

**CHAPTER 200
ENCUMBRANCE PROCEDURES
TABLE OF CONTENTS**

Section Number	Section Name	Page Number
200	PRIOR APPROVAL AND ENCUMBRANCE BEFORE PURCHASE-EXECUTIVE SUMMARY	1-2
205	PRIOR APPROVAL BY DEPARTMENT OF CENTRAL SERVICES, CENTRAL PURCHASING DIVISION	3
210	COMPETITIVE BID REQUIREMENTS	4
215	PURCHASES OF GOODS AND SERVICES NOT EXCEEDING \$2,500	5
220	PURCHASE OF GOODS AND SERVICES FROM SPECIAL ENTITIES - REQUIRED	6
225	AFFIDAVIT REQUIRED-COMPETITIVE BID AND CONTRACT AWARDED	7-8
230	REQUISITIONS - DEPARTMENT OF CENTRAL SERVICES, CENTRAL PURCHASING DIVISION	9
235	STATEWIDE CONTRACTS (DEPARTMENT OF CENTRAL SERVICES, STATE CONTRACTS)	10
240	DEPARTMENT OF CENTRAL SERVICES, CONSTRUCTION AND PROPERTIES DIVISION ISSUED CONTRACTS	11
242	DEPARTMENT OF CENTRAL SERVICES, STATE LEASING OFFICE - SPACE ALLOCATION AND LEASING OF REAL PROPERTY	12-14
245	DEPARTMENT OF CENTRAL SERVICES - DCS PURCHASING SYSTEM	15
255	AUTHORIZATION FOR PURCHASES	16
260	NON-ENCUMBERED CONTRACT PROCEDURE	17
265	NON-BINDING ENCUMBERED CONTRACTS	18
270	CHANGE ORDER REQUESTS	19-20
275	REINSTATEMENT OF CLOSED/CANCELED PURCHASE ORDER/CONTRACT ENCUMBRANCE	21-22
280	POSTAGE PURCHASES	23
285	PROCEDURES FOR ENCUMBRANCE DOCUMENT SUBMISSION	24

**CHAPTER 200
ENCUMBRANCE PROCEDURES
TABLE OF CONTENTS - CONTINUED**

Section Number	Section Name	Page Number
290	LOCAL PROJECT FUNDING AWARDS	25-26
295	PURCHASES - OTHER	27-28
297	SOLE SOURCE/SOLE BRAND ACQUISITION REPORTING ..	29
.....	<u>TABLE OF CONTENTS - CHAPTER 200, APPENDIX B</u>	30

CHAPTER - 200
ENCUMBRANCE PROCEDURES

200 PRIOR APPROVAL AND ENCUMBRANCE BEFORE PURCHASE - EXECUTIVE SUMMARY

Section 23, Article X of the Oklahoma State Constitution and state statutes require that all state agencies operate an encumbrance system and prohibit any state agency or official from incurring any obligation in excess of the unencumbered cash balance on hand in their accounts.

Except as otherwise provided, state statutes require that whenever any agency enters into an agreement for the purchase of goods, wares, merchandise , contractual services, or construction projects for which labor and material must be furnished by outside vendors , such agreement shall be evidenced by written contracts or purchase orders encumbered by the agency within a reasonable time as determined by the Director of State Finance against the proper agency funds and accounts. Title 62 O.S., Sec. 41.16 , Subsection A.

Note: A reasonable time has been determined to be thirty (30) days. Written contracts or purchase orders encumbered after thirty days must be justified by a letter for the delay. In the case where purchases must be processed through the Department of Central Services (DCS), Central Purchasing Division, requisitions for the written contracts or purchase orders are to be submitted to Central Purchasing and processed through the DCS Purchasing System (See Section 245). The DCS Purchasing System electronically transmits the contract or purchase order information to OSF.

It is further provided that the Director of State Finance shall never authorize payment of claims for such purchases unless the claim is supported by one of the following encumbrance documents.

- A. Contracts or purchase orders issued by the Department of Central Services.
- B. Institutional or departmental purchase orders or contracts (sometimes called "agency-issued orders")
 These can be internal encumbrances such as with 'Alternate System' agencies or ones established through the DCS Purchasing System.
- C. Authorizations for purchases (sometimes called "AFPs" or "authority orders").

Generally, any invoice or claim dated prior to the date of any of the above mentioned encumbrance documents shall be rejected by OSF, and any encumbrance is available for a maximum period of one year, with the exception of encumbrances for capital outlay, which are available for a maximum of two and one-half years. Title 62 O.S., Sec. 41.16, Subsection D. However, OSF will leave the encumbrance on the system beyond the one year limit in order to pay any outstanding invoices for expenditures incurred during the contract period. Encumbrance documents against appropriated funds will be canceled on the lapse date of the appropriation, whether or not they had been outstanding for one year, including capital outlay. However, agencies may cancel said encumbrances prior to the lapse date once any outstanding invoices are paid, or once the encumbrances are no longer needed. Encumbrances issued through OSF can be canceled by using the ICS Direct System - order cancellation feature or by "Finaling" the order when processing a claim against said order.

Agency issued encumbrances processed through the DCS Purchasing System must be canceled thru that system. Purchase order encumbrances by DCS Central Purchasing Division must be canceled by that division thru the DCS Purchasing System.

The terms "services" or "contractual services" means direct engagement of the time and effort of a contractor for the primary purpose of performing an identifiable task rather than for the furnishing of an end item of supply. Title 74 O.S., Sec. 85.2, Subsection 28. Suppliers that may incur travel expenses pursuant to an acquisition by a state agency from the supplier shall include travel expenses in the total acquisition price in the supplier's bid, proposal, or quotation. A state agency shall not pay any supplier travel expenses in addition to the total price of the acquisition. Title 74 O.S., Sec. 85.40

The State Constitution and state statutes provide that a few agencies and certain acquisitions of all agencies are exempt from the State Central Purchasing Act. In such cases, approval of requisitions by the DCS, Central Purchasing Division, is not required. This does not, however, exempt any agency from the provisions stated in the paragraphs above which require written contracts and purchase orders to be encumbered. These encumbrances should be established through the DCS Purchasing System.

