State of South Carolina Statewide Purchase Order Policy

Effective Date	07/01/13
Current Through	09/30/21

PURPOSE

The purpose of this policy is to standardize agency use of all purchasing or payment document types for all transactions processed for payment, including year-end processing, and adopt best practice methodology. State agencies must have internal policies in place for budgetary, financial and procurement controls and are responsible for maintaining those controls.

With the implementation of this policy, the State of South Carolina will capture data to develop the Strategic Sourcing Plan. This will facilitate strategic and cost effective use of resources for contract development and implementation. The Strategic Sourcing Plan relates primarily, but not exclusively, to acquisitions covered by the Consolidated Procurement Code (Code), which applies, "to every procurement or expenditure of funds by this State under contract acting through a governmental body (all SCEIS agencies) as herein defined irrespective of the source of the funds, including federal assistance monies." [11-35-40(2)] It does not apply "to the issuance of grants", most often referred to in the annual Appropriations Acts as "allocations." The Code does apply to procurements by governmental bodies funded with grant funds. The Code defines "procurement" as "buying, purchasing, renting, leasing, or otherwise acquiring any supplies, services, information technology, or construction. It also includes all functions that pertain to the obtaining of any supply, service, or construction, including description of requirements, selection, and solicitation of sources, preparation and award of contracts, and all phases of contract administration." [11-35-310(24)][1]

Statewide Carry Forward Appropriations

The purpose of the "Statewide Carry Forward Appropriations" and the "Carry Forward Documents" sections are to remind agencies that purchase order (PO) documents must be closed or carried forward prior to the 10% General Fund carry forward calculation.

Part 1B of the Annual Appropriations Act contains a proviso that authorizes agencies to carry forward a percentage up to 10% of the unspent original recurring General Fund appropriations to the next fiscal year. This proviso may be suspended to avoid a fiscal year-end general fund deficit.

The Comptroller General's Office (CGO) and the Executive Budget Office will determine each agency's carry forward amount and record the necessary entries.

[1] For further explanation of the terms supplies, services, information technology and construction, see S.C. Code Sections 11-35-310(31) (Supplies), 11-35-310(29) (Services), 11-35-310(1) (Information Technology), and 11-35-310(7) (Construction).

Carry Forward Documents

Certain types of documents can be carried forward in SCEIS including all purchase orders and purchase requisitions (inventory only). Only a few employees in each agency are given the ZFMJ2 transaction necessary to carry forward documents each year during a specified period.

Agencies are expected to manage their purchasing documents at year end within timelines and guidelines presented by CGO and SCEIS, including carry forward of purchase orders and purchase requisitions.

All POs must be carried forward or closed five (5) business days after disbursement cut-off as stated in Part 1B of the Annual Appropriations Act.

Purchase Orders

A purchase order is the preferred procurement instrument when a government unit orders or procures supplies or services from a vendor. A purchase order should be used when purchasing from a statewide contract or an agency contract. The use of a purchase order is necessary for agency and Materials Management Office (MMO) reporting needs to analyze spend data on contract items and on the purchase of items that warrant a contract. This analysis is essential for efficient purchasing with public funds and allows the State to develop an effective Strategic Sourcing Plan. If a direct pay method is used for a state contract as allowed by this policy, the state contract number **must be entered in the first ten bytes of the line item text field**.

All purchase orders should include the standard purchase order clauses found in SCEIS "Document Builder" unless the item(s) will be purchased from a solicited contract or the purchase order is being created from a solicitation. The standard clauses set forth the contractual obligations of a vendor.

In SCEIS, the structure of purchase orders is divided into one of five main categories of document types: Standard, Blanket, Lease, Framework, and Inventory. The SCEIS system uses the term "Transaction Type" to reference a document type. Use of proper purchasing document types may impact whether a payment transaction is accepted or rejected by the Accounts Payable Unit of the Comptroller General's Office.

The following charts describe characteristics of each of the five main categories of PO document types and the intended use of each category. Note that the PO document type category is not reflected on the printed PO. For examples, a Standard PO document type will reflect Purchase Order for its heading and a Sole Source PO document type will reflect Purchase Order for its heading.

Standard Purchase Order Document Types

A Standard PO is an order that sets forth the product or service description, quantity, unit of measure (UOM), price, discount, payment terms, date of performance or delivery date, and other associated terms and conditions which becomes a legally binding contract once the supplier accepts the PO.

