

15.9 Purchase Order Policy

Policy Statement

Purchase Orders (POs) are foundational and critical control mechanisms within the procurement process. It is the policy of the Province of Nova Scotia (Province) to ensure purchases are authorized, within approved limits, provide the best value for money, and recognized appropriately in the Corporate Financial Management System (CFMS) of the Province Application.

Definitions

ACCOUNTS PAYABLE CLERK

The Accounts Payable Clerk is an employee who posts the invoice document into the CFMS for payment.

BUDGET MANAGER

The employee with the financial signing authority approves expenditures. The Budget Manager may delegate the administrative work but must present evidence of appropriate approval.

BUSINESS AREA

The organizational area within the CFMS representative of a department or public service unit.

COMMITMENT

Pre-authorized expenditures that are committed against budgetary funds when a PO is created in the CFMS. Once goods are received or services are rendered, the respective commitment is released, and the expenditure is recognized in the general ledger account(s).

CONSTRUCTION

Construction, reconstruction, demolition, repair or renovation of a building, structure, road or other engineering or architectural work, but does not include professional consulting services related to the construction contract, unless they are included in the procurement.

COST CENTER

A cost center is a division within a business area where budget and responsibility are captured.

DELIVERY SLIP

Documents (i.e., packing slip; bill of lading) sent with goods supplied used to attest to the type and quantity of goods delivered. This document also details the name of the supplier and the authorizing PO number for the purchase.

DEPARTMENT

A department, public service unit, agency, board, or commission contained in the General Revenue Fund.

DEPARTMENTAL PURCHASE REQUISITION (DPR)

Each department will complete the DPR to initiate approval to begin procurement activities. Purchase requisitions are approved by the appropriate authority within the department.

FINANCIAL SERVICES

The Financial Services Division of Service Nova Scotia (SNS) is responsible for purchasing transactional services.

FINANCIAL SIGNING AUTHORITY

The authority to approve expenditures on behalf of the Province, by way of personal signature or electronic means. Signing authority can be granted for specific purposes such as purchase requisitions, payment of accounts, casual and overtime payroll, government services, and/or journal entries.

GENERAL LEDGER ACCOUNT

The General Ledger (GL) is an orderly financial accounting structure that summarizes all transactions at the account number level. The GL enables government departments to compare their current financial actuals to historical data.

GOODS

Tangible items that are procured for a requirement to carry out business activities and includes of such supplies as determined by Procurement (i.e., for purchases which contain a good and service component, the procurement is classified based on the “largest portion of spend” as per Public Procurement Policy).

GOODS RECEIPT AND INVOICE RECEIPT (GR/IR) ACCOUNT

The GR/IR account is an intermediary account on the CFMS’s Statement of Financial Position which reconciles the receipt of goods, services, and construction, with payment of the respective invoice.

INVOICE

A document provided by a supplier that lists goods that have been supplied or services that have been rendered. This document must outline the following requirements: date created, delivery address, description of purchase, quantity and unit price, total pricing, tax of a good, service or construction provided by a supplier, indicating the total sum due for payment.

NON-COMPLIANT PROCUREMENT

Any procurement activity that does not comply with the Public Procurement Policy.

OUTLINE AGREEMENT (OA)

An application within the CFMS to allow for value and quantity contracts to be set up to allow departments to create purchase orders against. The terms of an outline agreement are valid for a specified period and cover a predefined quantity or value.

A long-term purchasing agreement with a supplier containing terms and conditions regarding the goods and/or services that are to be supplied.

PERSONAL SERVICES CONTRACT

An agreement that establishes an employment relationship between an individual and a department, office, or government agency. See the Personal Services Contract Policy and Personal Services Contract Regulations for further details.

PROCUREMENT SERVICES (PROCUREMENT)

The Procurement Services Division of the Department of Service Nova Scotia (SNS).

PURCHASE ORDER

Purchase Orders (POs) are commercial documents between departments and suppliers that communicate and document the type, quantity and agreed upon prices of the goods, services or construction being procured.

PURCHASE REQUISITION (PR) – PO

The first step in the CFMS to initiate a request to go to make a purchase which will result in a purchase order. Copy the information from the DPR into the PR – PO. Requisitions describe the desired goods, services, or construction to be procured, as well as the total estimated cost of procurement.

PURCHASE REQUISITION (PR) - OA

The first step in the CFMS is to initiate a request to go to make a purchase which will result in an outline agreement. Copy the information from the DPR into the PR – OA Requisitions describe the desired goods, services, or construction to be procured, as well as the total estimated cost of procurement.

PURCHASING TECHNICIAN

The Purchasing Technician is the employee who creates a purchase order and/or requisition in the CFMS.

