

LIMITED PURCHASE ORDERS (LPO)

I. INTENT:

The Limited Purchase Order (LPO) is designed to streamline order forms and methods by using one form to replace the CRO, Disbursement Requisition and other nonstandard order forms. It is not intended to replace the Purchase Order.

The use of the LPO will allow agencies greater purchasing flexibility by increasing dollar limits and expanding the vendor base beyond blanket open account vendors.

II. DEFINITION:

- A. The LPO is created by the user agency for purchases that will be shipped complete and billed in total.
- B. Uses: (See Section IV for explanations and exceptions)
 1. Low dollar purchases up to \$2000
 2. Contract purchases up to \$5000
 3. Emergency transactions
 4. Memberships, subscriptions, travel related expenses, reimbursements, etc.

III. POLICY:

- A. Under prescribed guidelines and limitations, agencies are authorized to create LPOs for the purchase of goods and services directly from vendors without having a request routed through the regular SXD purchase order system.
- B. One of the following authorizations is required on an LPO:
 - Department Head
 - Unit/Agency Supervisor or Leader
 - Authorized employees as designated by Agency Supervisors or Leaders. An LPO Authorization Signature List must be provided to Purchasing.

C. *Order of Precedence.*

In determining the most cost effective way to purchase, always use the following order of precedence:

1. *Purchasing Card (Visa)*
2. *LPO (Limited Purchase Order)*
3. *PO (Purchase Order)*

D. The use of the LPO by any City employee is governed by the following principles and guidelines:

1. Any transaction/purchase entered into by any City employee on behalf of the City must be in the best interest of the City.
2. It is the responsibility of each person to comply with applicable Madison Ordinances, Administrative Codes, Wisconsin Statutes and other internal purchasing policies and procedures when expending public funds (regardless of the source of the funding).
 - APM 1-4 Purchasing Policies and Procedures
 - APM 1-1 Completion and Execution of City Contracts
 - Ordinance 3.61 Consulting Services
 - Ordinance 3.47 Code of Ethics
 - State Statute 66.0901 Public Works Contracts
 - Purchasing Handbook
 - P-Card Manual
3. Competition must be exercised to maximum extent whenever possible.
4. All purchases must be in accordance with the Conditions of Purchase as printed on the back of the LPO. When using the electronic MS Word LPO template, a copy of the Conditions of Purchase must accompany the order.
5. Fragmenting low dollar purchases or serial purchases to circumvent the competitive process is not allowed. Serial purchases identified by Purchasing will be stopped and brought to the attention of the appropriate Agency Head or Supervisor.

IV. USES:

A. Low Dollar Purchase of Commodities up to \$2,000

1. The maximum limit for low dollar purchases is \$2000. Agencies are encouraged to use their best value judgment in finding the best supply source at the best price that meets their needs. Seeking competition, whenever practical, is still the preferred method of determining best value. Agencies must be able to reasonably provide rationale or documentation to support a purchase decision. Purchasing is not involved with these purchases, except to provide sources of supply or technical expertise.

B. Purchase of Services up to \$2,000

All LPOs for services must meet or include the following:

1. Regardless of dollar value, all services performed must be in compliance with prevailing wage or living wage requirements as established by Sec. 23.01 and 4.20 respectively of the Madison General Ordinances. Insurance requirements

may also apply. Agencies must communicate this requirement to the vendor before contracting for services.

2. The maximum limit is \$2000; must have valid vendor no. in the SXD system.

For new vendors, leave vendor no. blank for A/P to assign a vendor number.
IMPORTANT: Complete vendor information must be provided for new vendors. Include legal name, address, telephone no., nature of business, (e.g. individual, corporation, etc.), and social security no. or tax ID no.

C. Contract Purchases up to \$5000

Commodities or **services** purchased must be on an existing contract published by either the City, State, UW-Madison, UW-System or any other governmental agency or cooperative with shared cooperative agreements. Check the City Purchasing website: <http://www.cityofmadison/purch.html> for the contract listing, pricing and terms prior to completing an LPO. The contract number must be identified on the LPO form.

D. Emergency Purchases.

There is no dollar limit for emergency purchases. However, all emergency type LPOs must comply with all of the following:

1. Must meet the definition of an emergency purchase:

“A purchase of goods or services needed to respond to an emergency situation. An emergency situation is something which threatens public health, safety or welfare and in which all the following conditions exist:

- a) was unforeseen;
- b) calls for immediate action;
- c) cannot be responded to using established procurement methods.”

Examples:

- A threat to health, safety or welfare
 - Damage caused by weather
 - An unexpected repair of a machine is necessary
2. Must be accompanied by a valid justification explaining the nature of the purchase or a completed Sole Source / Sole Brand Justification form.
 3. Must be signed by the Agency Department Head or his/her designee.
 4. All emergency LPOs must be routed to Purchasing first before A/P

E. Miscellaneous

1. Memberships, registrations, subscriptions, reimbursements, etc.
2. Travel related expenses accompanied by the 'Trip Settlement Form.'

