DIRECT PURCHASE ORDER
DESK PROCEDURES

DP DOCUMENT TYPE

DESK MANUAL FOR DOCUMENT APPROVERS

INTRODUCTION

This desk manual highlights the essential information for department approvers to consider when reviewing direct departmental purchase orders. It describes the review and approval criteria to ensure compliance with the City's policies and procedures.

These guidelines are issued under the Controller's authority in the San Francisco Administrative Code, Chapter 21.04 Direct Purchasing Authority of Departments.

WHAT IS DOCUMENT TYPE DP – DIRECT PURCHASE ORDER?

Document type DP – Direct Purchase Order is used by authorized departments to process departmental purchase orders in the City's Financial Analysis and Management Information System (FAMIS) Purchasing to procure goods or services according to the City's procurement guidelines. A direct purchase order establishes an encumbrance after the document is approved in the system.

For input accuracy of purchasing documents, departmental staff must understand and be familiar with the process through the FAMIS Purchasing and Accounting System's training and manuals.

- Departments may procure goods or contract out services appropriate for the department and related to its operations and conduct of official business.
- Department staff is authorized to purchase goods or services in compliance with the City Purchaser's delegated purchasing authority requirements.
- Funds are budgeted, available, and allotted for a specific purpose.
- Vendor is in compliance with the City's purchasing and contracting, e.g. vendor's insurance should be current through the service period.
- If goods or services are funded by federal, state or local grant, procurement process is coordinated with OCA/Purchasing to ensure that forms and contract are in full compliance with the relevant fund requirements.
- Grant sub-recipients must comply with grant's procurement requirements.
- Term contract items must be ordered from term contract vendors only. Ordering from other vendors may put the City in breach of contract with the term contract vendors.
- Emergency procurements must meet the definition of Section 21.25 of the Administrative Code and comply with applicable procedures.
- Goods and services are not prohibited or restricted to be purchased by the City.
- Blanket purchase orders are not encumbrances and should not be considered as authority or commitment to purchase. Encumbrance of fund is done by posting purchase order releases against the blankets in FAMIS Purchasing. Encumbrance should only be recorded in FAMIS Purchasing with the purchase after the contract is approved.
- Modifications to the encumbrance must comply with same City policies, guidelines, and requirements governing the original encumbrance.
- Approval of the original encumbrance and modifications is certification that they are proper, valid, and legal. Any officers who approve, or allow unauthorized or illegal contracts are liable to the City and subject to penalties.

REVIEW AND APPROVAL CRITERIA

Valid Purchasing Types

Document type DP uses various purchasing types: such as single order or progress payment, release against a departmental blanket or City-wide blanket, non-release where total funds are encumbered at once, multiple year releases, or restricted use with special agreement from Purchaser and/or Controller. Refer to the table below for the list of purchasing types.

Purchasing Type	Description
PC	Purchase Order Release – Progress Payment (Lump sum encumbrance) against City Blanket authorization (BP)
RC	Purchase Order Release – Single Order against City Blanket authorization (BP)
PD	Purchase Order Release – Progress Payment against Departmental Blanket authorization (DB)
RD	Purchase Order Release – Single Order against Departmental Blanket Authorization (DB)
CT	Contract Purchase Order – Release against Contract Blanket Authorization for Professional Services Order (CB) Multiple years
CS	Contract Purchase Order – non-release type (to be used when total funds are encumbered at once) Fiscal Year
NR	Purchase Order release against Non-Purchasing Departmental Blanket authorization (NB) Construction. For use with construction contracts, special grant projects, etc. Restricted use requires special agreement from Purchaser
NP	Purchase Order – Non-Purchasing; non-release. For use with construction contracts, special grant projects, etc. Restricted use requires special agreement from Purchaser
XR	Release against Professional Services Delegation Authority Blanket (XB). Restricted use requires special agreement from Purchaser
XP	Non-release Professional Services Delegation Authority Purchase Order. Restricted use requires special agreement from Purchaser
YR	Release against Code Delegation Authority Blanket (YB). Restricted use requires special agreement with Purchaser and Controller
YP	Non-release Code Delegation Authority Purchase Order. Restricted use requires special agreement with Purchaser and Controller
PQ	Departmental Purchase Order – Prop Q; limit = $10,000
PR	Purchaser Use Only (Replace 2340 Bid PO)

Match Types

Match type is a two letter or alpha-numeric code that indicates whether the purchase order has progress match type, or 2-way match type, and 10% or $1,000 tolerance, or no tolerance at all. Purchases with progress match type do not have to match the quantity in the purchase order while 2-way match type should match the quantity and should have unit cost. The current set up of FAMIS Purchasing is 10% or $1,000 tolerance, whichever is less. This threshold is an editing control to ensure payments more than the 10% or $1,000 in excess of the PO are not made.

