

Chapter 600: The Contract Order

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CHAPTER 600 - THE CONTRACT ORDER

601 A SUMMARY OF THE CONTRACT ORDER

If a user department needs to enter into a detailed agreement with a vendor to obtain goods or services under numerous terms and conditions, the Contract Order (See 600-1) is to be used. A Contract Order differs from the other methods of procurement by its detail and by the fact that multiple payments to the supplier are prearranged, based on the level of delivery. Prior to initiating a Contract Order the user department should contact the Purchasing Department to determine the particular requirements needed for the proposal. Once the Contract Order is established, the supplier will periodically bill the user department as provided for in the Contract Order's schedule of payment. The user department then prepares a Contract Payment Authorization to verify the completed level of the contract and forwards the form to the Purchasing Department to initiate payment.

602 CHARACTERISTICS OF THE CONTRACT ORDER

The distinguishing features of the Contract Order as opposed to the Requisition for Purchase Order or the Term Purchase Agreement are that it is:

- (1) Accompanied by or referenced to a specific contract which details the terms and conditions of the procurement;
- (2) Used to obtain the multiple delivery of equipment or consulting services as opposed to the one time delivery of materials, supplies or non-professional services;
- (3) Used for the leasing of equipment that is technologically complex in nature;
- (4) Used for a lease/purchase arrangement;
- (5) Invoiced by the contractor to the user department in accordance with the terms and conditions of the contract; and,
- (6) Paid for by the Controller issuing a warrant for each payment period as defined in the contract.

603 THE ACCOMPANYING CONTRACT

By itself the Contract Order is merely a cover document which requests the Purchaser to make a procurement. It is the accompanying contract that details the terms and conditions of the goods or services. Each Contract Order is to be accompanied by a new contract or referenced to an existing contract in at least one of the following manners:

- (1) Attach the Purchaser's Model Contract (See 600-2) - this document enumerates all the Purchaser's required contract terms and conditions. The Purchaser allows modifications to the provisions of the Model Contract only if the particular circumstances of the procurement warrant the modifications;
- (2) Attach the vendor's agreement - this type of document is used in relatively simple agreements. When utilizing a vendor's agreement form the user department is to ensure that the City's standard terms and conditions are included in the agreement. This can occur by either deleting, adding and initialing the vendor's agreement form, or by attaching the Standard Contractual Provisions form (See 600-3). When utilizing the Standard Contract Provisions the user department is also to complete the Signature Page (See 600-4). The Signature Page verifies the signing of the vendor's agreement with the Standard Contractual Provisions as an addendum.
- (3) Reference to a Master Agreement - if the Contract Order is to initiate service to the user department under the provisions of an existing master agreement between a vendor and the City, the Contract Order may reference the agreement without an accompanying contract;
- (4) Reference to a Continuing Contract which is on file - each fiscal year (or, in some cases, federal fiscal year) Contract Orders are to be renewed with the Controller. If a Contract is intended to be an annual renewal the user department may reference the existing contract.

604 PROFESSIONAL SERVICE AND LEASE/PURCHASE CONTRACTS

Contracts for professional services and for lease/purchase arrangements are the most frequent types of Contract Orders. These contracts often represent significant expenditures of user department resources and require a high level of managerial involvement. For this reason Chapter 900 has been developed as a managerial guide for the procurement of complex, technical personal services and lease/purchase considerations.

605 PREPARING AND DISTRIBUTING THE CONTRACT ORDER

605.1 INSTRUCTIONS FOR COMPLETING THE CONTRACT ORDER

After consulting with the Purchasing Department on any special considerations, the user department is to complete the Contract Order using the following line-by-line instructions (see 600-1):

Department - enter the name and number of the user department and the current date.

Contracts with - enter the name, address and employer number of the proposed contractor.

CONTROLLER'S NUMBER - enter user department number on Copy #1 (Pink) and Copy #2 (Yellow) only if preencumbrance accounting is used.

DEPARTMENTAL CONTROL NO. - enter user departmental control number.

Fund(s) - consult the Departmental Accounting Systems Manual for the appropriate entry.

For completion by - indicate the final date of delivery if the contract is for equipment or the date of the final report if the contract is for professional services.

For the purpose of - enter a brief description of the equipment or professional services to be provided. Reference all attachments including the contract, insurance verifications, etc.

