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Mayor

Naomi Kelly
Director and Purchaser
Purchasing

June 3, 2010

To: Department Heads and Finance Officers

From: Naomi Kelly 
Director of OCA and Purchaser

Subject: Preparing Purchasing Documents for Fiscal Year 10-11

This is OCA's annual memo alerting departments to new and traditional procedures to follow, and the schedule, when preparing and submitting purchasing documents for the new fiscal year. The subjects covered are:

1. What's new
2. Schedule for submitting new documents for FY 10-11
3. Blanket purchase orders
4. Delegated departmental orders (Prop. Q orders)
5. Direct vouchers
6. Term contracts
7. Post-audits
8. Paying invoices
9. Special transactions: Technology Store; Vehicles and heavy equipment
10. The CopySmart contract, and how to save money by keeping your copier longer than three years
11. Procedural reminders (eight subjects)

For more information on any of these subjects, please call the Purchaser in OCA who handles your department's orders

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1. What's new

a. Direct Voucher limit is being raised from \$200 to \$1,000

While departments should always encumber funds before placing an order with a vendor, circumstances sometimes arise where an encumbrance was not done. Direct Vouchers are used only in unusual situations where funds were not encumbered first. Effective July 1, the dollar threshold for Direct Vouchers that go through OCA is being raised from \$200 to \$1,000. All Direct Vouchers will still require the

traditional explanation of why the department has an invoice that cannot be paid against an existing purchase order. See section 5, "Direct Vouchers," below.

b. Departmental blankets of \$10,000 and below

Beginning July 1, departments should create their own delegated departmental purchase orders ("PQ" purchasing type) instead of submitting departmental blankets ("DB" purchasing type) below \$10,000 to OCA. OCA will not accept departmental blankets below \$10,000 unless the recommended vendor is an LBE. Please indicate in the Notepad that the vendor is an LBE.

OCA may accept other blankets below \$10,000 on a case-by-case basis. Please call a buyer in OCA before you submit a blanket below \$10,000 with a vendor that is not an LBE, and indicate the following in the Notepad:

- Did you check HRC's database of certified LBEs for possible vendors? If not, why not?
- If HRC's database contained certified LBEs that provide the product or service, why were you not able to use one as the recommended vendor?

c. Encouraging vendors to get paid electronically instead of by check

The Controller and OCA are working to get as many vendors as possible to enroll in Bank of America's PayMode-X system, a program where the City will pay the vendors electronically instead of by check. In a related development, in late July the Controller plans to begin printing and mailing traditional checks only one day a week instead of five days a week. We encourage departments to mention this new program to vendors at a convenient opportunity. If you have questions, please call:

Steve W. Lee 554-7591

The Controller's website regarding electronic payment is:

<http://sfcontroller.org/index.aspx?page=85>

d. May 2010 revision to the City's Model Contracts

All of the City's Model Contracts were revised last week. On May 25, OCA sent a citywide e-mail with copies of the contracts to everyone in OCA's e-mail groups of contracting officers, noting that the new versions must be used for: all bids or RFPs posted on the City's website on or after June 1; all non-bid contracts submitted to the

City Attorney and OCA on and after June 1; and all amendments submitted to the City Attorney and OCA on and after June 1.

2. Schedule for submitting new documents for FY 10-11

Departments may begin preparing and submitting FY 10-11 documents according to the schedule below.

a. Departments that use FAMIS-Purchasing (formerly ADPICS)

June 7 Begin creating FAMIS-Purchasing Blankets for FY 10-11.

The BPO effective date **must be 07-01-2010** or later to ensure that the BPO is numbered for FY 10-11. The Controller's instructions accompany this memo as a separate file.

June 7 Begin posting Departmental Blankets (BPO with "DB" Purchasing Type) for FY 10-11 to Purchasing approval boxes.

June 14 Begin posting Contract Blankets (BPO with "CB" Purchasing Type) for FY 10-11 to Purchasing approval boxes.