205 PRIOR APPROVAL BY THE DEPARTMENT OF CENTRAL SERVICES, CENTRAL PURCHASING DIVISION

No purchase order or contract will be approved and encumbered in the OSF system, unless it has first met the requirements of the State Central Purchasing Act and as appropriate, approved by the Central Purchasing Division of the DCS, with the following exceptions:

- A. Agencies exempt from the State Central Purchasing Act as provided by state statute or the State Constitution;
- B. Certain acquisitions exempt from the State Central Purchasing Act as provided by state statute or the State Constitution, such as those listed in Title 74 O.S., Sec. 85.12. Subsection B.;
- C. Purchase orders and contracts entered into by one state agency with another, Title 74 O.S., Sec. 581 and,
- D. Contracts entered into by a state agency with a county, city, town or other governmental entity. Title 74 O.S., Sec. 1008

However, the DCS Purchasing System ([See Section 245](#)) can be used to directly encumber these purchases.

210 COMPETITIVE BID REQUIREMENTS

No acquisition or contract shall be made in excess of \$25,000.⁰⁰ (including freight, handling charges, etc.) without the submission of a requisition to the State Purchasing Director, except as may otherwise be provided by statute. Title 74 O.S., Sec. 85.7, Subsection A. 1. In all purchases required to be made via competitive bids, it shall be a felony to separate contracts or requisitions for the individual components of a total project or service or split purchases for the purpose of evading the requirement of competitive bidding. Title 74 O.S., Sec. 85.7, Subsection A. 2. a.

215 PURCHASES OF GOODS AND SERVICES NOT EXCEEDING \$2,500

An acquisition or contract for an amount not exceeding \$2,500.⁰⁰ must meet the general requirements under the Central Purchasing Act. Such purchases may be encumbered as “vendor specific” purchase orders and contracts through the DCS Purchasing System or paid against an AFP.

Likewise, encumbrances for utility payments, telephone services, payments to other state agencies, and other acquisitions specifically exempt from the Central Purchasing Act (no matter the cost) may be established through the DCS Purchasing System (recommended procedure). However, as an alternative such payments may be paid against an AFP.

220 PURCHASE OF GOODS AND SERVICES FROM SPECIAL ENTITIES - REQUIRED**A. Purchase of Prison Industries Goods and Services** (Title 57 O.S., Sec. 549.1)

State agencies shall make maximum utilization of the goods and services produced by the Oklahoma Correctional Industries Program of the Oklahoma Department of Corrections. No similar products shall be purchased by state agencies from any other sources, unless the Department of Corrections certifies to the State Purchasing Director that it is not able to provide such products. Purchases of prison industries goods and services may be made through direct purchase order to the Oklahoma Correctional Industries.

B. Purchase of Products and Services from the Severely Disabled (Title 74 O.S., Sec. 300 1, et seq.)

The Department of Central Services (DCS), State Use Committee, is responsible for establishing a procurement schedule of products directly manufactured, produced, processed or assembled, or services directly performed, offered or provided by any severely disabled person or qualified nonprofit agency for the severely disabled, as defined by statute. The Committee is also responsible for determining the fair market price of such products and services. When state agencies intend to procure any product or service of the nature included in the procurement schedule, they shall secure the product or service from a disabled person or nonprofit agency providing employment to people with severe disabilities and as certified by the Committee. Procurements made pursuant to this procedure shall not be subject to the competitive bid requirements of the Oklahoma Central Purchasing Act. Furthermore, this procedure does not restrict a state agency from manufacturing or supplying its own products and services for its own use.

One percent (1%) of any contract for products or services of the severely disabled shall be withheld as paid and deposited in the State Use Committee revolving fund, as created in Section 3004.2 of this title, for the salary and other administrative costs of the buyer in the DCS, Central Purchasing Division responsible for such contracts. Note: the DCS has ruled that all payments to a certified severely disabled person or qualified nonprofit agency for the severely disabled, are subject to the 1% fee.

225 AFFIDAVIT REQUIRED - COMPETITIVE BID AND CONTRACT AWARDED

A. Any competitive bid submitted to the State of Oklahoma for goods or services and each contract for goods and services awarded by the state shall have a notarized sworn statement of non-collusion (Appendix B1). Title 74 O.S., Sec. 85.22 and 85.23

B. In addition to the affidavit set forth in item A. above, Title 61 O.S., Sec. 108 of the Oklahoma Statutes requires an additional affidavit (Appendix B2) to accompany the bid on public construction contracts. A public construction contract is defined as, any contract awarded by any public agency for the purpose of making any public improvements or constructing any public building or making repairs to the same. Each such bidder shall accompany this bid with a written statement under oath disclosing the following information:

1. The nature of any partnership, joint venture or other business relationships then in effect or which existed within one (1) year prior to the date of such statement with the architect, engineer or other party to the project.
2. Any such business relationship then in effect or which existed within one (1) year prior to the date of such statement between any officer or director of the bidding company and any officer or director of the architectural or engineering firm or other party to the project.
3. The names of all persons having any such business relationships and the positions they hold with their respective companies or firms.
4. If none of the business relationships herein above mentioned exist then a statement to that effect must be provided.

C. Also, Title 74 O.S., Sec. 85.42 ., Subsection B., requires that "Each contract entered into by any person or firm with the State of Oklahoma shall include an affidavit (Appendix B3) certifying the following:

No person who has been involved in any manner in the development of that contract while employed by the State of Oklahoma shall be employed to fulfill any of the services provided for under said contract.

This subsection shall not preclude faculty and staff of the institution within the State System of Higher Education from negotiating and participating in research grants and educational contracts. Nor shall this subsection apply to personnel of the Capital Resources Division of the Oklahoma Department of Commerce who contract to provide services to the Oklahoma Investment Board.

