

April 26, 2016

SUBJECT:

ORIGINATING DEPARTMENT:

Purchase Orders

Management and Budget

Page 1 of 3

**POLICY:**

- a. The Purchase Order is the legal document authorizing the purchase of, and subsequent payment for commodities and services. A Purchase Order will be issued to the vendor/contractor/consultant to facilitate payment of invoices even though a formal contract was completed with the vendor/contractor/consultant. A Purchase Order is not used for small dollar purchases which are more appropriately acquired by using the Purchasing Card.
- b. A **Purchase Order must cover all purchases.** The vendor/contractor/consultant shall not be permitted to furnish commodities or services without first having been issued a Purchase Order. Exceptions to this rule are as provided for by Administrative Regulations AR: 9.02 (latest revision) Requisitioning Procedures, AR: 9.03 (latest revision), Nonconforming Purchases, AR: 9.04 (latest revision), Petty Cash Purchases, AR: 9.06 (latest revision), Emergency Purchases, AR: 9.17 (latest revision), Purchase Card Program or any purchase that has been authorized as exempted from this requirement by action of the Board of County Commissioners. Furthermore, if there are insufficient funds in an Open Purchase Order, the vendor/contractor/consultant shall not be permitted to furnish commodities or services without first having the value of the Open Purchase Order increased through the issuance of a Change Order.

**PROCEDURE:**

- a. A Purchase Order is issued through the completion of a Purchase Requisition to the Financial Services Department. The Financial Services Department, upon review of a properly authorized and completed Purchase Requisition, shall approve and issue all Purchase Orders.
- b. There are two types of Purchase Orders:
  1. Regular Purchase Order - Issued to cover one-time purchases of a commodity or service. It is the basic purchasing system for making single instance purchases. It is a contract providing for the delivery by a specific date of listed goods or services at a predetermined price, and subject to the County's purchasing policies.
  2. Open Purchase Order - Issued to cover reoccurring purchases of a commodity or service over a specified period. It is designed to consolidate repetitive small purchases from a single supplier. It is essentially a form of open account which is limited in terms of the things which can be ordered, who can place the orders, the period for which it is to be open, and the total amount which can be ordered. This form of purchase order is useful for departments that have repetitive supply needs.
    - Open purchase orders may be opened in an amount exceeding \$1,000.
    - However, Open Purchase Orders will not be used to purchase items with a unit cost greater than \$1,000, with the exception for the

maintenance and replacement of existing items purchased through the Division of Fleet Management.

Open Purchase Orders must list individuals who are authorized to place orders on behalf of the Department/Office/Division in the description. When the authorized personnel list exceeds the space available, "See Authorized Personnel List" must be stated. The Financial Services Department will include the list when the purchase order is provided to the vendor. The Department/Office/Division is responsible for providing Financial Services with the most recent list of authorized personnel.

- An Open Purchase Order's starting date is automatically the issue date of the Purchase Order. An ending date, for which the Open Purchase Order is to be utilized, must be listed. Periods of utilization shall be either quarterly, semiannually, or annually.
  - Open Purchase Orders shall automatically expire on the last day of the County's fiscal year. If the Open Purchase Order is for a current County contract/bid or a grant contract, the expiration date shall be the date the contract is complete, or expire on the last day of the County's fiscal year whichever comes first. Once the period of utilization has expired, the Open Purchase Order shall expire, unless it is renewed for an additional period through a change order.
  - The Financial Services Department has the authority to close open purchase orders that have a zero balance during the end of the fiscal year process.
- c. The issuance and approval of Purchase Orders shall be in accordance with the financial authority guidelines outlined in Administrative Regulation AR: 9.01 (latest revision), Purchasing Policy.
- d. The Department/Office/Division requesting the purchase may view/print the Purchase Order online. There are instructions on the intranet under Finance.
- e. When the commodity is delivered or the service is completed, the Department/Office/Division will approve payment by indicating the Purchase Order number, approve payment, indicate the account number, and forward the invoice to the Financial Services Department for payment through the online invoicing system.
- f. No Purchase Order will be issued to a vendor/contractor/consultant when the commodity or service has already been provided to the County. Payment of invoices under this circumstance shall be in accordance with Administrative Regulation AR: 9.03 (latest revision), Non-Conforming Purchases.
- g. Change Orders will be issued any time it becomes necessary to increase or decrease the value of a Purchase Order for commodities or services purchased from a vendor/contractor/consultant. The approval of Change Orders shall be in

accordance with the financial authority guidelines outlined in Administrative Regulation AR: 9.01 (latest revision), Purchasing Policy. Do not request multiple open POs for the same purchase during a fiscal year. A change order to the original PO is required.

- h. A Change Order will be completed any time it becomes necessary to increase or decrease the value of a Purchase Order due to a change in the quantity or unit cost of items or services listed on a Purchase Order, or due to a contract change approved by the Board of County Commissioners. In addition, a Change Order must be completed to change account coding or line item information on a Purchase Order that has been issued. The "Change Order" form shall be completed online and submitted to the Financial Services Department. Approval of Change Orders shall be in accordance with the financial authority guidelines outlined in Administrative Regulation AR 9.01 (latest version), Purchasing Policy. If a Change Order cannot be completed prior to receiving the vendor's final invoice, the purchase must be made in accordance with Administrative Regulation AR 9.03 (latest revision), Nonconforming Purchases.
  
- i. For construction projects, if the Department/Division/Office elects to complete a direct material purchase, a blanket deductive change order will be completed and approved in accordance with the financial authority guidelines outlined in Administrative Regulation AR: 9.01 (latest revision), Purchasing Policy, to reduce the value of the contractor's Purchase Order by the amount of the directly purchased materials. Financial Services Department will reduce the value of the contractor's purchase order by said amount. Finally, the Department/Division/Office will complete a Purchase Requisition through the online requisition system for the direct material purchased. The Financial Services Department will issue a Purchase Order(s) to the vendor(s). Follow the procedures outline in Administrative Regulation AR: 9.12 (latest revision), Direct Purchase of Materials, Equipment and Supplies for Construction Projects.
  
- j. At fiscal year-end, to remind Departments of their expiration, Finance will send a Purchase Order listing to solicit Departments to either cancel or roll their Purchase Orders. It is important for departments to respond promptly to the notice. The Department of Management and Budget will review the rolled Purchase Order listing, approve, and present to the Board of County Commissioners.

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**FOOTNOTES & REFERENCES TO RELATED A.R.'s:** Supersedes AR 9.01.04-1 dated April 19, 1996, AR 9.01.04-2 dated April 6, 1999, AR 9.01.04-3 dated June 27, 2000; AR 9.01.04-4 dated September 11, 2001, AR 9.01.04-5 dated December 18, 2001, AR 9.01.04-6, dated November 1, 2005, AR 9.01.04-7 dated August 12, 2008, AR 9.05 dated April 27, 2010, AR 9.05-1 dated December 17, 2013, AR dated March 10, 2015.