(NOTE: To complete the spaces numbered 12 to 87 in the middle of the Contract Order, the user department is to consult the Departmental Accounting Systems Manual.)

APPROVALS - enter the signature of the head of the user department or an authorized representative. If required, the approval(s) of the Civil Service Commission and the Board of Supervisors should also be obtained prior to submitting the Contract Order to the Purchaser. The Purchasing Department will forward the Contract Order to the Chief Administrative Officer (if CAO approval is required) and the Controller.

Completion Bond & Lien Bond - enter the amounts of the bonds as required by the contract.

605.2 DISTRIBUTION BY THE USER DEPARTMENT

(A) Preencumbrance Accounting

If the user department utilizes preencumbrance accounting the Contract Order is distributed in seven copies as follows:

- (1) Copy #1 (Pink) to the Controller for preencumbrance;
- (2) Copy #2 (Yellow) retained by the user department;
- (3) Copy #3 (Blue) to the Purchaser;
- (4) Copy #4 (Green) to the Purchaser;
- (5) Copy #5 (White) to the Purchaser;
- (6) Copy #6 (Yellow) to the Purchaser; and,
- (7) Copy #7 (Yellow) retained by the user department.

(B) Non-Preencumbrance Accounting

If the user department decides not to utilize preencumbrance accounting, Copies #3 through #7 are distributed as described above.

(C) Accompanying Contracts

In addition to the Contract Order three copies of the accompanying contract, containing original vendor and department head signatures (as required by §21.12 of the Administrative Code), and the Personal Services Contract Fact Sheet (See Purchasing Directive No. 84-6) are to be forwarded to the Purchaser. If the user department wishes to maintain an original, signed copy of the contract it should forward a fourth copy to be returned after all signatures are obtained.

606 PROCESSING REQUIREMENTS FOR THE CONTRACT ORDER

606.1 THE PURCHASING DEPARTMENT

The Purchaser reviews the Contract Order to determine:

- (1) If the equipment or professional services being ordered are subject to the bid process (See §405.1);
- (2) If the Term Purchase Agreement or the Requisition for Purchase Order would better accommodate the procurement;
- (3) If the use of a lease or a lease/purchase is the most economical manner in which to procure equipment if it is sought in this manner;
- (4) If the City's standard terms and conditions are being used; and,
- (5) If additional terms and conditions should be added due to the nature of the equipment or professional services being sought.

After approving the Contract Order the Purchasing Department forwards it to the Controller, or the Chief Administrative Officer if it is greater than \$15,000.

606.2 CONTROLLER APPROVAL AND DISTRIBUTION

The Controller reviews the Contract Order, establishes an encumbrance, and distributes the approved document as follows:

- (1) Copy #3 (Blue) is retained by the Controller;
- (2) Copy #4 (Green) is forwarded to the Purchaser;
- (3) Copy #5 (White) is forwarded to the contractor; and,
- (4) Copy #6 (Yellow) is returned to the user department as the confirming document.

607 PAYMENT TO THE CONTRACTOR

607.1 THE CONTRACT AUTHORIZATION PAYMENT

In accordance with the provisions of the contract the vendor will periodically invoice the user department. The user department then completes the Contract Payment Authorization form to initiate payment (See 600-5). All copies of the Contract Payment Authorization, and its accompanying invoices and documents, are to be forwarded to the Purchasing Department. The Purchaser reviews the documents to ensure that they are in accordance with the provisions of the contract. The Purchaser then forwards the approved documents to the Controller who issues a warrant to the contractor.

607.2 FINAL PAYMENT FOR THE PURCHASE OF EQUIPMENT

When the Contract Payment Authorization is generated to make final payment on the purchase of equipment, the user department is also to complete a Requisition for Purchase Order for the equipment. This document initiates the inventorying of the equipment. The Requisition for Purchase Order should note in the "description" section that the equipment has been procured through a Contract Order on purchase or a lease/purchase basis and that the final Contract Payment Authorization has been initiated. In addition, the Contract Order number should appear on the Requisition.

608 CONTRACT MODIFICATIONS

The Contract Modification form (See 600-6) is to be used when altering or changing the scope and/or fiscal provisions of an existing contract. The user department is to complete the Requested Modification section to fully describe all revisions and to identify the specific sections (including the listing of contract section numbers) of the existing contract which are being modified.

The Contract Modification is to be prepared and distributed in the same manner as the Contract Order (See Section 605 for Preparing and Distributing the Contract Order).