

Pecan Plantation Owners Association, Inc. Standard Operating Policy & Procedures Purchasing

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Pecan Plantation Owners Association, Inc. Purchasing Authority and General Guidelines

The attached documents represent the authorized procedures for purchasing by PPOA employees and officials. The procedures have been adopted and approved by the Board of Directors.

This manual cannot address every situation, but the procedures and policies must be followed to ensure the association receives fair and equitable prices for goods, services and capital assets.

The responsibility for purchasing ultimately rests with management, with the assistance of PPOA Committees and Board approval during the budgeting process.

The attached guidelines highlight the procedures for procurement of the operational expense items and capital assets.

The Controller, along with the General Manager and the Board of Directors, will administer the attached procedures and ensure compliance of the policies.

Any exceptions to these policies must be approved by the Board of Directors.

The manual is broken down into two sections. One section highlights procedures for operational expenses and one section for procurement of capital assets, as defined in PPOA's Capital Asset Policy, Section 10.

The capital asset section includes the Authorization for Expenditure (AFE-Exhibit C) guidelines and instructions for completing the forms necessary for approval.

Capital assets under \$ 50,000 will require three bids, and completion of a contractual document (Exhibit D).

Capital assets in excess of \$50,000.00 will require a sealed bid process as outlined in the document (SOP - Major Capital Projects - page 5-1), and completion of the Master Services Agreement (Exhibit E).

Pecan Plantation Owners Association, Inc.

Standard Operating Policy & Procedures

Purchasing – Operating Expenses

Purchase Orders

- A Purchase Order form will be completed for any non-food and/or beverage purchase of \$200.00 or more
- Purchase Order must be completed prior to the order being placed
- The General Manager or Department Manager, if within the scope of their delegated authority, must approve the Purchase Order
- Purchases outside the delegated authority of a Department Manager must be approved by the General Manager
- Purchases outside the delegated authority of the General Manager must be approved by an Officer of the Board of Directors
- A log of purchase orders issued will be maintained by the Accounting Department
- The log will record the numerical sequence of purchase order forms issued, the date of issue, and to whom the forms were issued
- Purchase order forms must be complete, including:
 - Vendor name and address
 - Date of order
 - Date of expected delivery
 - Quantity of each item ordered by unit (case, each, etc)
 - Description of each item ordered
 - Price per unit
 - Total cost of each item
 - Estimated freight
 - Sales tax
 - Estimated invoice total
 - Authorized signature
 - General Ledger expense code
- A copy of the purchase order should be kept by the originator
- Forward the original to Accounting for processing
- Unbudgeted expenses require General Manager approval
- Unbudgeted expenses of \$20,000 or more will be submitted to the Finance Committee for review, utilizing the AFE process.

Competitive Bids

- Competitive bids must be received from at least 3 vendors for all non-proprietary purchases or contracts, and/or all items not purchased for resale, of \$1000.00 or more.
- Annual contracts, other than for proprietary services, should be bid prior to the expiration of the current contract. Annual bids are required if the total annual contract exceeds \$1,000.00.
- Competitive bid form (Exhibit A) must be completed, with bids attached, and submitted to Accounting with the Purchase Order

- Competitive bid form should include:
 - Department
 - Description of item or service
 - Names of bidders and amounts of bids
 - Identify the accepted bid
 - Provide a reason if the lowest bid is not accepted
 - Purchase Order number
 - Date purchased
 - Department Manager's signature
- See Exhibit A for a copy of the Competitive Bid Form.

Accounting Functions

- Purchase Order forms received will be reviewed for completeness and proper authorization
- Invoices will be compared to the purchase orders, and any discrepancies communicated to the originator for appropriate action
- Invoices received for less than \$200 will be forwarded to the appropriate Department Manger for approval and coding
- Accounts Payable will verify the accuracy of all General Ledger coding and enter the invoices into the accounting system
- Accounts Payable will establish the payment date of the invoice based upon the terms reflected on the invoice. Discounts for early payment will be taken when appropriate and in accordance with cash flow requirements of the Controller.
- Checks will be processed weekly
- All checks will be forwarded to the Controller for review.
- All checks under \$1000.00 require 1 signature – The General Manager or, if unavailable, an Officer of the Board of Directors
- All checks of \$1000.00 or more require the signature of both the General Manager and an Officer of the Board of Directors, or 2 Officers of the Board of Directors when the General Manager is unavailable.
- Unbudgeted expenses over \$1,000.00 must be approved by the Board of Directors. The Budget Adjustment Form (Exhibit B) will be completed for Board and General Manager approval of all unbudgeted expenses exceeding \$1000.00.