- D. The affidavit(s) required in this section, items "A", "B" and "C," do not have to accompany the contract if submitted to OSF for encumbrance. In lieu thereof, however, the agency must enter on such contract the following certification:

"We certify that this document complies with the purchasing laws of the State of Oklahoma and affidavits as required, under the provisions of Title 74 O.S., Sec. 85.23, 85.42, Subsection B., and Title 61 O.S., Sec. 108, (as appropriate) as amended or hereafter amended, are on file with this agency and shall be furnished upon request".

"

230 REQUISITIONS - DEPT. OF CENTRAL SERVICES, CENTRAL PURCHASING DIVISION

Except as otherwise provided by the Oklahoma Central Purchasing Act, every state agency shall make all acquisitions used, consumed or spent by the state agency in the performance of its official functions by the presentation of requisitions to the Purchasing Division. Such requisitions shall be made to DCS by using Central Purchasing Form No. 2 (Appendix B4) or the requisition generated on the DCS Purchasing System completed by the requesting agency. Title 74 O.S., Sec. 85.4, Subsection A.

Requisition must be signed by the person within the agency who is authorized to purchase items on the requisition. Any requisition not properly signed will be returned to the agency for correction.

1. As required by law, a Product Justification or a Service Justification will be required with the requisition.
2. In the case of emergencies, requisitions should indicate the emergency procedures which were used -- that this represents a confirming order and give the date of the confirming order. This should be stated in the Terms section. Emergency acquisitions not exceeding \$35,000 are required to be submitted to the State Purchasing Director within 5 days following the acquisition together with a statement of emergency. Title 74 O.S., Sec. 85.7, Subsection A.4.
3. All questions concerning the preparation of the requisition form and related attachments should be addressed to the Central Purchasing Division of the Department of Central Services.

235 STATE-WIDE CONTRACTS (DEPT OF CENTRAL SERVICES, STATE CONTRACTS)

These are contracts entered into by DCS with a business entity through competitive bid, against which all state agencies may purchase with the proper encumbrance. When these contracts are made, the State Purchasing Director notifies all agencies via the internet (www.dcs.state.ok.us) of the existing contract.

Agencies on the DCS Purchasing System can encumber their own releases against statewide contracts. Agencies not on the DCS Purchasing System must submit requisitions to the Central Purchasing Division of DCS to make purchases (releases) against these contracts.

If agencies need to be exempted from a mandatory contract to encumber the funds by other means, the agency must request approval for exemption from the DCS/Central Purchasing Contract and Procurement Officer.

240 DEPT OF CENTRAL SERVICES, CONSTRUCTION AND PROPERTIES DIVISION ISSUED CONTRACTS

The following are general procedures of the Office of State Finance and the Department of Central Services, Construction and Properties Division (CAP), however, for specific instructions, contact CAP.

- A. The CAP handles specific acquisitions relating to state owned buildings and property. This includes rental of equipment related to construction , purchase, repairs, and construction. It would also include architectural and engineering costs, landscaping, and other such expenses relating to said property and buildings. (Note: Leasing and rental of buildings and real property is processed by the DCS Leasing Division. [See Section 242](#))
1. Agencies on the DCS Purchasing System shall generate a requisition on the DCS Purchasing System.
 2. Requisitions must be signed by the person within the agency who is authorized to purchase the services on the requisition.
 3. Any requisition not properly signed will be returned to the agency for correction.
 4. Agencies will submit requisition to Construction and Properties for processing.
 5. After Construction and Properties has awarded the contract, they will generate a purchase order which is sent to the vendor stamped with a work order.
- B. When an agency finds it necessary to amend the terms or conditions of, or increase or decrease the amount of an existing encumbrance document outstanding on the records of the OSF, the agency must initiate a change order request.
1. All requested changes (i.e., advice of change, change orders) and releases against non-encumbered contracts (NECs) issued or administered by the CAP must be submitted along with a Form CAP 134, "Advice of Change" ([Appendix B5](#)) to the CAP Division.
 2. CAP enters the change order in the DCS Purchasing System (or if appropriate the ICS Direct System for older contracts) and sends a copy of the change to the vendor and agency.
- C. Similar instructions would normally apply whenever a new encumbrance is required to extend or modify the terms of an established contract and would require the encumbrance record on the books of the OSF to be extended beyond the expiration (lapse date) of the funding as initially encumbered for the purchase order or contract.
1. Such changes should be submitted to the CAP Division on a Form CAP 134, along with a prepared DCS Purchasing System requisition as a new encumbrance document and numbered to coincide with the funding year of the new appropriation. For recording purposes, the new requisition should cross-reference to the original contract number, indicating that the encumbrance is for extension or continuation of the original contract, but with new funding not in existence at the time the contract was approved. CAP encumbers the new funding in DCS Purchasing System or ICS Direct.

242 DEPARTMENT OF CENTRAL SERVICES, STATE LEASING OFFICE - SPACE ALLOCATION AND LEASING OF REAL PROPERTY

The following are general provisions of the Department of Central Services, State Leasing Office, however for specific instructions and forms, contact the State Leasing Office. Title 74 O.S., Sec. 63 and Sec. 94; and Title 73 O.S., Sec. 163; and DCS 580:60 of the Administrative Rules

