



STATE PURCHASING MEMORANDUM

Memorandum No. 03 (2003-04)

FROM: State Purchasing
DATE: May 21, 2004
RE: Blanket Purchase Orders

This memorandum addresses blanket purchase order (BPO) functionality within MyFlorida-MarketPlace, the State's new eProcurement system. Following an overview of the purpose and required elements of BPOs, the memorandum provides guidance on the alternative methods for creating BPOs within MyFloridaMarketPlace.

Overview

State Purchasing endorses the appropriate use of BPOs. An agency may anticipate a series of similar purchases from a particular vendor over a given period, but not know in advance the specific delivery dates and quantities. For example, an agency may expect to buy \$10,000 worth of .38 caliber ammunition from ABC, Inc. To avoid storage costs, the agency may wish to have its employees purchase the ammunition on as-needed basis. Once agency management, budget and purchasing personnel have reviewed and approved spending \$10,000 with ABC, Inc., it would be highly inefficient to involve the approvers in every individual transaction. A more efficient alternative is the BPO, which provides blanket authorization for users to complete the individual transactions with the specific vendor up to the specified dollar limit.

BPOs must be identified as such, and shall also identify:

- all necessary organizational and accounting codes
- vendor name
- items or types of items authorized for purchase
- item prices or a reference to how prices will be established at the time of purchase
- authorized user(s), by name and/or title and/or function
- time period (term)
- maximum total dollar amount of purchases authorized during the term

Agencies may also wish to specify a maximum amount per transaction and/or maximum frequency of transactions, but these limitations are not always useful.

BPOs within MyFloridaMarketPlace

A key benefit of MyFloridaMarketPlace is “spend visibility,” or systemic capture and reporting of detailed information on users’ purchasing activity. Armed with this information, agencies can make better decisions on sourcing strategies, e.g., appropriate aggregation of purchases, procurement method, vendors to be solicited, etc. It is important to preserve this benefit when issuing BPOs. Toward this end, after receiving an appropriate approved requisition, a purchasing office may follow either of two basic methods for issuing BPOs using MyFloridaMarketPlace functionality: (1) the Master Agreement, which has three variations, or (2) in more limited cases, the Purchase Order.

(1) Master Agreement Method

Master agreements (MAs) are contracts recorded within MyFloridaMarketPlace, against which purchase orders may be issued. Currently, an agency may execute an MA designating authorized users, who then may issue purchase orders against the MA to the designated vendor. Very soon, a system enhancement will allow the MA creator to mark a “blanket purchase order” indicator (the creator may also amend any MA prepared before the enhancement to add the BPO indicator). When the indicator is marked, any authorized user of the MA may issue purchase orders to the vendor without going through “normal” requisition and purchase order workflow processes, thus achieving the efficiencies offered by the BPO process. There are three variations of MAs that an agency may use in this process:

- Supplier level MA. An authorized user may order any authorized type of item from the vendor. The purchase order issuer will be responsible for proper commodity coding and description. This variation is the most flexible MA, but the subsequent purchase order requires more work.
- Item level MA. An authorized user may order only the specific items identified in the MA. The user may “pick and choose” from the specified items, and the commodity codes and descriptions will pre-populate the purchase order. The system will prevent the purchase of any other item sold by the vendor.
- Commodity level MA. An authorized user may order only the one specific item identified in the MA. This variation requires more work when creating the MA, but the subsequent purchase order is streamlined because the commodity code and description do not vary.

If a purchasing office follows the MA method and receives a requisition that it believes is best handled as a BPO, the office should deny the requisition, i.e., decline to issue a purchase order. In lieu of the requested purchase order, the office should create an MA, check the BPO indicator, and reference the denied requisition number. The office shall attach all terms and conditions to the MA. Once the MA is created and indicated as a BPO, an agency may issue purchase orders against it (thus satisfying the original requisitioner). An agency shall record on all purchase orders sufficient detail to preserve the benefits of spend visibility. MyFloridaMarketPlace will electronically issue purchase orders to vendors, referencing the authorizing MA number, but will not issue the MA itself to vendors. The issuing agency should deliver MAs to vendors (via email, fax or hard copy), so that the vendor has all terms and conditions governing the subsequent purchases.

(2) Purchase Order Method

In limited circumstances, an agency may simply issue a purchase order as a BPO without creating a master agreement. In particular, an agency creating a BPO may forgo the MA method when both of the following are true of the BPO:

- It is not issued pursuant to a state term contract or agency contract, and
- The spend does not exceed \$25,000 per year, considering all like (same vendor and commodity codes) purchase orders issued by the issuing agency purchasing office.

Under such circumstances, preserving spend visibility is not worth the steps required to preserve it, because the detailed transaction information is not required for future sourcing decisions. Nonetheless, these BPOs must include the information identified in the Overview section above, no more than one financial object code, and all terms and conditions applying to the purchase, in sufficient detail for a proper audit.

Agency Procedures

Agency purchasing offices enjoy wide latitude in employing the methods outlined in this memorandum. In deciding which to use, an agency may wish to balance flexibility against consistency and training requirements. The combination of all methods provides greatest latitude, but also the greatest number of decision points and training challenges.

The issuing agency purchasing office shall make the final decision as to whether a BPO is appropriate and, if so, which of the methods to follow. This is true, regardless of whether the requisition requests issuance of a BPO, a non-blanket term order (specified quantities and intervals), or a single or multiple delivery/performance purchase order – under any of these conditions, the purchasing office may follow any of the methods outlined in this memorandum. If the purchasing office elects to issue a MA, the office shall include the MA information in its “denial” of the purchase order requested by the requisitioner.

For further information, please contact Ron Brown, Customer Satisfaction Manager, at brownr@dms.state.fl.us.