July 1 Begin posting Purchase Order Releases for posting to FAMIS-Purchasing.

b. Departments that do not use FAMIS-Purchasing (off-line departments)

June 7 Begin sending FY 10-11 Departmental Blankets, Contract Blankets, and Release Forms to Purchasing for review and approval.

3. Blanket Purchase Orders

a. Contract blankets ("CB" purchasing type)

Use a Contract blanket (Purchasing type "CB") for any purchase where the City and the vendor have signed a separate formal contract. This happens most often when a department has used one of the City's Model Contracts, such as for Professional Services, Equipment Maintenance and Lease Agreements, or Software-related purchases. These Agreements must be processed as a blanket regardless of term length. Consistent with a change from two years ago, the Direct Purchase Order ("CS" Purchasing Type) **may no longer be used** for these Agreements. If you anticipate the services to be needed on a continuing basis, be sure to set up a multi-year contract and multi-year blanket to save processing time.

To avoid delays, send your final agreements, including the contract checklist (P-500 Checklist or P-501 Checklist) if applicable, and complete attachments (with the FAMIS-Purchasing document numbers) to Purchasing.

If Purchasing receives a professional service contract or other type of contract listed in this section that uses a “DB” purchasing type, **Purchasing will return the transaction to the department** so that the Departmental Blanket can be cancelled and replaced with a “CB” purchasing type.

b. Departmental blankets (“DB” purchasing type)

As described in “What’s new,” as of July 1 departments should no longer submit departmental blankets to OCA for \$10,000 and below, unless the blanket is with an LBE.

If a department needs something that would not use a Contract blanket, such as hand tools from the closest hardware store, then the department submits a Departmental blanket, which is Purchasing Type “DB” in FAMIS-Purchasing.

Departments should consider and confirm the following terms and include these terms in the specification section of the Blanket as appropriate:

- **Pricing terms:** Try to obtain discounts off of retail pricing.
- **Payment terms:** Ask for a prompt payment discount.
- **Delivery terms:** FOB Destination is preferred.
- **Delivery lead time:** The number of days to deliver the product or service.
- **Description of the product or service.**
- **Commodity code.** Make sure you use the right code for the product or service. The list of commodity codes is posted in the “OCA—General Instructions and ADPICS information” category in the Document Library. For more information, call a buyer or the ADPICS Help Desk.
- **Account number.** If your department has an account number with the vendor for these purchases, please include it.

Put the following information in the Note Pad:

- Reasons why the purchase is not biddable.
- If the vendor is not an LBE, did you check HRC’s database of certified LBEs for possible vendors? If not, why not?

- If the vendor is not an LBE and if HRC's database contained certified LBEs that provide the product or service, why were you not able to use one as the recommended vendor?

c. Purchase Order Releases against Blanket Purchase Orders

Blankets do not encumber funds. Purchase order releases against blankets do. Purchase order releases are created in FAMIS-Purchasing on Screen 2360. **Purchase order releases must be created, posted and encumbered before orders are placed and not after materials have been ordered, shipped, received, or invoiced.** This requirement is in accordance with Charter Section 3.105 (required encumbrance).

d. If the title of the blanket is "Converted BPO"

In December of 2005, the new version of FAMIS went into production. When that happened, the new "BPO title" field was added to the system, and all existing blankets got the default title of "Converted BPO." It's easy to overlook that if you're extending or copying an existing blanket.

Please do not leave the title as "Converted BPO." Instead, please be sure the blanket has a useful title, something that describes the product or service involved, and you might want to include user information, such as "widgets for customer service office."

4. Delegated Departmental Purchasing (formerly known as Prop. Q)

Departments are reminded that they can now issue direct purchase orders following the Delegated Departmental Purchasing guidelines for products (including chemicals) and general services for up to \$10,000 (tax and shipping included). **This delegation does not include professional services, computer IT equipment and services, construction, term contract items, lease-purchase transactions, or vehicles.**

Order splitting is prohibited to stay below the \$10,000 limit.