- A. **Space Allocation.** The State Space Standards are utilized by DCS for space planning and authorization of space for all state agencies in state-owned and non state-owned buildings, and when an agency is purchasing or lease-purchasing real property.
1. An agency must submit a standard Space Request (DCS 189-A) form (Appendix B6) to the State Leasing Office when they need new or additional space. A requisition is not necessary.
 2. After review of the documentation, the Space Request is returned to the requesting agency advising of the amount of space the agency may acquire. It will also advise the agency if space will be assigned in a state-owned facility, or if the agency may obtain space in a non state-owned facility.
- B. **Leasing of Non State-Owned Space.** All leases of real property, regardless of type, size, and dollar value, must be authorized by the Department of Central Services. A lease for space between an agency and a vendor is not legally binding until DCS has signed the lease document and a purchase order has been issued by the State Leasing Office. Authorization of payment of rent for real property must be made via the DCS purchasing system, with final authorization of all leases by the State Leasing Office. The use of a settlement agreement is not an acceptable method to the resolution of payment for real property.
1. If an agency is authorized to obtain non state-owned space, the agency will be advised on the requesting agency's Space Request form if the space must be obtained by public solicitation. If authorized for less than 2,500 square feet, the agency may be required to advertise for the space at the discretion of DCS; if authorized for 2,500 square feet or more, the agency will be required to advertise for the space. Exceptions will be considered by DCS for space declared an emergency and leases for nominal or no consideration. The advertising process is for requests for proposals only and is not considered a bid transaction.
 2. It is the policy of the Department of Central Services that an agency must deal directly with the property owner, primary listing broker of a property, or the property manager. Agencies may not contract with a broker to secure space on their behalf.
 3. The agency must be able to justify its final selection, and the selection must comply with the authorized square footage, and must be within a specified rental ceiling.
 4. All construction/remodeling costs are borne by the owner of the property as the State cannot legally make permanent improvements to private property.
 5. Agencies must utilize the leasing forms as developed and approved by the Department of Central Services for leasing transactions for real property.

6. State agencies must adhere to ceilings on rental rates as established by the Department of Central Services. Exceptions may be made by the Director of DCS on a case-by-case basis.
 7. After the State Leasing Office has approved the transaction, the user agency prepares the final lease on the Standard State Lease Agreement (DCS 289-A) form (Appendix B7). The lease is signed by the vendor and agency director, and then all required documentation is submitted to the State Leasing Office for signature, to include the agency's requisition on the applicable DCS Purchasing system. (NOTE - the agency will not be able to post the contract as this authorization is restricted to the State Leasing Office.) State Leasing will initiate the purchase order.
- C. **Renewal of a Lease.** A renewal of a lease for real property can be accomplished in one of the following:
1. A Renewal Lease Agreement (DCS 289-D) form (Appendix B8) is required if there are no options to renew the lease, if all options have expired, or if there have been any changes to the existing lease which have not previously been authorized by DCS via a legal alteration to the contract. The agency prepares the Renewal Lease Agreement and secures the signatures of the vendor and agency director. All applicable documents are then submitted to the State Leasing Office along with a requisition on the DCS Purchasing System. The State Leasing Office will finalize the contract and issue the purchase order.
 2. A Change Order Request (DCS CP-CO) (Appendix B9) can be utilized to renew a lease if both of the following conditions exist: (a) there are options remaining to renew the lease for another term, and (b) all terms and conditions remain the same as the existing lease. The agency must submit a Change Order Request (DCS CP-CO) to the State Leasing Office, along with other applicable documentation (reference the DCS 289-D). The State Leasing Office will make the appropriate changes to the contract and will issue the "Change Order" to the vendor and the agency.
- D. **Change to an Existing Lease** (square feet, cost, or term). A lease may be amended during its term so long as the Department of Central Services finds it to be in the best interest of the State and the change has been pre-authorized by the State Leasing Office. This is accomplished by an Addendum to the Lease Agreement (DCS 289-C) form (Appendix B10), and may include the need for the agency to submit a Space Request (DCS 189-A) to the State Leasing Office before the change is authorized.
- E. **Change of Vendor.** A change in the vendor can be initiated without preauthorization of the State Leasing Office. The agency must obtain the appropriate signature on a "Notice of Change of Lessor" (DCS 289-F) form (Appendix B11). This must be provided to the State Leasing Office, along with other applicable documentation, before payment can be made to the new vendor.
- F. **Change Order Requests for Real Property.** [NOTE: Change Orders for real property must be processed by the State Leasing Office.] If the State Leasing Office has authorized a change to the

existing lease, or if there has been a change of vendor, the agency must provide the State Leasing Office with a change order request (CP-CO), along with any other applicable documents to the transaction. The State Leasing Office will make the necessary changes to the purchase order and will issue the "Change Order" on the DCS purchasing system.

Note: State Leasing forms and instructions are available on the DCS website at www.dcs.state.ok.us

245 DEPARTMENT OF CENTRAL SERVICES - DCS PURCHASING SYSTEM

The DCS Purchasing System (also known as ADPICS) is designed to allow agencies use of the State Central Purchasing System. It is integrated with the state central accounting system for editing and posting of encumbrances. It is designed to offer enhanced processing features by giving agencies on-line access to the DCS Purchasing System entry screens. Thus, agencies can create their requisitions, certain contracts and purchase orders, and change orders, while enjoying the benefits of on-line system edits and on-site printing of documents. This procedure also provides inquiry capability for detailed information on requisitions, invitation to bids, contracts, etc. The DCS Purchasing System process is a valuable method for allowing agencies the capability to reduce their workload and processing time for their requisitions, purchase orders, contracts and change orders.

Agencies that are approved and set up for this on-line Purchasing System entry will establish their agency-issued purchase orders and contracts, as well as effect change requests, through the DCS Purchasing System. In using this system for its agency-issued purchase orders and contracts, the agency no longer needs to prepare and submit an OSF Form 3C, Purchase Order/Contract, or change order request to the Office of State Finance for approval and processing. DCS Purchasing System is also available for encumbering individual purchases normally made off of an OSF Form 6, Authorization for Purchases.

Note: Use of OSF Form 3C, Purchase Order/Contract, and change order requests to the Office of State Finance was halted as of July 1, 2001.

255 AUTHORIZATION FOR PURCHASES

The Authorization for Purchases document also known as "AFP" or "Authority Order" is an encumbrance document which when "approved" by the Director of State Finance and encumbered by the agency, permits an agency to make certain types of purchases. Title 62 O.S., Sec. 41.16, Subsection C.

OSF recommends the use of AFP's only for purchases which the standard encumbrance process through the DCS Purchasing System cannot serve.

