



Person County Government STANDARD PROCEDURE

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1.0 - Purpose

- 1) The purpose of this Procedure Manual is to establish a comprehensive guide to ensure that purchases by and through the County shall follow an established procedure whereby purchases are properly authorized, documented and auditable through the use of purchase orders.
- 2) A purchase order is a contract between the County and a vendor and is not binding until accepted by the vendor. The purchase order serves as authorization to a vendor to furnish a product or service to the County at the prices shown thereon. It also serves as the basis for encumbering department funds and assures the supplier that funds are available for the purchase. As a media for encumbering funds, it represents a means for providing management with a much more accurate and complete statement of financial position and is instrumental in preventing departments from overspending their budgets. If there are not sufficient funds in the line item, the order cannot be placed until a budget transfer or amendment has been prepared and approved to provide necessary funds.

2.0 - Overview

The pre-audit statute requires that before a local government unit incurs an obligation that is accounted for in a budget, grant or project ordinance, the Finance Director for the unit must:

- 1) ensure that there is an appropriation authorizing the obligation;
- 2) ensure that sufficient funds will remain in the appropriation to pay the amounts that are expected to come due in the fiscal year in which the obligation is incurred (or during the life of the project if accounted for in a project ordinance); and
- 3) sign and date the pre-audit on the written contract, PO, etc. that shows the pre-audit was performed and is now documented. The preaudit certificate states that: "This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act." It is signed by the finance officer or a board appointed deputy finance officer.

For Electronic Payments (P-Card, Fuel Card, ACH, etc.), refer to *Person County's Electronic Payments Policy and Procedure Manual*.

This Procedure Manual shall govern the procurement of goods and services by any department of Person County by requiring the use of a purchase order for all purchases totaling \$750 or more. It also affords departments the opportunity to purchase items without a purchase order only when the expenditure is less than \$750 and after satisfying, at a minimum, items 1 and 2 noted above. Certain expenditures that are exceptions to this requirement are listed in Section 3.0.

In order for a purchase order to be valid, a pre-audit certification must include signature of the Finance Director and, marked as follows: "This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act."

3.0 - Exceptions:

The following purchases do not require a purchase order due to the nature of the transaction, however; they do require satisfying items 1 and 2 in Section 2.0. An invoice is required for payment processing.

- 1) Copier bill
- 2) DSS daycare, foster care, & public assistance payments
- 3) Departmental fees owed to the State
- 4) Fuel & fleet card expenditures
- 5) Internal department payments
- 6) Lease and debt payments
- 7) Payroll/benefits-related expenses
- 8) Professional services (insurance, accounting & legal)
- 9) Tuition reimbursement
- 10) Postage
- 11) County-wide copier payments
- 12) Refunds
- 13) Schools and PCC current expense & capital payments
- 14) Special Board appropriations
- 15) State agencies
- 16) Telephone charges (equipment not included in exemption)
- 17) Utility charges

Splitting of purchases to circumvent the \$750 purchase order threshold is prohibited and will be considered a violation of the County's purchasing requirements.

Unauthorized purchases will not be recognized by the County and payment of these obligations will not be approved. The only exception to this procedure is a Department Head's request for an Emergency Requisition as defined in Section 6.3.

4.0 - Conflict with Law:

- 1) In the event of any conflict between this Procedure Manual and the General Statutes of North Carolina, the General Statutes shall control.
- 2) To the extent any provisions of this Procedure Manual exceed the requirements of applicable laws, such provisions shall be deemed as local procedure manual and guidance, and shall confer no additional rights on third parties.

A purchase order shall be issued before goods and services are ordered. This process is required for legal compliance (and is verified by external auditors as noted by PO date before the Invoice date). County employees are prohibited from obligating the County by initiating orders for goods or services prior to the actual receipt of a Purchase Order. State law states that if you obligate the County, you may be held responsible for the payment.

Failure to comply with the requirements of this Procedure Manual subjects such employee to disciplinary action in accordance with County personnel policies and may subject such employee to personal liability when authorized by applicable law.

5.0 - Definitions

- 1) ***Encumbrance*** – a point in time when funds have been designated and reserved for a purchase transaction but not yet expended to avoid budget overspending. This can be formally processed as a purchase order, or informally managed by the department if a purchase order is not required.
- 2) ***Pre-audit*** – the process by which fund availability has been validated prior to encumbrance as documented by the Finance Director signature.
- 3) ***Purchase Order*** – An official offer issued by a buyer to a seller, indicating type, quantities and agreed prices for products or services. It is a legal document binding a vendor to provide a service or product that obligates the County to pay a specified price.

6.0 – Purchase Order Submission/Encumbrance:

The employee requesting the purchase will complete the electronic requisition on the purchasing program. Only those employees authorized to the purchasing system can enter requisitions electronically. Once the Department Head electronically approves the requisition, it automatically routes to the Finance Director to be pre-audited, checked for correct coding and approved. The requisition is then sent to the County Manager for final approval. The PO is created and the amount of the purchase order is then encumbered. At that point, the document becomes a VALID purchase order. The submitter is notified by system email that the PO is complete and available electronically where it can be printed and provided to the vendor for the actual purchase of items and as such, becomes a contract to buy on behalf of the County. The types of purchase orders that can be processed are listed below:

- 1) **Normal Purchase Orders**
The Normal Purchase Order is a purchase order that has been established to handle single purchases. This type of purchase order is to be used for items that will not be bought multiple times throughout the year and are usually liquidated with a single invoice. These purchase orders should be issued to seller to avoid confusion on purchase request, offering a binding contract between the County and the seller for payment.
- 2) **Blanket Purchase Orders**
The Blanket Purchase Order is a Purchase Order that has been established to handle recurring purchases of services or materials with the same supplier that will be needed frequently for minor repairs of equipment, or services to be provided to the County and paid throughout the year as expenditures are incurred. It is the responsibility of the individual authorized to purchase under a blanket purchase order to ensure that there is a sufficient unspent balance remaining to cover the purchase to be made. In such cases, when the requisitions are entered, the type of

requisition should be changed from its default as N-Normal to B-Blanket. Another option is to type into the General description box “Open PO” or “Blanket PO”.