V. **EXCLUSIONS, RESTRICTIONS AND EXCEPTIONS FOR USE OF LPO**

A. **Exclusions:**

1. Capital Equipment. (Use PO for all purchases.)
2. All items and services tied to capital assets (58000 series). (Use PO)
3. Maintenance agreements (equipment, software, etc.) (Use PO)

B. Restrictions and **Exceptions:**

1. Furniture: Use only vendors on State/UW Contracts regardless of dollar value.
2. All purchases over \$2000 must be from vendors / suppliers on existing published City, State, UW or other cooperative purchasing contracts
3. Current Contracts. Regardless of dollar value, suppliers with existing contracts must be utilized. E.g., ballasts, lamps, copiers, fax machines, towels, mat rental, recycled toner, custodial paper, etc.
4. Pre-established purchasing methods with individual agencies or specific agencies are exempt from the \$5000 limit.
 - IS Dept. purchase of Dell computers
 - Overture blanket vendors
 - Aramark
 - Schenk Huegel
 - American Linen
5. The following contracts are exempt from the \$5000 limit
 - Automotive Batteries
 - Diesel Fuel / Gas
 - Lubricants
 - Overhead Door Repairs
 - Pavement Marking Services
 - Parking Stall Painting
 - Towing
 - Tires
 - Uniform
 - Uniform Rental

VI. PROCEDURES:

A. Preparing an LPO

1. LPOs are prepared by the Agency using one of the following:
 - a. MS Word Template available under Word / New / LPO or under the Purchasing website under (Employee Resources / Forms)
 - b. Preprinted 3 part NCR form (Purchasing Services will provide the initial order. Thereafter, each agency will be responsible for ordering their future requirements as needed.)
2. Submit completed LPOs directly to Accounting Services, Rm 406, City-County Building.
 *LPOs are not entered on the SXD system
3. Staple all attachments to the LPO. Original invoices, order forms, vendor quotes, drawings, specifications, subscription or membership applications, etc. must be stapled behind the original copy of the LPO.
4. Prepayment checks may be requested using the LPO. Please provide specific instructions on the form.

B. Form Instructions:

LPO No.	Numbering format is as follows: XX - XXXXX (Dept #) (Number) Each agency is responsible for creating, assigning and keeping a log of numbers assigned to each LPO
Date:	Indicate current date. Use numerals (MM/DD/YY)
Vendor:	The vendor's name and complete mailing address including zip code must be listed.
Vendor Number:	Identify a valid "vendor number" as shown in the DST System. For new vendors, leave space blank for Accounts Payable (A/P) to assign a vendor number. IMPORTANT: Complete vendor information must be provided for new vendors. Include legal name, address, telephone no., nature of business, (e.g. individual, corporation, etc.), social security no. or tax ID no.
Ship-To:	Identify exact SHIP-TO department, name, address, and zip code.
Ship-To Contact:	Identify the complete name and telephone number of the individual who can answer <u>any</u> question regarding the purchase.

Description	Describe the items/services required. Include the name of the product, manufacturer, model number, catalog number, color, size, etc. If you have a SPECIAL HANDLING request, such as processing deadlines or unique mailing instructions, note this information in the DESCRIPTION area. We suggest HIGHLIGHTING and CAPITALIZING your message.
Quantity:	Indicate the total number of each item required.
U/M	Indicate the unit of measure (e.g., dozen, box, case, each). If you are ordering boxes/cases, indicate the number of items in a box/case in the description area of the requisition.
Unit & Total Price	Show the unit prices, extended line totals, and the grand total of the LPO. Indicate discounts if known. If the discount is related to the item, show the discount amount on the next line item. If the discount is related to the total purchase, show the discount right before the Total Price (after all the items have been described). DO NOT compute the discount into a unit price.
Shipping:	Indicate shipping method: <ul style="list-style-type: none"> ▶ <u>FOB Destination</u> or <u>FOB Delivered</u>. *This is the preferred method of shipping. <ol style="list-style-type: none"> 1. Transportation is arranged by shipper. 2. Title of goods does not pass from shipper to buyer until goods are delivered to buyer's dock. 3. Shipper is responsible for filing any claim(s), provided the buyer takes appropriate action upon receipt. 4. Shipper is responsible for paying all transportation charges. ▶ <u>FOB Destination Freight Prepay and Add</u> Same terms as above except for item 4 - Shipper prepays freight and adds the charge to the buyer's invoice. Indicate shipping charge on the form.
Type of Purchase:	Check appropriate box: <ul style="list-style-type: none"> ▶ Low Dollar Purchase (\$ 2000 and under) ▶ Contract Purchase (\$ 5000 and under) ▶ Emergency Purchase
Budget Acct No.	Indicate the accounting code information to be charged on the LPO
Invoice No./ Date:	Indicate invoice no. and date, if available.
Check Instructions:	Checks may be requested from Accounting to send with the LPO. Provide specific instructions on the space provided.
Authorization/ Date:	An authorized signature, date and printed name must be shown on the LPO.