Petty Cash

- Petty cash expenditures will not exceed \$50.00 per instance
- During normal business hours (Monday – Friday, 8:00 am – 4:30 pm) all petty cash will be obtained from the Accounting Office
- All other times, petty cash funds will be available at the Reception Desk
- No petty cash should be obtained from any other source, including departmental house banks
- Petty cash forms must be complete, including:
 - Date of purchase
 - Description of item(s) to be purchased
 - Total amount of purchase
- Upon completion, the petty cash form must be approved by a Department Manager via signature
- No funds will be dispersed without proper approval
- The receiving individual must acknowledge receipt of cash by signing the petty cash form in the presence of the cashier

- Upon purchase of the approved item(s), an itemized receipt must be provided to the cashier
- Petty cash should not be used for recurring purchases.
- Accounting will reconcile all petty cash receipts for the month no later than the fifth (5th) day of the following month.
- All petty cash receipts will be date stamped upon reconciliation to prevent their re-use.

Exhibit A

Pecan Plantation Owners Association
Competitive Bid Form

Department: _____

Description of Item: _____

Bid #1

Company Name: _____

Amount: _____

Bid #2

Company Name _____

Amount: _____

Bid #3

Company Name: _____

Amount: _____

Accepted Bid: #1 #2 #3

Reason (If not the lowest bid): _____

Purchase Order #: _____

Date Purchased: _____

Manager Signature: _____

To be used for all purchases over \$1000
Attach Form to your Purchase Order

Pecan Plantation Owners Association, Inc.
Budget Adjustments (Unbudgeted Expenses)
Requiring Board Action

Requested by: _____ Department: _____

APPROVE AMOUNT \$ _____ AS AN UNBUDGETED
EXPENSE TO G/L# _____

Reason: _____

General Manager

Board of Directors

Date

Date

Pecan Plantation Owners Association, Inc.

Standard Operating Policy & Procedures

Capital Expenditures – AFE Process

- 1) Initial Capital Budget prepared by General Manager during budget process, with preliminary cost estimates and reviewed by the Finance Committee.
- 2) Capital Budget will be reviewed by the Finance Committee with recommendation to the Board of Directors.
- 3) Final Capital Budget approval by Board of Directors initiates Capital process.
- 4) Management develops scope of work and parameters of capital project including timing of project (estimated Board approval date/project start date).
- 5) Committee and Management develop list of contractors or companies to bid the project.
- 6) Preliminary AFE is submitted to Controller with scope of project, estimated cost and bidder list. AFE is posted on the PPOA website within three (3) days of receipt and an e-mail blast is sent to the membership for public comment. Finance Committee chair is notified of upcoming capital items.
- 7) Management communicates Scope of Work and parameters of project to bidders for formal bids.
 - a. Projects in excess of \$50,000 require at least three (3) bidders and will involve a sealed bid process (see SOP – Major Capital Projects)

Large projects may not be divided into smaller projects to circumvent the sealed bid process.
 - b. Projects under \$50,000 require at least three (3) bidders and include the scope of work and deadline for submittal, and completion of a contract for services (Exhibit D).
- 8) Final AFE - 10 days prior to the Finance Committee meeting, after the bidding process has been completed, the Controller will communicate AFE's ready for approval to be placed on the next Finance Committee agenda. The finalized agenda is posted on the PPOA website and an E-mail blast is sent to the membership with a link to the agenda and the finalized AFE's.
- 9) The lowest bidder does not have to be chosen, but due diligence will be performed to determine the best bidder and justification established to support the decision.

Pecan Plantation Owners Association, Inc.

Standard Operating Policy & Procedures

Capital Assets – Authorization for Expenditure

Purpose

To define and establish a standard operating procedure for:

1. The definition of additional or “new” assets,
2. The definition of replacement assets,
3. The definition of “non-replaceable” assets,
4. The proper preparation of the Authorization for Expenditure form,
5. The disposal of PPOA assets in a legal, cost effective manner.