Match Type	Description	Use with Purchasing Types
AA	Progress match type; document level matching, 10% or $1,000 tolerance, whichever is less	PC, PD, CT, CS, NR, NP, XR, XP, YR, YP, PR, PQ
AB	Progress match type; document level matching, no tolerance	PC, PD, CT, CS, NR, NP, XR, XP, YR, YP, PR
2A	2-way match type; document level matching, 10% or $1,000 tolerance, whichever is less	RC, RD
2B	2-way match type; no tolerance	RC, RD
2L	2-way match type; document level matching, 10% or %1,000 tolerance, whichever is less	PQ

Valid Purchasing Authorities

Purchasing authority depicts the various authorizations that a department has to commit funds for goods or services associated with departmental activities. For releases against blanket purchase orders, the system populates the field to match exactly with the Blanket Purchase Order (BPO) purchasing authority. For non-releases, the purchasing authority entered on the DP document must be appropriate and in compliance with purchasing guidelines. Some of the more commonly used Purchasing Authority Codes can be found in FAMIS Purchasing miscellaneous table PCHL5750, File Identification PA:

Purchasing Authority	Description
OMP	Open Market Purchases
NOS	No Other Source
GRANT	Authorized by Grant-Not Purchasing Authority
PROPQ-BID	PROP Q Authority with Bid
PROPQ-NO BID	PROP Q Authority not bid
PROFSERV-BID	Term Contract Profserv-Bid, environmental consulting
PROFSERV-NOS	For Professional Services contracts that have not been competitively bid and where a sole source waiver has been approved
RENT	Authority to be used in NP BPO/PO for Rent

OTHER CRITERIA FOR REVIEW

- **Effective date**

The effective date in FAMIS Purchasing should correspond to the open fiscal period in FAMIS Accounting. Departmental purchase orders should not be created after receipt of goods or services. The DP document will not be posted if pointing to a closed fiscal period in FAMIS. During fiscal year-end, two fiscal years may both be open and departments will need to ensure posting to the proper fiscal period.

- **Discount Term**

Departments should take advantage of favorable vendor terms including discount pricing and prompt payment discounts. Please refer to FAMIS PCHL5750, Miscellaneous Tables, File Identification 57 for complete purchase discount terms.

- **Free on Board (FOB) Destination**

The department makes every effort to designate orders as FOB destination so that the risk and title pass to the buyer only upon receipt of shipment. Departments are not responsible for goods or services that they have not received. The shipper or seller is responsible for initiating claim against the carrier.

- **Freight**

Shipping costs are handled in a number of ways as follows:
  - Vendor includes shipping in the cost of item, thus no separate shipping charges or shipping bill. This is considered the most convenient and preferred way to handle shipping costs.
  - Vendor bills for item cost and shipping charges.
  - Vendor prepays shipping charges and adds the cost to the invoice.
  - Vendor does not pay shipping charges. The shipper sends a separate invoice.
  - Vendor does not pay shipping charges. The shipper requests payment at the time of delivery.

- **Sales Tax**

Sales tax applies to purchase of certain products and services. The sales tax rate depends on where the goods will be delivered. If an out-of-state vendor does not bill sales tax of taxable item on the invoice, the department should accrue use tax (at the same rate of the sales tax) for remittance to the State. It is important to record the correct sales tax to accurately remit to the State and to avoid penalties and audit findings. For more information, refer to the Board of Equalization.

- **Commodity Code**

For releases against blanket purchase orders, the commodity code is retrieved from the commodity code on the blanket. For non-release, departments should select the appropriate commodity code that best describes the goods or services being procured. This code should also match with the expenditure sub-object to be charged in FAMIS Accounting, to ensure proper 1099 Internal Revenue Services reporting. For more information, visit the IRS website. Refer to the table of commodity codes on screen PCHL5100 in FAMIS Purchasing.

- **Vendor Compliance**

It is essential that the vendor complies with the City's procurement guidelines. The vendor number and suffix entered should point to the proper vendor with the correct vendor name and address. Some compliance requirements include valid business tax, insurance, non-discrimination and equal benefits rights, etc. Refer to screen FAML9560 in FAMIS for vendor class/status.