The Standard PO in SCEIS is intended primarily for one-time separate purchases as there are no fields for a start and end date. However, a Standard PO can also be used for a duration of time when the price, quantity, and final delivery are known. (Refer to example in State Standard PO chart below.) SCEIS system characteristics of a Standard PO:

- Standard SAP PO format and data fields
- Known and fixed quantity, price, and item
- Requires a Goods Receipt and standard 3-way match (PO, Goods Receipt (GR), Invoice) and must agree within tolerance which is lesser of 5% per line item not to exceed $50 per line item
- or $50
- No fixed duration (Start/End date)
- Provides reporting on PO data fields, including quantity purchased

Edits/Controls in SCEIS for Standard POs

1. Goods Receipt required
2. 3-way match

The following are the Standard PO document types found in SCEIS and their intended use.

Standard Document Types	Standard PO Document Type Titles	Standard PO Uses and SC Consolidated Procurement Code & Regulations Reference
ZAUC	Auction PO	This PO type shall be used when an agency participates in an auction or sale of supplies from bankruptcy in accordance with SC Consolidated Procurement Code §11-35-1575. Use of this document type allows ease of reporting on auction purchases.
ZCMS	Case Management PO	This PO type was created for and may be used ONLY by SC Vocational Rehabilitation through an interface.
	Emergency PO	This PO type shall be used when an agency has declared an emergency purchase in

ZEMR		accordance with SC Consolidated Procurement Code §11-35-1570 & Regulation 19-445.2110. Use of this document type allows ease of reporting on emergency purchases.
ZEXP	Exemption PO	This PO type can be used for the purchase of goods or services granted by exemption from competitive bids in accordance with SC Consolidated Procurement Code §11-35-710. Use of this document type allows ease of reporting on exemption purchases.
ZSOL	Sole Source PO	This PO type shall be used when an agency has declared a vendor as the sole source provider of a good or service in accordance with SC Consolidated Procurement Code §11-35-1560 and Regulation 19-445.2105. Use of this document type allows ease of reporting on sole source procurements.
ZSTD	State Standard PO	This PO type shall be used for a one-time purchase of goods or services including a one time purchase from a contract (statewide or agency). A Standard PO can also be used for a duration of time when the price, quantity, and final delivery are known, including purchases from a contract. For example, if a delivery will be made each month for 12 months and the known cost will be $100 each delivery, a Standard PO could be created with the end date ('required on' date in shopping cart) as 12 months from the date of the PO creation, 12 entered in the Quantity / Unit field, and $100.00 entered in the Gross Price / Per field for a total cost of $1,200. Each month's goods receipt will be 1 and invoice payment will be $100 until the 12th receipt of $100 closes the PO. A one time purchase occurs primarily in accordance with the SC Consolidated Procurement Code §11-35-1550 but does not exclude other source selections listed in the Code. Use of this document type allows ease of reporting

		on commodity spend including those purchases linked to a contract.
ZUNA	Unauthorized PO	This PO type should be used in accordance with Regulation 19-445.2015 to track purchases that were made in violation of the SC Consolidated Procurement Code. Use of this document type allows ease of reporting any procurements that were made without authorization and needed ratification.

Blanket Purchase Order Document Types

All blanket PO types set forth the product or service description, dates of performance or multiple delivery dates scheduled over a period of time (and sometimes at predetermined prices), and other associated terms and conditions which becomes a legally binding contract once the supplier accepts the PO. The blanket purchase order is not in standard SAP PO format and was developed to meet business requirements of the State of SC.

Blanket Purchase Agreements provide functionality to make multiple payments with a start and end date to accommodate the requirements of the Regulation 19-445.2100 B. (1) for the establishment of Blanket Purchase Agreement. When using a Blanket Purchase Agreement, the vendor text field should be be used to identify authorized personnel and include language in accordance with the regulation. Below is a brief excerpt from the regulation.

> *General. A blanket purchase agreement is a simplified method of filling repetitive needs for small quantities of miscellaneous supplies, services, or information technology by establishing "charge accounts" with qualified sources of supply. Blanket purchase agreements are designed to reduce administrative costs in accomplishing small purchases by eliminating the need for issuing individual purchase documents.*

Note from the descriptions in the chart below that the Blanket Purchase Agreement and the Blanket PO are not the same.