To establish an AFP for those purchases deemed appropriate, the agency will complete OSF Form No. 6, Authorization for Purchases (Appendix B12) and enter/process the encumbrance on the ICS Direct system based on an "open" approval by the Director of State Finance. The original must be retained by the agency (as the official holder of record). The form should be completed as follows:

- A. Enter the date of issue.
- B. Enter order number. This six digit number is assigned by the agency in accordance with numbering instructions issued by OSF for the current fiscal year.
- C. Enter the official name and address of the state agency the order is to be granted to.
- D. Controlling Board or Commission - This line needs to be filled out only if the agency has a statutory exemption from the Central Purchasing Act or a grant of authority from DCS.
- E. Enter the complete FAAC code and the amount to be encumbered. An agency may opt for multiple funding by entering more than one FAAC code and amount.

The form copy and processing will be subject to review by OSF and by other appropriate auditors.

Entry of AFP's requires special access to the ICS Direct System. Access is granted by submitting an OSF Form 90, System Authorization Form, requesting Direct Encumbrance access under the 'Comments' Section of the form. A current OSF Form 90 can be found on the OSF State Comptroller's website under Forms, at www.state.ok.us/osfdocs/comptrol.

260 NON-ENCUMBERED CONTRACT PROCEDURE

A non-encumbered contract (NEC) is an agreement between the state agency and the vendor, whereby the vendor agrees to sell to the agency during a fixed period of time an undetermined quantity of goods or services at a fixed unit price. The non-encumbered contract shall not in any way guarantee the vendor a certain dollar volume of business from the purchasing agency and it shall be the responsibility of the contracting state agency to make the vendor fully aware of these conditions during the bidding process. OSF will not record this type of contract agreement in its encumbrance system.

General types of contracts that are currently allowed as NECs are as follows:

- A. Unpredictable funding (FAAC) mix for the fiscal year. This would only apply to agencies with complex budget funding structures.
- B. Single service or commodity with multiple vendors. This situation is common for agencies that have statewide operations or that use service providers such as doctors, clinics, etc. Please remember each vendor must continue to have a separate contract.
- C. Unpredictable service or commodities with a single vendor. See [Section 265](#) on Non-Binding Encumbered Contracts for an alternative.

Once Central Purchasing has awarded the contract for agencies not utilizing the DCS Purchasing System, subsequent encumbrances against the NEC will require a requisition form be submitted to Central Purchasing, referencing said contract BPO. Agencies in the DCS Purchasing System can make their own Releases against the NEC.

Each non-encumbered contract submitted by the agency to a vendor must bear the following statement:

“THIS CONTRACT IS FOR AN INDEFINITE QUANTITY AND THE STATE MAY, OR MAY NOT, BUY THE QUANTITY MENTIONED IN THIS CONTRACT. VENDOR MUST CLEAR ALL SHIPMENTS WITH AGENCY PRIOR TO SHIPPING ANY PORTION OF THIS CONTRACT.”

At the time a non-encumbered contract is entered into and issued by the contracting agency to the vendor, it need not be funded or carry the total dollar amount to be encumbered and expended during the life of the contract. However, prior encumbrance using the DCS Purchasing System must be made by the agency against such a contract before any actual purchase and delivery of any goods or services by the vendor. The frequency in which such encumbrances are made shall be dependent upon the purchasing agency's needs and availability of funds.

265 NON-BINDING ENCUMBERED CONTRACTS

A non-binding encumbered contract is similar to the non-encumbered procedure by having similar non-binding language (see below). However, the agency must estimate the quantity of goods or volume of services to be used during the contract period and the contract will actually be encumbered based on the estimated amount. No subsequent encumbrance documents must be filed, unless the contract quantity needs to be increased or decreased.

Central Purchasing requires the following information be submitted with requisitions (DCS Purchasing System users will prepare such requisition request electronically on the system) to establish non-binding contracts:

- A. The DCS requisition number, and the related purchase order number of such prior purchase;
- B. The actual usage figures for each commodity or service for said prior purchase and the number of months the usage data applies to; or
- C. Maintenance contracts that have a fixed rate portion and a variable portion should have a line for each (copier maintenance contracts that have a variable fee based on the number of copies is an example of this type); or,
- D. If the contract is a first time with no prior numbers or usage, so indicate this and provide the estimated usage.

Non-binding language should be in substantially the following form:

"THIS CONTRACT IS FOR AN INDEFINITE QUANTITY AND THE STATE MAY, OR MAY NOT, BUY THE QUANTITY MENTIONED IN THIS CONTRACT. VENDOR MUST CLEAR ALL SHIPMENTS WITH AGENCY PRIOR TO SHIPPING ANY PORTION OF THIS CONTRACT."

270 **CHANGE ORDER REQUESTS**

When an agency finds it necessary to amend the terms or conditions of, or increase or decrease the amount of an existing encumbrance document outstanding on the records of OSF, the agency must initiate a change order request.

A. **Standard Guidelines** To initiate a change against an encumbrance document that was originally approved and issued by the Central Purchasing Division of DCS, the agency must submit a change order form DCS Form CP-CO (**Appendix B9**) to DCS, Central Purchasing Division. Upon approval, DCS will make the requested change. Agencies on the DCS Purchasing System can make their own changes on orders initiated by them. On orders processed by DCS, agencies can do accounting changes (FAAC codes and object codes) and unexpended balance cancellations of \$750.⁰⁰ or less. The fields to be completed when the DCS form is submitted to DCS are:

1. Central Purchasing Division box marked.
2. Requisition number, Purchase Order Number and BPO number if applicable.
3. Vendor FEI Number and Name - At a minimum, the vendor name should be shown. This is to ensure that we are changing the order intended to be changed.
4. Reason for change(s). Examples include: order cancellation at agency's request; order increased due to additional needs; etc. NOTE: If requested change is for vendor name or FEI change, show the original name/FEI as required, and show the new name or FEI with the reason for change. If a name change, include a letter from the original contractor authorizing the name change.
5. Check if vendor is to receive copy of change order
6. Funding Summary must be completed if the change affects any FAAC lines (e.g., a funding change from 191 fund to 200 fund would be a decrease to 191 fund and increase to 200 fund to the amount involved.)
7. Signature of Person Requesting Change.