Delegated Departmental POs are the responsibility of the issuing department and must be approved online by the issuing department. They do not go to Purchasing's or Controller's approval levels in ADPICS. The authority codes in ADPICS are PROPQ-BID or PROPQ-NO BID.

To continue to use Delegated Departmental Purchasing for FY 10-11, the Department Head must adhere to the following requirements:

1. The Department Head must submit to Purchasing a roster of the employees in the department using the Delegated Departmental Purchasing.
2. Every employee who exercises Delegated Departmental Purchasing should file Form 700, Statement of Economic Interests, with his/her department.
3. All employees delegated by the Department Heads are required to attend a Delegated Departmental Purchasing Training every three years. OCA will be providing Citywide training in August and September 2010. Those who attended the training in 2007 or earlier must take the training again during this time.

Delegated Departmental POs are part of the Controller's post-audit program, and examples of possible order splitting are scrutinized.

For more information, please see the memo from OCA, dated May 13, 2005, posted in the Document Library in the "OCA—Departmental Purchasing" category:

<http://mission.sfgov.org/doccenter/ByDept.aspx?S=0&T=tbd&K=X>

5. Direct Vouchers

Departments should always encumber funds before placing an order with a vendor. Direct Vouchers are used only in unusual situations where funds were not encumbered first. Effective July 1, the dollar threshold for DVs that go through Purchasing is being raised from \$200 to \$1,000.

Purchasing will be reviewing direct voucher transactions which are \$1,000 or more. For DVs of any amount, departments must provide in the Note Pad justification for why a DV was used and why funds were not encumbered in the normal fashion. Transactions that are not justified (to the satisfaction of Purchasing or the Controller) will be rejected back to the department. All DV transactions, regardless of amount, will be part of post-audits by the Controller and OCA.

Direct Vouchers should not be used for recurring purchases. Instead, a Departmental Blanket or a Delegated Departmental PO should be used.

Direct voucher procedures are set forth in Chapter 300, "Direct Vouchers," in the *Guide to Ordering Goods and Services*. OCA is revising Chapter 300 and will reissue it soon.

6. Term contracts

We have over 140 term contracts in place for a wide variety of products and services. The most heavily used term contracts include: office supplies, fuel, the Technology Store, and the CopySmart program. Purchasing distributes a monthly list of term contracts and posts the list in the Document Library in the “OCA—Term Contracts; read me first” category.

In November 2009, OCA sent out a citywide memo reiterating some of the standard procedures applicable to purchases of items on terms contracts, including:

- Ordering term contract items only from the term contract vendor
- Creating a PO release against the term contract before placing an order.
- Division of responsibilities between the person who places the order and the person who approves the invoice.

Please review that memo. It’s posted in the Document Library in the “OCA—Term Contracts; read me first” category.

7. Post-audits

In FY 10-11, the Controller and OCA will continue their cooperative efforts on post-audits of departments’ purchasing activities. Two subjects that will be covered are:

- Delegated departmental purchase orders, with attention to instances of possible order splitting to avoid the \$10,000 order limit.
- Direct Vouchers, with attention to types of purchases, such as repetitive purchases, that should have been made on departmental blankets or delegated departmental purchase orders.

8. Paying invoices

The normal procedure involves a three-way match: the purchase order, the packing slip, and the invoice. The descriptions, quantities, and prices should match on all three documents (though not all packing slips show prices).

The invoice could arrive with the shipment or be mailed separately. Check the invoice’s prices against the purchase order’s prices, check the invoice’s quantities against the shipment’s quantities, and when everything is in order, have the invoice signed by someone other than the person who placed the order and other than the person who received the order. Send the approved invoice to your accounting staff to be paid. If the transaction were based on a departmental blanket, the ordering document would be a purchase order release rather than a purchase order.

