

**PROCEDURE: LIMITED PURCHASE ORDERS**

I. **Background:**

The Limited Purchase Orders (LPOs) were developed as a procurement and payment tool to provide University departments with an effective and efficient means to order goods and services up to certain dollar thresholds. This was particularly useful when the "single quote" threshold for goods and services was \$5,000. However, in recent years, the Commonwealth has developed and implemented several new initiatives that tremendously impact the way state agencies and institutions conduct business with regards to the procurement of goods and services. Two (2) such initiatives, the elimination of the \$5,000 single quote threshold and the required use of the eVA e-commerce tool for all procurement transactions, has necessitated a change in "business rules" and policies and procedures for the procurement of goods and services.

Currently, in departments where eVA has not been implemented, LPOs can be used for the purchase of goods and services up to \$2,000 per procurement transaction, or up to \$50,000 for purchases that are against State, VASCUPP or Old Dominion University contracts. Departments where eVA has been implemented are required to process all of their procurement transactions in eVA, and are not allowed to use LPOs for any procurement transactions. (Exceptions may be authorized by Materiel Management on a case by case basis, i.e., for departments with student activity groups who need to purchase food for group activities up to \$100 which cannot be purchased efficiently in eVA.)

II. **Determination:**

In order to continue to work toward the University goal to utilize eVA as its sole procurement tool, while also improving internal controls, accountability and compliance, the Department of Materiel Management is changing the guidelines and procedures for using Limited Purchase Orders (LPOs). Therefore, the use of LPOs by non-eVA users for all procurement transactions that exceed \$1,000 will be discontinued effective July 1, 2006.

III. **Policy and Procedure:**

1. Reduce LPOs to a maximum of \$1,000 per procurement for non-eVA users;
2. Effective immediately, a sequential numbering system will be used. The 7 digit control number should begin with a **Z** followed by a 6 digit numerical series beginning with **1**. The last (8th) digit field should be

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left blank to allow space for any input errors that require A/P corrections.

3. Effective June 30, 2006 all preprinted multi-part LPO forms will expire.
4. The following outlines the "business rules" for procurement transactions at various dollar thresholds and limits:

- i. Purchases up to \$200:
  - the use of Petty Cash ; or
  - the use of Small Purchase Charge Card not to exceed the cardholders limit, maximum to \$1,000; or
  - the use of LPO's (restrictions still apply)
- ii. Purchases \$201 - \$500:
  - the use of Small Purchasing Charge Card not to exceed the cardholders limit, maximum to \$1,000; or
  - the use of LPO's (restrictions still apply)

(Note: Materiel Management will not receive requisitions below \$500.00)
- iii. Purchases \$501 - \$1,000:
  - the use of Small Purchasing Charge Card not to exceed the cardholders limit, maximum to \$1,000; or
  - submit requisition to Materiel Management for processing
  - the use of LPOs (restrictions still apply)
- iv. Purchases exceeding \$1,000:
  - Require that requisitions be submitted to Materiel Management for processing
- v. Materiel Management reserves the right to execute LPOs requests exceeding \$1,000
  - Accounts Payable shall not process for payment without an authorized signature from Materiel Management

#### IV. **Advantages:**

- Allows non-eVA departments to maintain substantial flexibility and control for the majority of their small purchase transactions (77% of all LPOs transactions are below \$500)
- Allows for improved centralized controls of expenditures over \$500 (77% of LPO expenditures are above \$500)
- Reduces the risk of non-controlled decentralized purchases from \$3,005,802 to \$687,753 annually, thereby improving centralized control of small purchase expenditures
- Improves program compliance with eVA , SWAM, and VaPP,
- Improves contract administration controls
- Improves inventory asset controls

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- Supports Commonwealth goal to increase use of SPCC for small purchases,
    - much better controls
    - excellent audit trail
  - Reduced workload in Accounts Payable by approximately 1433 transactions per year.
  - LPOs will no longer be used as a payment tool
  - Easier to audit for procurement compliance
  - Reduces paper copies for each transaction

VI. **Disadvantages:**

- Departments will not like reduction in authority
- Departments will not like reduction in flexibility
- Increased workload in Materiel Management