

## Procedure: Purchase Order Requisitions

ESD utilizes an encumbrance system as a means of reserving available program budget for obligations of goods and services, which have been ordered or contracted, but not yet delivered. Encumbrance accounting ensures that expenditure authority remains available for an approved expenditure by encumbering the budget at the time the goods or services are authorized and committed. The Purchase Order (PO) system is the mechanism for encumbering approved expenditures in our system against budget capacity.

Encumbrance accounting should be used to the extent possible to ensure effective budgetary control and accountability, and to facilitate effective cash planning and control. Accordingly, POs are the preferred requisition method in most situations, issued in advance of the purchase. Procedures for requisitioning and processing payment for services rendered are the most efficient of all purchasing methods, providing strong controls for pre-authorization of expenditures against budget, review of procurement compliance and system encumbrance for the anticipated expenditure.

Certain costs may not lend themselves to encumbrance accounting, such as travel reimbursements, course registrations, certain subscriptions, etc. Expenditures of this nature should be paid through other purchasing / payment methods (see [6210-P1 Purchase Authorization](#))

### General

A PO is a legal contract between ESD and a vendor and should contain a clear description of the item / service to be purchased. If the PO is issued pursuant to a bid award, the PO should make reference to the specifications and conditions of the award under BID XXX. If the PO is issued pursuant to an executed contract, the PO should make specific reference to the contract for the scope of services / goods to be provided.

Purchase orders may be requested for single invoice purchasing fulfillment or as a blanket or open order anticipated for purchases throughout the year. All contracts for purchased services should have a PO issued for the contract. Sales tax and freight charges should be considered, as applicable, in submission of PO requests. Further, Washington State sales tax is considered for purchases subject to sales tax, even if the vendor is out of state and does not charge us for it. In such instances computed tax or "Comp Tax" is selected when authorizing payment on the PO.

System POs are assigned unique identifying numbers.

Fully approved POs shall be printed on pre-printed multi-copy forms as POs are approved and sent to the department for distribution to the vendor when paper copies are requested. Departments should keep a copy of the PO as a master for processing payments against the PO. POs may be distributed electronically upon request. Printed POs shall be routed as follows:

- WHITE – Vendor copy, to be mailed or delivered as instructed.
- PINK – Department copy
- CANARY – Extra Copy
- GOLDENROD – Returned to accounting when PO is ready to be closed

### Blanket or Open Purchase Orders

Blanket or open POs may be used in situations where recurring purchases are made from a vendor during the fiscal year (or project period). Purchase of program supplies from KCDA may be an example of this situation. Open POs should include language in the description indicating:

- A description of authorized purchases under the order
- Listing of staff authorized to make purchases
- Effective date of authorization for the PO (beginning and end dates)
- A “not to exceed” amount, which includes anticipated freight and sales tax, as applicable.

Blanket POs are subject to procurement policies and procedures, as described in [6211-P1 Procuring Goods & Services](#); purchases under the PO will not generally be treated as separate transactions in determining compliance with procurement threshold compliance. The total amount of the blanket PO would determine procurement compliance requirements.

Status of open POs are monitored by system encumbrance as well as by the department executing the PO. Departments should ensure that open POs are issued and used according to the authorized terms.

If circumstances of the PO change after initial issuance (authorized use, authorized staff, account codes, etc.), [Form 6210-F1 PO Authorization to Amend PO Encumbrance](#) may be submitted and an updated PO shall be issued.

### Requisition Documentation

Purchase order requests shall be supported by selection documentation (see [6211-F1 Vendor Selection Criteria](#)), contracts and other information, as applicable, which supports the business purpose and consideration of the purchase decision. If vendor is a new vendor for services, IRS Form W-9 shall be submitted to Business Services-Accounts Payable as part of purchase order submission process.

Originator and reviewers of PO requests should ensure the following, with different review responsibilities emphasized at different levels:

- a. The request is an allowable ESD purchase
- b. Description of services to be provided is adequate and appropriately references contractual agreements, if applicable
- c. Expenditure codes are valid
- d. Budget capacity exists within the program for the expenditure code
- e. Total cost has been entered correctly and gives proper consideration to sales tax applicability and freight charges
- f. Supporting documentation has been attached to the request, as required
- g. Relevant laws, regulations, policies, procedures and applicable funding requirements appear satisfied

### Suspension & Debarment

Each PO issued by ESD shall include certification, by acceptance of PO, of suspension and debarment status.

### **Electronic Approval and Signature**

The fiscal management system shall employ a system for electronic review & approval of purchase order requests. Approval groups shall be maintained by the Controller or their designee. Purchase orders must be routed through approvals by a budget analyst, department Executive Director/Cabinet member, and Business Services. Additional approvals may be added at the discretion of the departments or Business Services.

Capital outlay items exceeding \$50,000 shall require approval of the Superintendent.

The electronic fiscal system allows for override of approvals within the approval tree by an approver higher than the level below, in the event of absence during a time when the purchase order is required to be processed for timely order of goods or services. Request for override must be made in writing to the

approver at the level above; the approver may further require “substitute” approval equivalent to the authority of the system approver, based on their assessment of the situation.

### **Amending a Purchase Order**

Variance of up to 10% of the approved PO are allowed without amendment. Amounts on an approved PO may be amended using [Form 6210-F1 Authorization to Amend PO Encumbrance](#) and must be processed prior to additional expenditures being incurred. Completed signature forms with supporting documentation, as applicable, should be turned into Business Services-Accounts Payable for system update. Updated paper POs may be issued, if requested.

### **Cancelled / Closed Purchase Orders**

Purchase orders may be cancelled or closed by forwarding a copy to accounting with “CLOSED” or “CANCELLED” written in large notation across the purchase order copy, dated and signed by department staff. Provide information to accounting as to the reason for closure or cancellation of the purchase order request (order request was done in error and was not issued, purchased services complete and final, etc.)

If the purchase order is being cancelled after the vendor has been provided a copy and/or purchase order number and before the authorized services have been completed, it is the responsibility of the ordering department to notify the vendor in writing of the cancellation. A record of the cancellation notice and any related correspondence shall be maintained and attached to the purchase order documentation.

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Formerly in Administrative Procedures Section H*