REQUESTOR

The employee requesting PO creation.

SERVICES

Services required by an organization for the transaction of its business, including professional consulting services. This does not include services provided by an employee through a personal services contract.

SUPPLIER

An individual, partnership, corporation, joint venture, or other form of business organization engaged in the lawful supply of goods, services, and/or construction. Also known as vendor.

TAX CODE

A two-digit code in the CFMS that represents the specifications used for calculating and displaying tax.

VENDOR

An individual, partnership, corporation, joint venture, or other form of business organization engaged in the lawful supply of goods, services, and/or construction. Also known as supplier.

Policy Objective

The objective of this policy is to ensure the Province’s purchases of goods, services, and construction are compliant with the Public Procurement Policy. Further, this policy supports consistent, efficient, and effective internal controls over Provincial purchasing through clearly defining PO processes, roles, and responsibilities.

Application

This policy applies to all the Province's departments, public service units, agencies, boards, and commissions contained in the General Revenue Fund in the acquisition of all goods, services, and construction.

This policy does not apply to payments for grants, loans, equity infusions, guarantees, fiscal incentives, acquisition or rental of land, existing buildings, or other immovable, personal services contracts.

This policy is designed to help achieve the objectives of the Public Procurement Policy, the *Public Procurement Act* and to support sound financial practices and controls.

Policy Directives

PURPOSE OF PURCHASE ORDERS

A purchase order is a document issued by departments to suppliers, for a predefined period, indicating the type, quantities, and agreed upon prices for goods, services, or construction that the supplier will provide. POs serve as a control mechanism to help prevent unauthorized expenditures and/or expenditures more than approved limits.

POs must only be created once all approvals are received and released to suppliers before goods are received or services and construction are rendered and invoiced.

Split purchasing, the process of subdividing contracts, contract amendments, POs, or invoices to reduce the overall procurement value below thresholds, is not permitted.

REQUIREMENTS FOR USE

POs are required for purchases of goods, services, and construction based on the procurement threshold set within the Public Procurement Policy and for purchases made against outline agreements, regardless of the value of the purchase.

EXCEPTIONS

A list of expenditures which do not require the use of a PO is maintained and can be accessed via this link. Items over \$5,000 that can be processed through Accounts Payable.

APPROVALS AND REQUIREMENT DOCUMENTATION

Departments are required to ensure that all spending authority requirements are in place, and supply relevant supporting documentation, if applicable, such as signed ministerial approval, detailed written quotes, alternative procurement forms, and/or non-compliant forms as described in the Public Procurement Policy before PO creation.

THE INFORMATION REQUIRED FOR PO CREATION INCLUDES:

- Department business area
- Associated cost center, or order number
- General ledger account
- Outline agreement number, if applicable
- Vendor name
- Vendor tax code.

Relevant supporting documentation requirements could be any applicable Treasury and Policy Board Corporate Administrative Directive prerequisites, detailed written quotations, and/or alternative procurement form, as described in the Public Procurement Policy. Additionally, appropriate financial signing authority must be evidenced for approval of PO creation.

The Procurement Services Division is responsible for final release of POs at thresholds set within the Public Procurement Policy.

PURCHASE REQUISITIONS

When a department is tendering for a good, service or construction, or when an existing outline agreement needs to be increased, Procurement requires a purchase requisition to be created and approved before the good, service or construction is tendered. Where a requisition is required, departments are to request that the Purchasing Technician create or amend a purchase requisition based on documented appropriate internal approval of the expenditure.

PURCHASE ORDER CREATION

The creation of POs is the responsibility of the SNS – Financial Services and certain departments with decentralized purchasing transaction authorities.

NON-COMPLIANT PROCUREMENT

Transactions that are identified for non-compliance will be required to follow the non-compliant process and to document the details related to the non-compliant purchase within the non-compliant form. The requestor must complete the form and must submit it to the Purchasing Technician to be attached to the PO. The Purchasing Technician will note POs created for non-compliant purchase with the award type 'NC' within the CFMS.

PO REVIEW AND VALIDATION

After being created, POs must be reviewed and validated for key information including the supplier, value, dates, etc. by the Budget Manager for completeness and accuracy. This is a crucial step to confirm PO details match the initial request and confirm approval of PO.

PURCHASE ORDER RELEASE

Once POs are released, an electronic copy may be sent to suppliers, if requested.

MODIFICATION OF PURCHASE ORDERS

POs are modified at the request and approval of departments. Requests are sent electronically to respective purchasing transactions email and attached to modified POs as a record. Original POs are required to be modified.

Split purchasing, the process of subdividing contracts, contract amendments, POs, or invoices to reduce the overall procurement value below thresholds, is not permitted.