Definition

New Asset

The acquisition of land, buildings, equipment and improvements beyond those currently existing, costing \$2,500.00 or more (including all costs necessary to bring the asset to its location in working condition) with an estimated useful life of at least three (3) years.

Replacement Asset

The acquisition of land, buildings, equipment and improvements costing \$2,500.00 or more (including all costs necessary to bring the asset to its location in working condition) with an estimated useful life of at least three (3) years which replaces an asset currently in existence.

Non-Replaceable Asset

An asset being replaced whose current physical and operational value exceeds any trade-in or salvage value and is not disposed of upon replacement. Assets with a trade-in or salvage value of \$2,500.00 or more may not be designated as Non-Replaceable. Retaining a replaced asset for continued use requires Finance Committee recommendation and Board of Directors approval.

Once an asset is identified as Non-Replaceable, the asset cannot be replaced at any future time. The asset will be sold for scrap, or otherwise disposed of, if not retained for continued use.

Completion of AFE Form

Section I

Project AFE #	Controller will assign the AFE number
Originator	Name of individual creating the AFE
Signature	Manager's signature (Electronic or original)
Persons permitted to modify this report	List names of management individuals authorized to modify the description, values or terms of the AFE

Section II

Project Name	Define the capital asset being purchased
Department	Identify the department receiving the asset.
Impact On	What is the benefit to PPOA? Check the appropriate box.
Project Type	Designate whether the asset is new, replacement, or non-replaceable. If a replacement asset, identify the asset being replaced

Section III

Project Description – Summary

Provide a thorough description/summary of the capital project, to include:

1. Describe in detail the capital asset or project
2. Detail the item(s) being purchased
3. Detail the item(s) being replaced (if applicable)
4. Detail the improvements, changes, or needs to PPOA

Purpose/Financial Justification/ Necessity – Summary

1. Provide an operational justification
2. What is the benefit to PPOA?
3. What is saved by investing in this asset?
4. What is the Return on Investment of this asset?

Alternatives and/or Impact of not investing

Describe the consequences of not investing in this asset.

Estimation of Range of Cost

Provide the high and low cost range

Total Capital Required

Best estimate of total cost

Section IV

Quotations Received

List bidder names (do not include bid amounts) and attach all bids

Section V

Method of Purchase

Select the appropriate box

Schedule of Events

1. Start of Project – Assign beginning date of the project
2. Project Completion Date – Assign ending date of the project
3. Date For Full Operation – When will full operation return to normal

Section VI

Summary of Financial Data

This section will be completed by Controller

Section VII

Endorsements/Approval:

Advisory committee listed with committee chair signature and date
Management approval and date

1. General Manager
2. Controller

Finance Committee – Committee chair signature and date
BOD – officer signature and date.

Disposal of Assets

When being replaced, a Pecan Plantation Owners Association asset may either be:

1. Traded in for a value credited to the purchase price of a new asset,
2. Sold for scrap,
3. Sold to an independent third party,
4. A record of disposed assets will be kept in the Controller's office.

Any asset traded in, scrapped or sold will be identified on the AFE form and, once the AFE is approved by the Board of Directors, deleted from the asset table.

PPOA
Authorization For Expenditure (AFE)

Revised: _____

SECTION I

Project AFE#: _____

Component AFE #: _____

Date Created: _____

Originator: _____

Signature: _____

Persons permitted to modify this report:

1. _____ 2. _____ 3. _____

Modified by: _____

Date Modified: _____

SECTION II

<p>Project Title:</p> <p>Project Name: _____</p> <p>Department: _____</p> <p>Project Type:</p> <p><input type="checkbox"/> New</p> <p><input type="checkbox"/> Replacement Fixed Asset(s) Replaced Asset # or Description: _____</p> <p>Asset Disposition <input type="checkbox"/> Trade I <input type="checkbox"/> Scrap <input type="checkbox"/> Sale <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Non-Replaceable – The listed replaced fixed asset(s) will be retained for further benefit to PPOA. The asset(s) cannot be considered a replacement asset in the future.</p>	<p>Impact On:</p> <table border="0" style="width: 100%;"><tr><td style="width: 20px; text-align: center;">□</td><td>Member Improvement/Satisfaction</td></tr><tr><td style="text-align: center;">□</td><td>Facility Improvement</td></tr><tr><td style="text-align: center;">□</td><td>Cost Savings/Avoidance</td></tr><tr><td style="text-align: center;">□</td><td>Health, Safety & Environmental</td></tr><tr><td style="text-align: center;">□</td><td>Other Fixed Cost Implications</td></tr></table>	□	Member Improvement/Satisfaction	□	Facility Improvement	□	Cost Savings/Avoidance	□	Health, Safety & Environmental	□	Other Fixed Cost Implications
□	Member Improvement/Satisfaction										
□	Facility Improvement										
□	Cost Savings/Avoidance										
□	Health, Safety & Environmental										
□	Other Fixed Cost Implications										

SECTION III

<p>Project Description Summary: (Add attachments as required)</p> <p>Purpose/Financial Justification/Necessity: (Add attachments as required)</p> <p>Alternatives and/or Impact of Not Investing: (Add attachments as required)</p> <p>Estimation of Range of Cost: \$ _____</p> <p>Total Capital Required: \$ _____</p>
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SECTION IV

Quotation(s) Received: (List or Attach) _____

SECTION V

<p>Method of Purchase:</p> <p><input type="checkbox"/> Outright Purchase</p> <p><input type="checkbox"/> Finance Lease (short term only)</p> <p><input type="checkbox"/> Hire Purchase</p> <p><input type="checkbox"/> Other</p>	<p>Schedule of Events:</p> <p>Start Project: _____</p> <p>Date for Partial Completion: _____</p> <p>Project Completion Date: _____</p> <p>Date for Full Operation: _____</p>
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SECTION VI

Summary of Financial Data	Current Year		Long Range Plan	
	Per AFE	Budget	Per AFE	Plan
Land				
Buildings				
Equipment/Machinery				
Leasehold Improvements				
Total Capital				
Total Expense				

Total Investment Required: \$

Amount Included in Budget: \$

Variances (explain):

SECTION VII

Endorsements/Approval:

_____ Committee: _____ Date: _____

Controller: _____ Date: _____

General Manager: _____ Date: _____

Finance Committee: _____ Date: _____

BOD Approval: _____ Date: _____

Copies To: _____

Pecan Plantation Owners Association, Inc.

Standard Operating Policy & Procedures

Major Capital Projects

The purpose of this Standard Operating Procedure is to establish a written course of action ensuring consistency and control for contractor requirements, bidding, reviewing, selecting and accounting for major capital projects.

Procedure

A. Definition

- A major capital project is defined as a single item or project costing fifty thousand (\$50,000.00) or more.

B. Competitive Bidding and Proposals

- Competitive bidding provides a means for vendors to constructively compete with each other to provide Pecan Plantation Owners Association with the best goods and/or services and the fairest price.
- Projects in excess of \$50,000 will require a sealed bid process.
- The completion of the Master Services Agreement will be required for projects over \$50,000.00. The master services agreement (bid document) will include a scope of work detailing the project and deadline for submittal. All vendors/contractors will receive identical bidding packets containing the master services agreement. (Exhibit E)
- Sealed bids will be delivered to the office of the General Manager and opened in the presence of the committee member(s) associated with the project, preferably at a regularly scheduled committee meeting
- A minimum of three bids must be solicited and obtained, if possible and practical.
- The lowest bidder does not have to be chosen, but due diligence will be required to justify the selection.
- After the sealed bids are opened, PPOA Management or designated representative may contact the bidder(s) for clarification of the bid, but continuing negotiation on the price should be avoided.

C. Approval Process

- All invoices, construction-in-progress draw requests, and respective *Waiver of Lien* are to be submitted to Management for review.
- Management, along with the PPOA designated committee will review the payment request, verify accuracy and submit for payment to Accounting. (Retainage of 10% is required on all payments)

D. Payment Process

- Pecan Plantation Owners Association accounting department will review the payment request to ensure all contractual obligations have been met. (Lien releases, etc.)
- Disbursements (less retainage) will be made on a weekly basis unless special circumstances apply.