To amend an encumbrance document (e.g., AFP's) which was not issued by DCS or through the DCS Purchasing System, the agency must process the change through the ICS Direct system. See the ICS Direct Users Manual for specific procedures. Limited use by "manual" agencies only is allowed by submission of a change order request form (original and one copy) directly to the OSF. The DCS Form CP-CO should be utilized unless otherwise authorized by OSF. If an agency wishes to utilize a different form format, it must receive prior approval by submitting an example to OSF, attention Director, Transaction Processing. The copy of the request shall be stamped and returned to the agency as notification of approval or disapproval by OSF. The fields to be completed when the DCS form is submitted to OSF are:

1. Office of State Finance box marked.
2. Requisition number and Agency Purchase Order Number.

3. Vendor FEI Number and Name - At a minimum, the vendor name should be shown. This is to ensure that we are changing the order intended to be changed.
 4. Reason for change(s). Examples include: order cancellation at agency's request; order increased due to additional needs; etc. NOTE: If requested change is for vendor name or FEI change, show the original name/FEI as required, and show the new name or FEI with the reason for change. If a name change, include a letter from the original contractor authorizing the name change.
 5. Funding Summary must be completed if the change affects any FAAC lines (e.g., a funding change from 191 fund to 200 fund would be a decrease to 191 fund and increase to 200 fund to the amount involved.)
 6. Signature of Person Requesting Change.
- B. **Pending Encumbrances** Agencies are reminded that change order requests are often required at the start of each fiscal year when OSF carries "pending" encumbrances with invalid FAAC records (i.e., fund, account, etc.) against which claims cannot be paid until the record is corrected. This is normally due to agencies' available budgets for the new fiscal year being approved by the OSF Budget Division with different FAACs than originally established on the "pending" encumbrance record (orders/contracts). In these instances, OSF sends advisory reports to the respective agencies for their correction of the discrepancy as needed (Per subsection A. above.).
- C. **Contract Renewals - DCS Issued Contracts** Agency requests for exercise of options of second and subsequent years of multi year contract agreements are to be processed to Central Purchasing by Change Order.

In addition to the required standard change order information, the change order must include the following:

1. What year the total agreement period is being renewed (i.e., second, third year, etc.).
2. The contract period being covered by the change order and the total contract agreement period.
3. The applicable funding for the renewal contract period.

The above procedure assures compliance with terms and conditions of the basic contract and the original purchase order number will be retained for the entire length of the agreement making for better tracking of the contract.

To amend an encumbrance document which was issued by the State Leasing Office, see instructions under [Section 242](#).

275 REINSTATEMENT OF CLOSED/CANCELED PURCHASE ORDER/CONTRACT ENCUMBRANCE

Outstanding encumbrances on the books of the Office of State Finance are valid for a period of one year from the date the purchase order or contract is effective, except encumbrances for capital outlay. For capital outlay projects, the encumbrance is valid for the duration of the appropriation, normally 30 months. If a project extends beyond the 30-month period and a new appropriation is given to finish funding the project, this office views the continuance as a new encumbrance period, therefore, a new encumbrance document (purchase order/ contract) and number to coincide with the funding year of the appropriation would normally be required. The above is based on the need to recycle the encumbrance number series.

- A. Reinstatement of a canceled or closed order/contract to add new funding and to extend the encumbrance record indefinitely on the books of OSF shall not be allowed. If it becomes necessary to re-fund a project with a new appropriation, a new encumbrance document should be created and assigned a document number coinciding with the year of the new appropriation year. Reference to the original encumbrance document number may be indicated on the source document for accounting and tracking purposes. This will not preclude the reinstatement of an encumbrance for the purpose of payment of an outstanding invoice (obligation) incurred during the effective period of the original purchase order/contract. In this case, if appropriate available budget exists (and the order has not been deleted from the system), the encumbrance may be reinstated for the amount of the outstanding obligation.

This policy procedure is intended to comply with the provisions of Title 62 O.S., Section 41.16, Subsection D., and for logistical purpose to avoid possible duplicative numbering series for projects that may extend several years.

- B. The change order process will be used to reinstate a closed or canceled purchase order/contract. Such reinstatement normally may only be done against a FAAC (i.e., fund, account, etc.) that was valid on the order when it closed or canceled, and only if there is available budget (allotment), and there is a lingering invoice to be paid on the order. New money should not normally be added on the order for new purchases (e.g., FY-02 funding on an expired FY-01 purchase order/contract), as this would constitute a new encumbrance transaction. Conceivably, a closed or canceled FY-01 contract (P.O.) for services that carried over into FY-02 could be reinstated with FY-01 funding (if still available) and adding FY -02 funding to pay an obligation incurred under the terms of the original contract period, but not to extend the life of the contract encumbrance beyond its statutory expiration period (i.e., 12 months after creation).
- C. Capital outlay encumbrances are not subject to the 12-month expiration timetable. They may remain valid until the appropriation expires (lapses), which normally is 30 months. Again, new money should never be added to extend the life of the contract, unless the new money is specifically appropriated for continuance of the contract. The latter must be approved through the appropriate OSF Budget Division channels.

Furthermore, when a warrant issued against a purchase order (or contract) is being canceled and the original order has been canceled, the amount is not reinstated as an outstanding order. But instead, the balance from the canceled warrant is added to the “reinstatable balance” associated with the order. It requires a change order to reinstate the order balance should a corrected claim be required.

Similarly, with expenditure transfers, if the order is already canceled, then the “move from” order balance is added to the “reinstatable balance” associated with the order. This would also require a change order to reinstate the order balance.

280 POSTAGE PURCHASES

Except as otherwise provided for in this section, any agency of the state which has an expenditure for postage of \$1,000.⁰⁰ or more for any one fiscal year shall install a postage meter machine and have all purchases of postage recorded on that postage meter machine. Title 74 O.S., Section 90.1 A field office or branch office of a state agency distantly located from the parent agency, and which office has an annual expenditure for postage of less than \$1,000.⁰⁰ may purchase postage stamps in the manner prescribed by Title 74 O.S., Section 90.2.