If the PO release does not contain the unit prices for what was ordered (most PO releases do, but some don't), then someone must check the invoice against the unit prices in either the citywide blanket or in the contract documents posted in the Document Library to verify that the vendor has invoiced the City correctly.

9. Special transactions

a. Technology Store (Computer Store) and IT Purchases

To assist in processing Technology Store and IT-related transactions, please remember to include the following:

- As soon as you post a requisition into the approval path, e-mail the approved quote form to cio.review@sfgov.org, or fax the quote form to 581-3900.
- Input information into the requisition exactly as it appears on the quote, with quantity, part numbers, and complete detailed descriptions of each line item.
- **Do not input all items on one line with a total dollar amount.**
- If you are ordering a monitor, always add an additional line item for recycling charges.
- In the detail screen of the last line item of the requisition, input: the quote number, the name of the person quoting, the quote expiration date, and the administrative fee.
- For professional service contracts, remember to submit your project for Local 21 review via the webform at:

http://www.ifpte21.org/sfitchapter/psc_info_request.shtml

For questions or assistance, please contact our IT purchasers:

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| • Diane Handa, Purchaser | 554-6913 |
| • James Flowers, Senior Purchaser | 554-6740 |
| • Patrick Rice, Senior Purchaser | 554-6734 |
| • Jaci Fong, Supervising Purchaser | 554-6701 |

In August 2009, the Department of Technology (DT) implemented new procedures for reviewing IT-related purchases. A new kind of requisition (Purchasing Type RT) was created, and the new requisitions have followed a new ADPICS approval path with a new DT approval level of 300. DT's memo of August 10, 2009 describing the new procedures is posted in the "OCA—Technology Store" category in the Document Library.

b. Vehicles, Heavy Equipment and Specialized Vehicles

Vehicles and heavy equipment that are registered and licensed by the Department of Motor Vehicles are processed by the centralized fleet buyers. Department should include in the requisition package the following items:

- Screen print of the ADPICS requisition (**tire tax and extended warranty should be separate line items**).
- Approved equipment budget number.
- Fleet approval from Tom Fung, Director of Fleet Management.
- If the vehicle or heavy equipment is not electric or hybrid or fueled by compressed natural gas, you must obtain Clean Air Approval from the Department of the Environment. Submit the approval to OCA.
- The technical specifications, which must have been approved by Fleet Management. E-mail a copy to the fleet buyers.

If you have any questions, please call the following fleet buyers:

- Daisy Aguallo, Senior Purchaser 554-6714
- Jennifer Snyder, Supervising Purchaser 554-4751
- Judy Wong, Supervising Purchaser 554-6258
(for specialized emergency vehicles)

10. The CopySmart contract, and how to save money by keeping your copier longer than three years

On March 1, 2010, OCA sent a citywide memo advising departments of the savings they could enjoy if they kept their copiers beyond the usual three years. The City's contracts with Konica-Minolta, Ricoh and Xerox specify that the monthly rental cost will decline by at least 50% beginning in the fourth year of the contract. The memo is posted in the Document Library in the "OCA – Term Contracts, A-G" category, under "CopySmart program." For more information, please call:

James Flowers, Senior Purchaser 554-6740

11. Procedural reminders

a. Approval path requirements

All documents in FAMIS-Accounting and FAMIS-Purchasing must be approved by someone other than the initiator.

b. Sole source purchases

If you believe the product or service you need is available from only one vendor, then you must complete this form for all such purchases over \$10,000: "OCA sole source waiver form (form P-21.5(b))." **Submit the form before you submit a requisition or blanket to OCA that you believe qualifies as a sole-source purchase.** Please attach a written justification, in the form of a memo, that answers all the questions on the form. If your transaction also requires a sole source waiver from HRC, please include HRC's waiver approval as an attachment.

c. Purchases paid for with American Recovery and Reinvestment Act (ARRA) funds

The City has received ARRA funds for more than a year. ARRA-funded purchases have different bid and contract terms than non-federally funded procurements and the requirements can vary depending on the ARRA funding agency. Reporting requirements are significant, and departments should plan in advance to make sure they can meet the requirements. The City Attorney's Office previously issued memos to department heads outlining the additional terms and reporting requirements associated with ARRA funded procurements. OCA's bid database was enhanced to flag ARRA purchases.