SCEIS system characteristics of a Blanket PO:

- Non-standard SAP PO format requires the total value of the PO to be entered in the “Quantity / Unit” field and a quantity of 1 to be entered in the Gross Price/ Per field.
- Multiple payments can be made
- Gross Price / Per must be $1.00
- Unit of measure must be “EA”
- Unknown variables: item, price, and quantity could apply

- Requires a fixed duration date (Start/End Date)
- Price in quantity field can change with no regard to tolerance
- No reporting available on quantity purchased
- Reporting capability on total dollar value from quantity field
- Agencies have the option to require or not require a goods receipt in SCEIS, **but agencies are responsible for ensuring proper internal controls at their agency level.** State agencies must have internal policies in place for budgetary, financial, and procurement controls and are responsible for maintaining those controls.

Edits/Controls in SCEIS for Blanket POs

1. Hard-stop error messages upon creation of blanket POs when entriesare incorrect

   For Blanket transaction enter total value of line item in PO QUANTITY
   and 1.00 in Gross Price field.
   Blanket Purchase Orders Require a Start and End Validity Date on Header

2.
3. Hard-stop if the quantity and dollar amount are not the same when AP keys invoice:

   Amount and Quantity must be equal to each other

   Message no. ZFI_V057

4. 3-way match of PO, Goods Receipt, and invoice quantity when Goods Receipt is required
5. 2-way match of PO and invoice quantity when Goods Receipt is not required

The following are the Blanket PO document types found in SCEIS and their specific intended use.

Blanket Document Types	Blanket PO Document Type Titles	Blanket PO Uses and SC Procurement Code & Regulations Reference
ZBEM	Blanket Emergency PO	This PO type shall be used when an agency has declared an emergency purchase in accordance with SC Consolidated Procurement Code §11-35-1570 & Regulation 19-445.2110 if the emergency covers a duration of time and other characteristics of a Blanket PO are acceptable.

ZBEX	Blanket Exemption PO	This PO type can be used for the purchase of goods or services granted by exemption from competitive bids in accordance with SC Consolidated Procurement Code §11-35-710 and if the exemption covers a duration of time and other characteristics of a Blanket PO are acceptable.
ZBLT	Blanket PO	This PO type shall be used when an agency needs to create a purchase order for duration of time and the quantity can be variable or fixed. An example of a variable quantity is: an agency creates a one-year lawn maintenance contract for a maximum of $3,000 per year. The number of services calls during the year could vary depending on the weather. The Blanket PO Gross Price / Per should be set at $1 and 3,000 entered in the Quantity / Unit field. Payments can be made against the Blanket PO as frequently as needed up to the maximum of $3,000. An example of a fixed quantity is when an agency creates a one-year services contract for $1,200 with services to be delivered at a rate of $100 per month. The Blanket PO Gross Price should be set at $1 and 1,200 entered in the Quantity / Unit field. Monthly payments of $100 should be made against the Blanket PO for 12 months.
ZBPO	Blanket Agreement PO	This PO shall be used in accordance with Regulation 19-445.2100 B. for small miscellaneous repetitive purchases from a supplier during duration of time with an amount limit and authorized personnel and delivery data requirements. The exact item(s) to be purchased and the quantity(ies) and price(s) of item(s) are unknown at the time of the PO creation. An example is a purchase order to a local hardware store with the general term of building repair supplies" to be provided as needed.

ZBSS	Blanket Sole Source PO	This PO shall be used in accordance with SC Consolidated Procurement Code §11-35-1560 and Regulation 19-445-2105 and when an agency has declared a vendor as the sole source provider of a good or service, requires a duration of time, and other characteristics of a Blanket PO are acceptable.

Lease Purchase Order Document Types

A lease purchase order is used when an agency enters into a lease for non-state owned real property (i.e. immovable property such as land and buildings) or for the lease of personal property (i.e. movable property such as equipment). Beginning in FY2022, agencies will need to determine if the lease must be accounted for under GASB 87 or if it is excluded.

- All leased land and buildings, regardless of amount, should be accounted for according to the new GASB 87 reporting requirements.
- Leased computer equipment, leased copy equipment and leased other equipment: $5,000 or less should be excluded.
- Parking, postage equipment, PO boxes, storage space, towers and trash containers are to be excluded.
- Short-term leases with a maximum possible lease term of 12 months or less should be excluded.

ALL FY2022 leases/rentals – whether excluded from GASB 87 or not, should be entered using purchase order type **ZOPE – LEASE/RENTAL PO**.

If the lease should be accounted for under GASB 87:

- Use purchase order type ZOPE.
- IMPORTANT: The asset is NOT assigned on the purchase order.
- Shopping carts and POs need to be set up using the correct principal and interest splits. The PO must contain a line for the principal portion of the lease payment and a line for the interest portion of the lease payment.
- All vendor payments made should reconcile to the individual amortization schedules.