3) Emergency Purchase Orders

In cases of emergencies, the Department Head or his/her designee may purchase directly from any vendor the supplies or services whose immediate procurement is essential to prevent delays in work, which may affect the life, health, or either safety or convenience of County employees or citizens. ***Procrastination or failure to properly plan for purchases is not considered an emergency.*** If in the judgment of the Department Head, an emergency exists which necessitates immediate purchase of materials or services to continue department operations, you must notify the Finance Director of the Emergency Purchase by email. The information needed will include vendor name, item(s) to be purchased with quantities, expenditure account to which the item(s) will be charged and the reason for the emergency purchase. A requisition must then be processed no later than the next working day in order for it to be approved and a purchase order issued for the emergency purchase. In such cases, when an emergency requisition is entered, the type of requisition should be changed from its default as N-Normal to D-Dept/Emergency. Another option is to type into the General description box “Confirming Order – Do Not Duplicate” or “Emergency PO”. Any deviations from this section of the Procedure Manual must be approved by the County Manager.

7.0 – Processing Time Allowance

All purchase orders must be created by Finance before ordering from the vendor. The Finance Department must have adequate time to perform their verification and encumber the funds needed for purchase. Requisitions will go through the workflow process for approvals. After approval process is complete, Accounts Payable will convert them to Purchase Orders (twice per day). Once converted, the system generates an email that notifies the original submitter of the assigned PO number, and it is then available to be viewed or printed, if necessary. Finance will also approve purchase orders for emergency or same day purchase items/services, subject to meeting the eligibility requirements for emergency purchasing as described in Section 6.3.

When purchase orders are received by Finance, they will be verified by Finance as follows:

- 1) The purchase order has been authorized by the Department Head or Designee.
- 2) The purchase order is charged to the correct department and line item.
- 3) Sufficient funds are available (unencumbered) to cover the cost of the purchase.
- 4) If the purchase is a capital outlay item, it has been approved in the budget or approval of the Finance Director has been received prior to the purchase.

The purchasing requisition is designed to alert the user if there are insufficient funds in the account for the request and will prohibit the user from proceeding further with the requisition. If this occurs, the user must enter a budget transfer request that is subject to similar approvals before the requisition can be successfully entered. After the user is notified that the budget transfer is approved, the requisition can then be re-entered and submitted.

8.0 - Annual Cut-Off Date:

Purchase requisitions for materials, supplies, services and equipment for the current fiscal year must be submitted before the cutoff date annually established by the Finance Director.

Exceptions to this requirement must BE OF AN EMERGENCY NATURE, as defined in Section 6.3.

Purchase requisitions of a routine nature that could have been scheduled prior to the cutoff date, and are not critical, will be electronically rejected to the department without approval. This procedure affords the Finance Department the opportunity to complete weekly check runs, month-end transactions, and fiscal year end activities in a timely and proper manner.

Any department that has a purchase order or encumbrance to be carried into the subsequent fiscal year, shall submit a *Carry Forward PO & Grants Form* to the Finance Director by the deadline provided each year in the Year-End Items Memo. All other purchase orders shall be administratively closed-out at year end (June 30th). However, outstanding encumbrances as identified through the process noted above and not included in a final check run for the closeout fiscal year, will be re-encumbered into the new fiscal year budget no later than September 30th unless circumstances prevent otherwise. Re-encumbered amounts will be verified prior to posting to the County's accounting system in the new fiscal year.

9.0 - Change or Cancellation Requests

As soon as a copy of a Purchase Order is available, it should be proofed for accuracy. If errors are found, immediately contact the Finance Office to cancel or amend the Purchase Order. The funds in the account codes on your Purchase Order will remain encumbered until it is cancelled or liquidated. In either event, any remaining funds on the Purchase Order will automatically return back to its original line item account and can be designated for other expenditures.

Amendments will not be allowed for changes that would alter the procurement procedures that were used in the original process; under these circumstances, a cancellation and reissue is required for this type of change.

- 1) If a change is necessary to an open Purchase Order that would include the description, vendor, account number(s), or cancellation, the authorized department approver will immediately notify accounts payable staff in the Finance Department to process these requests.
- 2) If the dollar amount of the change exceeds 10% of the original Purchase Order amount, the department shall notify accounts payable staff to cancel the original Purchase Order, and submit a new requisition for the increased amount.
- 3) The County's requisition system will prohibit completion of the requisition entry unless funds are available in the expenditure lines. If the system provides an alert that insufficient funds are available, the department must submit a budget transfer request for approval before the requisition entry can be successfully submitted.

If necessary, the department will notify the vendor of the cancellation and the reason. Outstanding purchase orders shall be reviewed by departments on a regular basis.