchase order.

II. POLICY

All invoices associated with authorized goods and services purchases require review and payment approval by the department incurring the expense prior to submitting them to the Finance Department (Finance) and/or City Manager for final approval. The dollar threshold for payment approvals is dependent on the type of transaction as identified below.

Payments Associated with Approved Contracts/Purchase Orders

The authority to approve invoices for payment of goods and services received related to authorized contracts and/or purchase orders is as follows:

Under \$5,000	Supervisor
\$5,000 and above	Department Head or designee

The threshold levels for purchases made with purchasing cards vary, and payment approvals associated with these transactions can be found in SOP 6-3, Credit Card Use.

Payments Not Requiring Contracts/Purchase Orders

There are several types of routine/recurring transactions that can be paid without the necessity of a contract and/or purchase order (see Section 12, Chapter 2, Title I of the Municipal Code, Exclusions from Chapter). Examples of these transactions include:

- Insurance premium payments;
- Utilities such as electricity, gas, telephone and water;
- Debt service payments or bond closing costs previously approved by Council;
- Refunds of fees and deposits;

- Payments and/or pass through of collections on behalf of, or goods and/or services obtained from or through agreement with other governmental agencies;
- Budget approved memberships and dues;
- Authorized Community Development Block Grant payments (CDBG);
- Bargaining Unit Memoranda of understanding obligations;
- Budget approved contributions to not-for-profit organizations as expressly prescribed by Council;
- United States Postal Service postage;
- City Council approved grants and loans;
- Pre-approved employee travel expenses; and
- Advertisements in newspapers, trade journals or other media.
- Software maintenance renewal

Payment authorization thresholds for these types of transactions are as follows:

Under \$5,000	Supervisor if authority is delegated by Department Head
Under \$20,000	Department Head
\$20,000 and above	City Manager*

*The City Manager may delegate authority in writing to the Director of Finance or a department head to approve recurring invoices (monthly, semi-annual, annual, etc.) for budgeted expenses greater than \$20,000 described in this section that are not otherwise subject to ongoing City Council authorization.

III. RESPONSIBILITY

- Finance will provide an Authorized Signature List to each department on an annual basis by June 30 for the following fiscal year. The list is necessary to identify by dollar threshold each department staff member who is responsible for approving payment for invoices associated with approved contracts or purchase orders.
- Each department within the City shall be responsible for returning the completed list of signature authorizations to the Finance Department by July 15th of each year. Additionally, each department shall be responsible for notifying Finance of any changes in signature authorizations as they occur during the fiscal year due to employee promotions, separations, or other status changes.
- Finance will be responsible for ensuring that the appropriate signature approvals have been obtained prior to processing payments for goods and services.

IV. PROCEDURE

- A. Prior to every July 1, each department will receive an Authorized Signature List from the Finance Department.
- B. The department head will require those individuals who are authorized to approve invoices, to print their name on the list and provide an official signature for identification purposes.
- C. The department head will designate and/or delegate invoice approval threshold levels and provide an overall approval as required on the Authorized Signature List.

APPROVED:

A handwritten signature in blue ink, appearing to read "Steve McHarris".

Steven G. McHarris, City Manager