If the lease is excluded from GASB 87:

- Use purchase order type ZOPE
- No asset will be created

- Payments will NOT be split between principal and interest. The entire payment will be recorded as lease or rent expense.

Note: Items leased/direct financed through the State Treasurer's Office *Master Lease Program* offered under Code § 1-1-1020 are currently listed under Procurement Code Exemption: **Treasurer – Debt & Banking Functions; Financing of Lease / Purchase** and do not require a Purchase Order to be used.

General characteristics of a lease PO:

- Known and fixed quantity, price, and item
- Requires a fixed duration date (Start/End Date)
- Agencies have the option to require or not require a Goods Receipt (GR).
    - **Agencies are responsible for ensuring proper internal controls at their agency level if no GR is required.** State agencies must have internal policies in place for budgetary, financial, and procurement controls and are responsible for maintaining those controls.

The following are the Lease PO document types found in SCEIS and their specific intended use.

Lease Document Types	**Lease PO Document Type Titles**	**Lease PO Uses and SC Procurement Code & Regulations Reference**
ZCAP	NO LONGER USED	Beginning in FY2022, this PO type will no longer be used.
ZOPE	Lease/Rental PO	Beginning in FY2022, this PO type shall be used for **all leases**, whether excluded from GASB 87 accounting requirements or not. Use of this document type allows for ease of reporting on leases.

Framework Purchase Order Document Types

A standard or blanket purchase order is the preferred procurement instrument when an agency orders supplies or services from a vendor. However, at times when agencies, particularly those with client populations, require contracts with vendors in anticipation of services being required, but with insufficient knowledge available to predict when, where, or to what extent those contracts will be utilized, agencies can use a framework purchase order. Examples of limited

circumstances where a Framework PO may be used include: pools of providers of healthcare and social services for clients such as doctors, nurses, counselors, clinics, day care (for children and adults), treatment facilities and emergency room services. Improper use of the Framework PO by an agency may lead to limitation of an agency's ability to use the Framework PO.
A Framework PO provides functionality to procure goods and services over a period of time without encumbering funds. A Framework PO begins with the buyer creating a "Add Limit Item" shopping cart using the Purchasing folder. "Add Limit Item" is used ONLY for the buyer to create a Framework PO. SCEIS system characteristics of a Framework PO include:

- Does NOT encumber funds
- Does NOT follow the Shopping Cart Workflow Approval process
- Requires a valid start date and end date
- Requires a 'value limit amount' and an 'expected value' amount
- Account assignment data is entered by AP when paying the invoice

If an agency creates a Framework PO, the agency <u>must show proof of approval</u> in SCEIS.

- Secure approvals on a paper requisition or through e-mail
- Attach approval and any other documentation to Framework PO in SCEIS

If an agency creates a Framework PO, the agency <u>must show proof of receipt of goods</u> in one of two ways:

- Scan a copy of packing slip or purchase receipt

OR

- Scan copy of initialed/signed approved invoice

The following are the Framework PO document types found in SCEIS and their intended use.

Framework Document Types	**Framework PO Document Type Title**	**Framework PO Uses and SC Consolidated Procurement Code & Regulations Reference**
FO	Framework Order	This PO type can be used when an agency cannot encumber funds, but a PO is needed to give to the vendor to cover duration of time and PO limit amount.
ZFEM	Framework Emergency	This PO type can be used when an agency declares an emergency in compliance with SC Consolidated Procurement Code §11-35-1570 and requires a duration of time and PO amount limit but cannot encumber funds. An example is that an emergency has been declared, the

		vendor needs a PO before delivering goods or services, the agency needs the PO open for a duration of time and has an amount limit but cannot encumber funds.
ZFEX	Framework Exemption	This PO type can be used for the purchase of goods or services granted by exemption from competitive bids in accordance with SC Consolidated Procurement Code §11-35-710 and the agency requires a duration of time and PO amount limit but cannot encumber funds.
ZFOA	Framework Agreement	This PO can be used in accordance with Regulation 19-445.2100 B. for small miscellaneous repetitive purchases from a supplier during a duration of time with an amount limit and authorized personnel and delivery data requirements, but the agency cannot encumber funds.
ZFSS	Framework Sole Source	This PO can be used in accordance with SC Consolidated Procurement Code §11-35-1560 and Regulations 19-445-2105, when the sole source purchase requires a duration of time and PO amount limit but the agency cannot encumber funds.

