DEPARTMENT OF FINANCE & MANAGEMENT OPERATIONAL GUIDANCE			
Topic:	Purchase Orders, Statewide Contracts, and Blanket Delegations of Authority	**#:** **Issue Date:**	OG-02 **June 2008**
Related Policies:	▪ **VISION Procedure #3: Purchase Orders, Contracts and BDAs** ▪ **Bulletin #3.5: Procurement and Contracting Procedures**	**Revision #:** **Rev. Date:**	N/A N/A
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A.   Purpose:

To provide departments with reasoning and guidance pertaining to the required use of VISION purchase orders (PO), statewide contracts, and blanket delegations of authority (BDA).

B.   Frequently Asked Questions:

1. How do I find out what goods and services are available from statewide contracts or authorized for purchase under a blanket delegation of authority (BDA)?

   ➢ **Refer to the current contract listing or BDA Index on the BGS - Office of Purchasing & Contracting website or contact BGS-OPC at 828-2211.**

2. Is there any one document with all of the purchasing rules and requirements?

   ➢ **The most comprehensive document is the BGS-OPC Buyer's Resource Guide.**

3. My department is considering getting a purchasing card, where can I find out more information?

   ➢ **Refer to the State of Vermont Purchasing Card page on the BGS-OPC website.**

4. I'm supposed to use a VISION purchase order for contract items yet I can use the P-Card for the same item without a purchase order…isn't this contradictory?

   ➢ **No, authorized P-Card vendors and the administering bank must meet specific reporting requirements that enable BGS-OPC to obtain equivalent "purchase order" data from P-Card transactions.**

5. Do we have to use purchase orders for our department's own contracts (*since we track all contract payments internally through an Excel spreadsheet to make sure the contract is not overspent*)?

   ➢ **Yes, *Bulletin #3.5* and *VISION Procedure #3* require the use of purchase orders when making payment against all contracts. Through VISION, a purchase order directly ties the expense to the available contract balance providing the greatest assurance that a contract will not be overspent, while also providing interested parties with real-time information regarding contract utilization. While a department may feel it's more efficient to track contract payments through a spreadsheet and not use purchase orders, there is no direct link or system controls between a department's spreadsheet and the processing of that payment in VISION…thus increasing the risk of overspending the contract.**

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6. Creating purchase orders in VISION takes longer than just processing a regular payment voucher…so isn't this inefficient?

   ➢ **Enterprise-wide integration between contracts, purchase orders, and accounts payable vouchers is part of the VISION system's delivered financial controls and industry best practices that the State of Vermont has a responsibility to utilize. While the use of purchase orders does require additional effort, efficiency shouldn't be measured solely by the amount of time it takes to process a transaction in VISION. Purchase orders provide departments with a means to initiate and authorize purchases, encumber funds, ensure contract maximums aren't exceeded, monitor contract utilization, etc. We have considered some options to streamline the purchase order process within VISION but haven't found any available solutions to be workable or financially viable.**

7. Most statewide contracts have no maximum dollar limits and they have terms requiring vendors to supply usage reports, so why do you still need VISION purchase orders to track contract usage?

   ➢ **Vendor reporting requirements are only on a periodic basis and do not provide us with real-time information for responding to on-demand inquiries, reporting requirements, and/or data analysis. Furthermore, the data we obtain from VISION and P-Card transactions provides us a means to substantiate vendor supplied data and reports which can be especially beneficial during contract negotiations and/or dispute resolution with vendors.**

8. I see that there is a statewide contract for <*office supplies*> but my department has always bought our <*office supplies*> from another vendor, is that still ok?

   ➢ **No. In accordance with *Bulletin #3.5*, all state government entities must utilize these statewide contracts unless approved in advance by BGS.**

9. I found a contract item cheaper from a different vendor (*or even the same vendor*); since we're supposed to be saving the State money, isn't it just ok to ignore the contract and buy wherever it's the least expensive?

   ➢ **No. If the "potential" savings is significant then please contact BGS to discuss the situation. For example, if your department is seeking a high volume purchase and feels a more competitive price (then what is available under a statewide contract) is attainable, we may decide to issue a separate requisition.**

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> **It is important to recognize that when vendors are awarded statewide contracts through a competitive bidding process, there are certain requirements and costs imposed on that vendor which may not be reflected in the lower-cost item from another vendor. Statewide vendors must meet certain requirements regarding…conflict-of-interest, insurance, delivery, quality/content of goods (e.g. *Governor's Executive Order: Clean State Program, environmentally preferable purchasing*), data reporting, etc. …all of which may impact the contract pricing. Furthermore, some contracts have financial incentives to the State based on reaching specific usage levels. *For example, upon reaching a contracted purchase level with one vendor, the State was directly reimbursed $500,000. Although this discount was not apparent in the individual purchase prices of the product(s) it was there none the less.***

> **Once awarded, a contract becomes a public document so in theory every competitor has the ability to "beat" the contract price. However, through our contract the State has established a professional, legal, and ethical relationship with that vendor and it is in the best interests of the State to maintain that relationship (notwithstanding extraordinary circumstances). To the extent that purchasing under statewide contracts is maximized, it provides us with better leverage in negotiating future contracts…ultimately saving the State money.**

10. VISION yearend closing instructions require us to stop using purchase orders in early June, so how am I supposed to order supplies, pay my bills on-time, meet contractual requirements, etc.?

> **We acknowledge this yearend closing period does present challenges but many of which can be overcome with minimal impact to our operations and contractors.**

> **Purchase orders cannot be created during the final 3 weeks in June, but as the State's standard vendor payment terms are NET30 there should only be a limited number of invoices (*if any*) that cannot be paid within the 30 day threshold.**

> **As yearend processing deadlines are issued well in advance, many departments coordinate their yearend purchasing needs and contractual obligations to accommodate these timelines. If during this closing period a department must acquire an item under contract or receives a payment request from a contractor *(and assuming a purchase order had not already been created)*, then the department would need to carry-forward the funds to**

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> support that obligation and create a purchase order (after-the-fact) in the subsequent fiscal year to pay the invoice and drawdown the contract.

> ➢ For a department's own contracts, we recommend including a clause in the "payment provisions" (i.e. Attachment B) informing the contractor of the State's standard payments terms (NET30), as well as timelines and restrictions for submitting/processing payment requests during the month of June.

> ➢ For emergency contract payments that arise during the closing period, a department may submit a request to Financial Operations (FinOps). If approved for payment, FinOps will manually reduce the available contract balance since a purchase order will not be created to process the payment voucher; this exception process should be used sparingly as it does compromise the integrity of reporting as it relates to the flow of data from contracts to purchase orders to vouchers.

11. For BDA purchases, why do we need to enter the BDA # in the "Item" field on the invoice line of the voucher?

> ➢ This business process change was made in response to feedback and recommendations from VISION users. BDAs are issued by BGS and authorize departments to make specific types of purchases for items not available under statewide contracts. Previous BDA instructions required departments to (1) enter the applicable BDA# in the "Description" field on the invoice line of the voucher, and (2) annually submit a report of all purchases made and dollars spent pursuant to each BDA used. The free form nature of the "Description" field made system tracking and reporting on BDA usage difficult, plus many departments also used that same field to capture other information.

> ➢ By tracking BDA usage through the "Item" field, departments will enter or select from a drop-down list the applicable BDA# from a pre-defined set of values. To facilitate reporting on BDA utilization, a query was developed for use by departments and BGS. It is expected that compliance with this business process change will ease reporting requirements for departments and lessen the demand of BDA audits by BGS.