- **Proper Accounting Codes**
  o Index Code

  The index code points to the proper cost center budgeted for goods or services being procured. This ensures budgetary control and facilitates accurate financial reporting in the department's organization and program activities.

  o Sub-object

  The sub-object points to the proper expenditure account matching with the commodity code on the purchase order. The reviewer should ensure that there is a budget and to use the appropriate sub-object for 1099 Internal Revenue Services reporting. Omission of 1099 report is an audit finding.

  o Project/Project Detail

  Project and project detail point to the project that is budgeted for the procured goods or services to capture the correct and appropriate expenditures in the project for financial reporting.

  o Grant/Grant Detail

  Grant and grant detail point to the grant that is budgeted for the procured goods or services to capture the correct grant expenditures for financial reporting.

COMPLIANCE WITH CITY POLICIES, GUIDELINES, AND REQUIREMENTS

Under delegated departmental authority, departments may order directly from vendors according to the City's procurement guidelines or make releases from departmental or City Blanket Purchase Order. Departments need to familiarize themselves with procurement-related sections of City Codes, such as the Charter, Administrative Code, Annual Appropriation Ordinance, Federal, State, City, and departmental guidelines, year-end instructions and special directives.

- **San Francisco Administrative Code**

Chapter 21 of the San Francisco Municipal Code governs the acquisition of Commodities and Services. Chapter 21 shall not apply to contracts for public works or improvements or to contracts for the purchase, sale or lease of any interest in real property.
http://www.municode.com/Resources/gateway.asp?pid=14131&sid=5

- **Annual Appropriation Ordinance (AAO)**

The AAO is a legislation approved by the Mayor and the Board of Supervisors that contains estimated receipts and expenditures for each department within a fiscal year.
http://www.sfgov.org/site/controller_page.asp?id=1820

- **Office of Contract Administration Purchasing Procedures**
Refer to the San Francisco Administrative Code, Chapter 21 for purchasing rules and regulations on acquisition of commodities and services.
http://www.sfgov.org/site/uploadedfiles/oca/purchasing/dobiz/RulesAndRegulations-AdminCode21.pdf

- **Year-end Instructions**
The Controller's year-end instructions state the timelines and specific guidelines for year-end. It is important to conform to the instructions to avoid delays that negatively impact other year-end activities.
http://famis.sfgov.org/controllerspolicies/AOSD_PP_Directives_index.html#Year-End

- **Special Directives and Bulletins**
The Controller's Office and Contract Administration issue directives, memos, or bulletins related to purchasing documents and transactions. It is important to follow these guidelines to comply with the policies and procedures that affect financial issues and reporting.
http://www.sfgov.org/site/intranet/?id=34719#pflash

- **Grant guidelines**
Verify grant guidelines regarding procurement of goods and services. Each grant has specific requirements, restrictions, or limitations in spending grant funds. It is important to comply with the grantor's procurement guidelines to avoid any disallowance and to promote goodwill with the granting agencies. The Controller's Office Grants Handbook for financial administration of grants and gifts can be found through this link.
http://mission.sfgov.org/DocCenter/DispDetail.aspx?DocNo=958

SUMMARY

Under delegated departmental authority, departments may order directly from vendors or make releases from Departmental or City Blanket Purchase Orders according to the City's procurement guidelines, using document type DP – Direct Purchase Order in the FAMIS Purchasing system.

It is the department's responsibility to understand and become familiar with the process, and procurement-related sections of the Charter, Administrative Code, Annual Appropriation Ordinance, etc.

There are key items to consider when reviewing and approving document type DP such as purchasing types, match types, purchasing authorities, effective date, discount terms, free on board, freight, sales tax, commodity codes, vendor compliance, and proper accounting codes.

Samples of blanket purchase orders and direct purchase orders FAMIS screen printouts and purchasing authorities are presented in the following pages for reference.

