

CHAPTER V

PURCHASE ORDERS  
NOT RELATED TO A CONTRACT

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### PURCHASE ORDERS NOT RELATED TO A CONTRACT

#### PURPOSE:

The purpose of this procedure is to enable State Agency personnel to prepare, review, approve, and enter COFRS purchase order transactions, not related to contracts, into COFRS for capital construction projects. Purchase orders can be used within the capital construction fund to purchase equipment, furniture, materials and supplies, and trade services.

#### DEFINITIONS:

See Chapter 1 Section 2

#### ACCOUNTING/FISCAL ADMINISTRATIVE REQUIREMENTS:

State Fiscal Rule 4-1 allows the use of a purchase order to purchase furniture, equipment, and trade services (plumbers, electricians, roofers). Trade services are limited to \$25,000, unless the plans and specifications have been prepared by or reviewed and approved by a licensed architect or a registered engineer. If this is the case, a purchase order for trade services may be used to acquire services up to \$50,000. Trade services costing more than \$50,000 must always be acquired by state contract.

It is necessary to record encumbering purchase orders in the fund, agency, and appropriation code in which the payment will be recorded. When an encumbering document is referenced on a PV, the PV carries forward the accounting information from that document.

Correct vendor codes must be used for capital construction encumbrances. Miscellaneous vendor codes are not allowed.

A purchase order transaction must not be entered in COFRS to record a commitment in the capital construction fund unless it complies with State Fiscal Rules. Please note State Fiscal Rule 4-2 states:

“All funds appropriated from the State Capital Construction Fund shall be used for their intended purpose. A State Agency shall not use Capital Construction Funds to pay or reimburse State employees for construction management, administrative activities, direct labor performed, or any other expense outside the scope of the Capital Construction or Controlled Maintenance Project.”

State agency in-house work orders must have prior written approval by the state controller.

In order to purchase equipment or furniture for a project, the project appropriation must be specifically for equipment or furniture, new construction, or the remodel of an existing building. In addition, the project application must specify that equipment or furniture is to be included in the project and the amount allocated for the purchase of the equipment or furniture.

A purchase requisition must be recorded so that a purchase order or contract encumbrance may be processed in COFRS for all purchases within the capital construction fund of \$3,000 or more. A purchase order or contract may be required for a purchase of less than \$3,000 if required by State Fiscal Rules or the agency's purchasing regulations.

**SECTION 1**  
**PREPARING A PURCHASE ORDER NOT RELATED**  
**TO A CONTRACT**

PROCEDURAL FOCUS:

A capital construction purchase order transaction document is prepared in the same manner as non-capital construction purchase order transactions.

PROCEDURAL STEPS:

ENTERING AN ENCUMBRANCE DOCUMENT

- Step 1:** Receive a commitment in the form of a purchase requisition from within your state agency or from the Division of Purchasing.
- Step 2:** Determine the correct accounting codes to be used to record a COFRS encumbrance transaction for the commitment.
- Step 3:** Verify that the product or service being purchased is within the scope of the project.
- Step 4:** Verify that the total previous expenditures, encumbrances, and pre-encumbrances including the encumbrance that will be recorded does not exceed the total amount for the project as allowed on the project application.
- Step 5:** Verify that the total expenditures, encumbrances and pre-encumbrances for fixed and movable equipment/furniture do not exceed the equipment amount line on the project application.
- Step 6:** Verify that furniture requested will be used only as follows:
- ♦ For the remodel of a building when the purpose of the building has changed;
  - ♦ In a newly constructed building; or
  - ♦ Is being charged to a specific appropriation for the purchase of furniture.
- Step 7:** Check the vendor file for the vendor code and address of the vendor. When completing step 6, you should use the “VNAM” Table and the “VFED” Table to attempt to determine if the vendor already exists on the vendor file. Instruction for properly using these tables have been issued by the State Controller’s Office. If you

do not have these instructions, please call the Central Accounting Operations Section of the State Controller's Office to obtain them.

- Step 8:** If the vendor does not exist on the vendor file, obtain the correct taxpayer identification number from the vendor by having the vendor complete a W-9 form, then add the vendor to the COFRS vendor file (VEND).
- Step 9:** Access and complete the COFRS start-up screen for data entry.
- Step 10:** Complete the COFRS header screen of the encumbrance transaction. The document total is the amount for which the purchase order was issued. Procedures for recording an encumbrance transaction in COFRS can be found in the COFRS User Reference Manual, Volume 3, Chapter 3, Section 3. Procedures for recording a PC or PD transaction in COFRS can be found in Volume 5, Section 12.
- Step 11:** Complete the COFRS line screen of the encumbrance transaction.
- Step 12:** Edit the encumbrance transaction and correct any errors.
- Step 13:** Print the entered encumbrance transaction screen.
- Step 14:** Attach the purchase order to screen print of encumbrance transaction and forward to state agency approving authority.

**SECTION 2**  
**APPROVING A CAPITAL CONSTRUCTION PURCHASE**  
**ORDER NOT RELATED TO A CONTRACT**

PROCEDURAL FOCUS:

If your state agency follows all of the procedural steps included in the following section of this Chapter for approving a capital construction purchase order and adheres to all of the criteria for approving a purchase order presented in these guidelines, the State Controller's Office will consider your approval review to be adequate.

The approval of an encumbrance transaction related to a contract is not part of this guideline.

PROCEDURAL STEPS:

FOR REVIEWING AND APPROVING ENCUMBRANCE DOCUMENTS

**Step 1:** Receive documentation in the form of a screen print of an encumbrance transaction and supporting documents.

**Step 2:** Review the encumbrance transaction for the following elements and do not approve the encumbrance transaction when any of these elements are missing:

- ♦ Screen print of the header and line screen;
- ♦ Copy of the purchase order to be issued to the vendor; or
- ♦ Valid signature authorizing commitment.

**Step 3:** Review the following elements of the encumbrance transaction and do not approve the encumbrance transaction when the following conditions exist:

- ♦ Accounting information - the fund, agency, and appropriation code are incorrect for this commitment;
- ♦ Amount - the encumbrance transaction amount does not equal the amount on the supporting documentation;
- ♦ Miscellaneous vendor code is used;

- ♦ COFRS error codes exist on the encumbrance transaction. No transaction is to be approved until it has a message on the bottom of the screen stating that it is awaiting level 3 approval;
- ♦ That the product or service being purchased is within the scope of the project;
- ♦ The total previous expenditures, purchase orders, and purchase requisitions for purchases plus the encumbrance that will be recorded for the current purchase order exceed the total amount of the project as allowed on the project application;
- ♦ The total previous expenditures, purchase orders, and purchase requisitions for the purchase of fixed and movable equipment/furniture plus the encumbrance to be recorded for fixed and movable equipment/furniture exceed the equipment amount as allowed on the project application; or
- ♦ The purchase order is for the purchase of furniture and is a charge to an appropriation that does not meet one of the following conditions:
  - ♦ A remodel of a building when the purpose of the building has changed;
  - ♦ Construction of a new building; or
  - ♦ Is charged to a specific appropriation for purchase of furniture.

**Step 4:** Apply level 3 approval to encumbrance transaction.