

Acquisition and Property Division Policy Memorandum

Subject: Designation of Purchase Order Type for Construction Under the Simplified Acquisition Threshold		Number: 04-03
Distribution: ARS AAO's PAO's Locations FD APD	Date: November 24, 2003	This Replaces: N/A

Purpose: This Policy Memorandum establishes the purchase order type to be used for procuring construction under the simplified acquisition threshold (\$100,000).

Background: The National Finance Center (NFC) established six types of Purchase Orders (PO) to initiate the procurement of goods and services from individuals and merchants. The transaction types are a 40, 41, 42, 43, 45, or 60. In addition to the six transaction types, NFC has defined six commodity types and payment due codes. Together these codes identify the goods or services purchased, the pricing conditions, and methods of payment. Refer to NFC Procedures (Title II, Systems Access Manual, Chapter 5, Procurement Payment Activities, Section 1, Purchase Order System (PRCH)), for additional information.

Several problems have surfaced recently when using a Type-40 PO with a commodity code of "C" for construction. "C" identifies progress payments on construction contracts and designates payments to be issued 14 days after receipt of an approved progress payment request. The interface between PRCH and the Foundation Financial Information System will not accept the commodity code "C" on a Type 40 PO. The interface overlays the commodity code "C" with a commodity code "O". This defaults to paying the invoice in

30 days, which may not be the appropriate prompt pay time frame for that specific PO. The “C” in the commodity code field will pay an invoice in 14 days, but only if used on a Type 43 purchase order. If “C” is used on the Type 40, it will reject in PRCH.

Policy Guidance:

Based upon the above information, only a Type-43 PO shall be used to procure construction with an anticipated one-time or recurring merchant payment. If progress payments are to be made, enter the commodity code of “C” in block 22a. A Type-43 PO will ensure that progress payments will be made 14 days after receipt of an approved progress payment request provided no other payment terms are specified in the terms and conditions of the contract or invoice. If a one-time payment is to be made, enter an “O” in block 22a.

Purchasing agents are to annotate the seller’s copy of the PO with invoice mailing instructions.

Please note that payment terms should be indicated in block 22 of the AD-838. Ensure that the merchant includes the correct payment terms on the invoice, as specified on the AD-838.

APD Point of Contact:

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Approved:

_____/s/_____
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