Inventory Purchase Order Document Type

The inventory PO document type must be used to replenish stock for inventory. The inventory PO requires a material master number which is a unique identifier of the inventory material such as description, unit of measure, moving average price, and total inventory valuation. SCEIS system characteristics of an Inventory PO:

- A purchase requisition (PR) is created in ECC (Every line item MUST be generated from the PR.)
- One level of approval on PRs over $2,500
- PR is converted into a shopping cart in SRM for processing

The following is the inventory PO document type found in SCEIS.

Inventory Document Type	Inventory PO Document Type Title	Inventory PO Uses and SC Consolidated Procurement Code & Regulations Reference
ZINV	Inventory PO	This PO type must be used by an agency with inventory when purchasing items to be received into inventory. Inventory POs are used primarily in accordance with §11-35-1550.

Direct Payments

The Direct Pay is a financial payment transaction and is used for a direct payment to a vendor for the purchase of certain goods and services in limited circumstances. The Direct Pay process should be used only when the purchase order method is not practicable because the use of Direct Pay limits reporting data necessary for spend analysis by the State and agency. **It should not be used as a matter of convenience as it leads to the reduction in controls and approvals.** The categories below serve as a guide for the use of the Direct Payment method. Goods or services not included in the categories below must be purchased via a purchase order. Direct Payments may include items where individual payments (monthly or other frequency in a FY) are less than $2,500, however the contract number, if applicable, must be entered in the first 10 bytes of the line item text. The improper use of the Direct Payments may lead to limitations on an agency's ability to use Direct Payments.

A Direct Pay is a payment method only. It does not establish compliance with the SC Consolidated Procurement Code & Regulations or other State regulations.

The expenditures for the purposes listed below may be paid by Direct Pay.

- Supplies, services, information technology, or construction exempt from the SC Consolidated Procurement Code & Regulations. See https://procurement.sc.gov/files/20190920%20Legal%27s%20Exemption%20Table%20%28booklet%29.pdf for a current list of exemptions from the Code. Appendix A.
- IRF trust fund expenses paid in compliance with the SC Consolidated Procurement Code & Regulations
- Court ordered interpreters
- Honorariums & stipends
- Emergency (versus contracted) medical expenses for clients
- Inter-Departmental Transfers (IDT) processed via ZIDT
- Inter-Governmental expenditures paid by check

- P-Card statements
- Federal criminal background checks paid to external governmental agencies
- One-time vendor payments to vendor IDs 99999 (Vendors not on vendor master file)
- Small payments <$2,500; **Small payments related to state or agency contracts MUST have the contract number entered in the line item text. The ten digit contract number must be the leading text in the line item text field (not header text).** The Procurement requirements must not be artificially divided by governmental bodies so as to constitute a small purchase pursuant to this section.(Section 11-35-1550 of SC Consolidated Procurement Code). Agencies should assess their own needs and risk tolerance to determine if a lower direct pay threshold may be more appropriate for their agency.
- Late invoices after FYE cut-off (If applicable, the contract number must be included in line item text)
- Payments made through the State Fleet Management Commercial Vehicle Repair Program (CVRP)
- Items leased/direct financed through the State Treasurer's Office *Master Lease Program* offered under Code § 1-1-1020

If a direct pay method is used for a state contract as allowed by this policy, **the state contract number must be entered in the first ten bytes of the line item text field.**

Fund Reservations

A Funds Reservation is a budgeting tool to reserve budget and may be used to pay anything on the Direct Payment list. Funds reservations may also be used for pools of providers of healthcare and social services for clients such as doctors, nurses, counselors, clinics, day care (for children and adults), treatment facilities and emergency room services, where the agency wants to encumber funds.

State Purchasing Card

The State of South Carolina Purchasing Card (P-Card) is a charge card designed to enable authorized State employees to make small value purchases less than $10,000 of supplies, materials, and certain services authorized by the CGO for State business use. Use of the P-Card is encouraged for small purchases as defined by the agencies P-Card administrator not to exceed $10,000. When using the P-card to purchase from a state or agency contract, the contract number MUST be entered in WORKS in the contract number field. State Purchasing Card use must comply with the South Carolina Purchasing Card Policy and Procedures, which can be found at https://procurement.sc.gov/files/2019%20P-Card%20Manual%20%2009-26-2019_0.pdf.

The purchasing card is a method of payment, not a method of procurement. Use of the P-Card for payment does not supersede or waive any requirements of the Consolidated Procurement Code & Regulations.

Enforcement

Compliance with this policy is required of all State agencies other than lump sum agencies. Expenditures not processed in accordance with this policy may be rejected by the CGO. Compliance with this policy shall be audited by the Office of the State Auditor and the MMO Office of Audit and Certification.