Any agency of the state which finds it necessary in order to more efficiently and effectively carry out certain programs or functions, is hereby authorized to: (1) utilize the Business Reply Mail Account, Bulk Mailing Account, Postage Due Account, Zip + 4 codes, and Mailer Applied Bar Codes or such other services offered by the United States Postal Service, and; (2) upon making application to the Director of State Finance, showing sufficient need and upon approval by said Director, to purchase not more than \$1,000.⁰⁰ worth of postage stamps during any one fiscal year in the manner as prescribed in Title 74 O.S., Section 90.2 with a method of accountability for use thereof to be maintained and subject to audit. Provided, however, the finance officer of such state agency shall keep and maintain a record of all postage stamp allocations within the agency.

No money shall be expended by any state agency for postage stamps or post office box rent except on warrants or checks made payable to the United States Post Office (or United States Postmaster). Title 74 O.S., Sec. 90.2. The warrant or check shall be endorsed by the postmaster of the city or town where the purchase was made.

The traveling employees of the state shall be exempt from the terms of Title 74 O.S., Sections 90.1 and 90.2 of the Oklahoma Statutes while traveling on state business. The House of Representatives and the Senate of the Oklahoma State Legislature shall also be exempt.

The installation cost and rental of postage meters required by Title 74 O.S., Sections 90.1 through 90.5 shall be paid for by the agency from the appropriations of said agency.

285 PROCEDURES FOR ENCUMBRANCE DOCUMENT SUBMISSION

The DCS, Central Purchasing Division will accept requisitions and the OSF ICS Direct system will accept AFP's for the ensuing fiscal year prior to July 1, provided, the encumbrances against the ensuing fiscal year FAAC codes must not bear an issue/effective date prior to July 1. Such encumbrances for the new fiscal year will be held in "pending" status until approval of the agency's new fiscal year budget work program by OSF Budget Division, and the available budget is allotted. If the anticipated funding is not valid, the agency will have the opportunity to correct it by submitting a change order request to Central Purchasing or direct entry change order request through OSF, as appropriate, for the correction. However, to reduce the number of encumbrance documents with invalid funding, it is recommended that ensuing fiscal year encumbrances not be submitted too far in advance of the new fiscal year, whereas, anticipated budget information is not available.

Encumbrance documents which cross fiscal years and which relate to ongoing purchases or services must be funded for the respective fiscal years involved. For example, a service contract for a period from January through December may be funded with half FY-"A" funds and half FY-"B" funds. When the encumbrance is processed, only the FY-"A" funds will be encumbered. The anticipated funding for FY-"B" will be held in pending status until the start of the said fiscal year, as with ensuing fiscal year encumbrances above.

290 LOCAL PROJECT FUNDING AWARDS

Pursuant to Executive Order 95-26, as amended by Executive Order 98-37, the Office of State Finance has developed a form and procedures for review of awards for local projects. Executive Order (E.O.) 98-37 defines local project funding contracts as follows:

- A. An agreement between a state agency and either a local government or private entity, or both, in which the state agency agrees to provide funding to the local government or private entity who agrees to accomplish a public purpose; and
- B. The direct benefits of such a contract accrue primarily to the local population rather than the state as a whole.

Local project funding contracts do not include contracts subject to state competitive bidding statutory requirements.

The E.O. further stipulates that:

- C. A local project funding contract shall be awarded on the basis of the merits of the local project. A state agency shall adopt rules pursuant to the Administrative Procedures Act establishing criteria to assure that the awarding of a local funding contract is based on the merits of the project.
- D. Funds shall not be encumbered for a local project funding contract until the Chief Administrative Officer or a person designated by the Chief Administrative Officer of the state agency certifies by written affidavit to the Director of State Finance that the proposed local project funding contract meets the criteria set out in the rules by the agency.
- E. Each local project contract shall be enumerated serially within the awarding agency. The number shall be cited in all correspondence to any of the parties and the Office of State Finance concerning the local project funding contract including the request for encumbrance.
- F. A state agency that has local projects subject to the provisions of this E. O. shall prepare an announcement of projects available in the form of a press release. The announcement shall be submitted to at least twenty-five newspapers in both metropolitan and rural areas for publication of public service announcement at the discretion of the editors of the newspapers. The agency shall determine which newspapers would best serve to disseminate information to local communities on a project by project basis. The press release announcement shall include the following information:
 - 1. The name of the contracting agency;
 - 2. A description of the type of projects eligible for local project funding contracts, such description being simple and easily read yet sufficiently detailed to allow a reasonable person to know whether a project he may desire would be eligible;
 - 3. The total amount of money available from the agency for the local project funding contract program described in the announcement;

- 4. A description of the type of persons or entities who are eligible for the local project funding contracts and a citation to the specific authority which establish the eligibility criteria;
- 5. The closing date and time for receipt of application; and
- 6. The name, business address, and telephone number of the person who interested parties may contact for additional information.

G. The Office of State Finance shall determine the procedures and forms to be used in implementing the provisions of this E. O. Such procedures shall include but not be limited to the maintenance of the lists of newspapers for publication of announcements.

For purpose of certification documentation, OSF Form 81 , Local Project Funding Notification of Award of Contract (Appendix B13), must be completed for any purchase order/contract meeting the criteria of a local project funding award. Since orders and contracts are no longer submitted to OSF for review and encumbrance, but rather encumbered through the ICS Direct System or internally by Alternate System Agencies, only the Form 81 needs to be submitted to OSF. The OSF Form 81 shall be maintained on file at OSF. If the agency requests a return copy showing that OSF has received the form, then a copy of the form should be included with the original. The copy will be stamped as received and then returned to the agency.

Agencies covered by the state Central Purchasing Act (per \$ limits) who are making an award (non-competitive bid) to a non-governmental entity must submit to OSF a requisition (Central Purchasing Form 2) along with an OSF Form 81 (and one copy) completed except for contract number, which is not then available. OSF will review/file the OSF Form 81 and will forward the requisition and a copy of the OSF Form 81 to Central Purchasing for processing.