Please observe the following for ARRA-funded purchases:

- Follow the Controller's guidelines for accounting.
- In the Note Pad, flag that ARRA funds are being used.
- E-mail or call the buyer in OCA to review, because the purchase will require special bid and contract terms.
- Allow adequate time because of different bid or sole source requirements.
- If the transaction is a bid, indicate the Purchasing authority as "ARRA-BID."
- If the transaction is a sole source, then indicate the Purchasing authority as "ARRA-NOS."
- Remember to plan ahead.
- Remember to plan for meeting the reporting deadlines.

d. If you want to use a contract between the vendor and another government agency

The City may be able to take advantage of a contract a vendor has with another city, state, or county. Please provide documentation that the vendor's contract with the other agency meets the requirements of Admin. Code 21.16, "Use of purchasing agreements of and reciprocal agreements with other public and non-profit agencies; solicitations for multiple departments." Most often, the original contract will have been awarded by the other agency via competitive bidding or an RFP.

e. Contracts for longer than ten years or \$10 million or more

Contracts with an anticipated term of ten or more years or anticipated value estimated to be \$10,000,000 or more must also have Board of Supervisors approval.

f. Transactions that use FAMIS-Accounting

FAMIS-Accounting is used for construction (with liens or retention), refunds, travel, training, claims, employee reimbursement, court-related payments, memberships, official advertising, postage, dues, periodicals, subscriptions, and utilities. The Controller's staff monitors FAMIS-Accounting documents and returns those which should have been done in FAMIS-Purchasing.

g. Vendor compliance

The following apply no matter what purchase document is being used.

(1) Business Tax status

Vendor must comply with the City's Business Tax laws. If a Business Tax Registration Certificate is required, then the vendor's current status must be displayed on FAMIS-Purchasing Screen 9560. If status is not current, call the Tax Representative at 554-6718 for more information.

(2) Equal Benefits Ordinance (Chapter 12B)

Vendor must be 12B-compliant or the appropriate waiver form must be approved by HRC or a Blanket Sole Source form must be completed and sent to HRC (with the document number) with a copy to Purchasing.

(3) IRS form W-9, Request for Taxpayer Identification Number

A new vendor will not be set up in the vendor file unless the vendor has submitted a W-9 form. Therefore, if the vendor is on the system, you can assume that the vendor has filed the W-9.

(4) Minimum Compensation Ordinance (MCO), service contracts only

The Minimum Compensation Ordinance (MCO) requires some but not all companies that contract with the City or operate at the Airport to provide their employees who work on City contracts an hourly wage consistent with the effective MCO wage rate. The current MCO wage rate is \$11.54 per hour. The hourly wage rate may increase on January 1 of each year. Contractors are required to pay employees any increases in the wage rate. MCO also requires contractors to provide covered employees 12 days paid time off, and 10 days unpaid time off. For further information, please call 554-6737 or visit the following web site:

<http://www.sfgov.org/olse>

(5) Health Care Accountability Ordinance (HCAO), service contracts only

The Health Care Accountability Ordinance (HCAO) requires some but not all companies that contract with or are tenants of the City to provide their employees health plan benefits which meet the minimum standards established by the Director of the Department of Public Health and approved by the Health Commission, **or** pay \$2.00 to the City for each hour worked by each covered employee. For further information, please call 554-6737 or visit the following web site:

<http://www.sfgov.org/olse>