EXHIBITS

- Exhibits A-1/A-2 – Blanket Purchase Order
- Exhibit B – Direct Purchase Order
- Exhibit C – Purchasing Authority

A-1

```
PCHL2342 V5.1        CITY AND COUNTY OF SAN FRANCISCO--NFAMIS      10/29/2008
LINK TO:               BLANKET PURCHASE ORDER WRITING                 8:02 AM

BPO/CONTRACT ID : BPSF00003423      ACTION IND    : P   COPY TYPE:  (B/R)
PURCHASING TYPE : BP                INTERFACE TYPE : BP  PRINT    : N (Y/N)
CONTRACT AMOUNT :   5,000,000.00    TERMS IND     : Y   NOTE PAD : N (Y/N)
REMAINING VALUE :   2,605,626.35    CONTRACT ID   :
EFFECTIVE DATE  : 02/01/2008        ITB ID        :           AWARD:
EXPIRATION DATE : 12/31/2010        F.O.B. POINT  : DEST        STATUS: POST
INSURANCE CERT  : N                 DISCOUNT TERMS : .5%30N31   AUTO TL: N
CHANGE NO       : 001               MULTIPLE SCHED : N  *          :
BPO TITLE       : XXXX SERVICES                   CREATE : 02/11/2008
DEPARTMENT      : CITY              CITY-WIDE BLANKET PURC UPDATE : 10/27/2008
BUYER           : RXXX             XXXXXX          POST   : 02/11/2008
VENDOR/SUFFIX   : 6XX      / 01   XXXX DBA XXXX
ATTN-1:
ATTN-2:
ATTN-3:
STREET: XXXX
          CITY: SAN FRANCISCO         ST: CA ZIP: 9XXX4     CTRY: USA
PHONE : 415-XX7-6XXX                PURCH AUTHRTY  : TC83518
```

A-2

```
PCHL2350 V5.1        CITY AND COUNTY OF SAN FRANCISCO--NFAMIS      10/29/2008
LINK TO:               BLANKET PURCHASE ORDER COMMODITY SUMMARY       8:52 AM

BPO ID  : BPSF00003423  CONTRACT ID    :                    BUYER : RLM
SCHEDULE: BASE          BASE SCHEDULE
S LINE COMMODITY ID       U/M       UNIT COST    MINIMUM QTY PRODUCT NO
  001 7320-60-10          HR
  SVC,PEST CONTROL;@ CITY DEPTS/FACILITIES
  002 7320-60-10-9060  HR          82.0000
  SVC,PEST CONTROL;EMERGENCY SERVICE CALL
```

EXHIBIT B – DIRECT PURCHASE ORDER

```
PCHL2360 V5.1   CITY AND COUNTY OF SAN FRANCISCO--NFAMIS        10/27/2008
LINK TO:              DIRECT PURCHASE ORDER WRITING              10:39 AM
PURCHASE ORDER : DPAD09000008    ACTION IND: P    STATUS: PVCH    NOTE  : N
PURCHASING TYPE: PC              INTF TYPE : DP   EFF DT: 07/01/2008 TERM : Y
DEPARTMENT     : CAOBO           BUYER    : RLM  CREATE: 06/26/2008 QUOTE : N
PO AMOUNT      :      4,000.00  MATCH TYPE: AA   UPDATE: 10/15/2008 INS CRT: N
PO NET AMOUNT  :      4,000.00  CHANGE    :      POST  : 06/30/2008 SUB CTR: N
REMAINING AMT  :      2,934.00  CREDIT IND: N    WHSE  :            VEN CHG: Y
VENDOR/SUFFIX  : XXX     / 01 XX DBA PXXXXXX     PRINT : N
ADDRESS        XXX AVE COPIES: 01
         CITY : SAN FRANCISCO             ST: CA ZIP: 94124    CTRY: USA
P/O TITLE      : PEST MGMT FY08-09                  *            :
BPO/SCHED/CALL : BPSF00003423 / BASE / 0041         EXPEDITOR:
DELIVERY DATE  : 07/30/2008         FOB    : DEST    TRACK CODE:
EXPIRE DATE    :                    FREIGHT :         TRACK DATE:
DISCOUNT TERMS : .5%30N31     PURCH AUTHRTY: TC83518
DIST METHOD    : S (S,M,P)   CONTRACT ID :
SFX INDEX          SUBOBJ   USERCODE  PROJCT   PRJDTL GRANT  GRNTDTL PERCENT
01  705040         02803
```

EXHIBIT C – PURCHASING AUTHORITY TABLE

```
PCHL5750 V5.1        CITY AND COUNTY OF SAN FRANCISCO--NFAMIS        10/28/2008
LINK TO:                        MISCELLANEOUS TABLES                  4:22 PM


          FILE IDENTIFICATION: PA    PURCHASING AUTHORITY

          USER KEY          : TC83518

          DATA              :

TERM CONTRACT NO. 8XXX8, PEST CONTROL SERVICES
```