The OSF Form 81 shall include the following notarized certification:

CERTIFICATION

I hereby certify that to the best of my knowledge and belief, that:

- 1. All of the established objective criteria for this program have been applied pursuant to Executive Order 98-37,
- 2. This award meets these objective criteria,
- 3. This award ranked among the highest in terms of meeting the applicable program criteria, and
- 4. Notification to at least twenty-five newspapers as required in Executive Order 98-37 has been completed.

Signed by: _____
(principle Agency Administrator or Designee)

Notary Section

295 **PURCHASES - OTHER**

A. **Professional Services Contracts**

All professional services contracts (Object of Expenditure 15XX), including those specifically exempted under the Competitive Bidding Procedures (e.g., Title 74 O.S., Sec. 85.7, Subsection A.3.), shall be established in accordance with the Oklahoma Central Purchasing Act and the promulgated rules of the Central Purchasing Division of the Department of Central Services. This policy does not pertain to acquisitions, contracts or agencies exempted by the Central Purchasing Act or other laws of the state.

B. **Contracts for Legal Services - Review and approval through the Office of the Attorney General**

General

Contracts for legal representation by state agencies under the executive branch must be approved through the office of the State Attorney General . Title 74 O.S., Section 20i. In addition, as professional services, these contracts will be subject to submission in accordance with the Oklahoma Central Purchasing Act and the promulgated rules of the Central Purchasing Division of the Department of Central Services.

NOTE: In the approval of claims, the Office of State Finance shall take the view that the required A.G. approval was effected along with establishing of the purchase order/contract. In other words, we will not require evidence of the A.G.'s approval submitted along with the claim to our office.

C. **Computer Hardware and Software Purchases**

No state agency of the executive branch of the state shall use state funds for or enter into any agreement for the acquisition (purchase, lease, or lease purchase) of computer software or hardware exceeding \$2500.⁰⁰ in value without written authorization of the Director of State Finance. Title 62, O.S., Section 34.12, Subsection B. Therefore, for any purchase estimated to exceed \$2500.⁰⁰, agencies must submit their purchase requisition along with a completed OSF Form 115 (**Appendix B14**) for hardware or an OSF Form 125 (**Appendix B15**) for software, to the Information Services Division of OSF.

The OSF will review the requisition and form to determine if such purchase would effectuate the maximum benefit for the provision of services and accomplishment of duties and responsibilities of the agency and state. If approved, OSF will retain the form and attached an OSF Form 2133, Agency Requisition Review (**Appendix B16**) (OSF USE ONLY FORM), and forward the requisition package on to the DCS Central Purchasing Division, or for those agencies using the DCS Purchasing System with purchases below the agency purchasing limit, return it to the agency. If disapproved, an OSF Form 2133 will be attached to the requisition package and returned to the agency identifying the cause for disapproval. The OSF Forms 115, 125, and 2133, can also be obtained by contacting the Information Services Division of OSF.

D. **Purchase of Communication or Telecommunication Systems**

No state agency of the executive branch of the state shall use state funds for or enter into any agreement for the acquisition (purchase, lease, or lease purchase), development or enhancement of a communication or telecommunication system including voice, data, radio, video and facsimile systems, without written authorization of the Director of State Finance. Title 62, O.S., Section. 34.21, Subsections C. and D. Therefore, agencies must submit their purchase requisition to the Information Services Division of OSF with a cover letter . **Note:** There is no OSF Form submitted with the communication or telecommunication requisition to OSF.

OSF will review the requisition to verify that the acquisition, development or enhancement is compatible with the operation of the Oklahoma Government Telecommunications Network. If approved, OSF will forward the requisition with an approval notation to the DCS Central Purchasing Division, or for those agencies using the DCS Purchasing System with purchases below the agency purchasing limit, return it to the agency. If disapproved, OSF will return the requisition to the agency identifying the cause for disapproval.

297 SOLE SOURCE/SOLE BRAND ACQUISITION REPORTING

Specialized reporting by OSF is required on all sole source /sole brand acquisition over \$2,500.⁰⁰ entered into by a state agency. This reporting is provided to select members of the House of Representatives and State Senate. The term "sole source acquisition" is defined as an acquisition which, by specification, restricts the acquisition to one supplier. The term "Sole Brand Acquisition" is defined as an acquisition that by specification restricts the acquisition to one manufacturer or brand name.

Note: Excludes contracts with another state agency and regulated utilities

For agencies subject to the Oklahoma Central Purchasing Act, DCS Central Purchasing will gather sole source/sole brand acquisition data and report it to OSF. Agencies (or purchases) exempt from the Oklahoma Central Purchasing Act, will be required to report their executed sole source/sole brand data directly to OSF using an OSF Form 1933, "Sole Source Contacts Exempt from Central Purchasing." (Appendix B17)

It is essential for agencies exempt from the Central Purchasing Act to complete all fields shown for each contract data submitted. This includes using the Central Purchasing established Commodity Code which is used in the report as the general identification of the sole source contract purchase. A list of these codes can be obtained from Central Purchasing. The form is designed to include up to four (4) sole source acquisitions per form. The form should be completed as follows:

- A. Complete the "FROM" section by including your Agency Name, Number, and Reporting Month.
- B. Complete each sole source contract entry by entering:
 1. Purchase Order Number
 2. If an adjustment to a previous reported contract, place an "X" in the corresponding blank field and complete only the fields listed below affected by such change.
 3. Purchase Order Date
 4. Vendor FEI Number
 5. Vendor's Business Name
 6. Vendor Contact (if appropriate)
 7. Commodity Classification Code at Item Level and Amount per code
- C. Identify an agency Contact Person and Contact Phone Number

The completed form must be submitted to OSF by the last working day of the month following the reporting month (e.g., for contracts issued in July, the data must be submitted to OSF by August 31).

Go to Chapter 200 Appendix

Go to Chapter 300

Go to 2001 Procedures Manual Main Menu

Go to Comptroller's Home Page