PO/OA INCREASE

When a PO/OA value needs to be increased, the department may be required to obtain additional approvals (i.e., ministerial approval), depending on the revised dollar value of the PO/OA and the financial authority limit of the original approver. Additionally, a modification of the PO/OA where procurement value increases or where the type or quantity of goods, services and/or construction changes may require the department to follow a different procurement process. Refer to the Public Procurement Policy for additional guidance. Once required procurement processes have been completed and approved, the department will send all updated documentation to SNS – Financial Services and/or those approved for system access (CFMS) with department delegated financial signing authority, to modify the PO/OA.

PO DECREASE

If a PO's value must be decreased, and the required procurement process per the Sustainable Procurement Policy remains unchanged, POs can be reduced by SNS – Financial Services and/or Department of Municipal Affairs and Housing and Department of Public Works to the amount spent without additional supporting documentation from the department, thereby closing the PO. If a PO was created from an outline agreement, SNS – Financial Services and/or those approved for system access (CFMS) with department delegated financial signing authority, would reduce the PO to the amount spent, thereby releasing the unused funds back to the outline agreement.

RETURNED GOODS

Where non-inventory goods must be returned to a supplier, the purchase requestor is responsible for sending the credit memo and supporting documentation to the Accounts Payable Clerk to process.

Where inventory goods must be returned to a supplier, the purchase requestor is responsible for sending the credit memo and supporting documentation to the Purchasing Technician to process.

All modified POs must be reviewed, validated, and approved by the Budget Manager for completeness and accuracy. This is to ensure the modification of the PO matches the initial request.

INVOICE PAYMENTS

All invoices and/or goods receipts will undergo one of the following reviews prior to payment:

Three-Way Match (for Goods)

The process for verifying that the quantity and price information between the PO, goods receipt, and invoice match for goods purchases is to be completed and submitted by the “requestor”.

Evidence of goods delivered must show validation of goods receipt by receivers to confirm the shipment matches the delivery details. The goods receipt document should be retained for attachment to the invoice and then submitted to the respective purchasing transactional services division with department delegated financial signing authority.

Once the PO, goods receipt, and invoice matching is received, the Purchasing Technician will review and finalize the payment process to suppliers.

Two-Way Match (for Services)

The process for verifying that the service description and price on the PO match the details of the invoice for the purchase of services and construction is to be completed and submitted by the “requestor”.

Once the two-way matching is completed, the requestor submits to the respective purchasing transactional services division with the department delegated financial signing authority.

Once the PO and invoice is received, the Purchasing Technician will review and finalize the payment process to suppliers.

Policy Guidelines

PREFERRED DOCUMENTATION FOR QUOTES

Whenever available, written quotes are preferable to verbal quotes. If acquiring written quotes are not possible, departments must provide the following:

- Supplier names and contact information.
- Date of contact; and
- The description of the goods, services or construction requested, related quantities, and price quoted.

If unable to obtain more than one quote, the department must provide written justification for why it was not possible to obtain quotes.

Purchasing Technician will document the requirements above in the header note of the PO.

Accountability

DEPUTY MINISTER

The Deputy Minister of the department of SNS is responsible for the overall administration of this policy.

EXECUTIVE DIRECTOR OF FINANCIAL SERVICES

The Executive Director of Financial Services within SNS is responsible for ensuring the consistent application of this policy and for communicating this policy to all departments. The Executive Director of Financial Services is responsible for updating this policy periodically.

CHIEF PROCUREMENT OFFICER

The Chief Procurement Officer is responsible for the provision of Procurement Services to all departments in an efficient and diligent manner.

DIVISIONAL HEADS

Divisional Heads (Executive Directors or Directors who are accountable for a specific subset of operations within a department) are responsible for ensuring compliance with this policy.

BUDGET MANAGERS

Budget Managers are responsible for clearly understanding their obligations, responsibilities, and compliance under this policy, and to consult with SNS Financial Services with respect to any questions regarding the application or interpretation of this policy. Budget managers are accountable for any decision to proceed with

a transaction that results in the creation of a PO. This includes ensuring required approvals and documentation is obtained prior to PO request and creation. Budget managers are also responsible to review, validate, and approve POs prior to being sent to suppliers, and review and validate invoices to be processed for payment, as required by this policy.

EMPLOYEES, & SUPERVISORS

Employees and Supervisors are responsible for ensuring compliance with this policy, as pertaining to their position role and responsibilities within the process.

Monitoring

RECORD KEEPING

All purchasing transactions must be authorized, properly recorded in the CFMS, and supported by the appropriate documentation required under the applicable directives, policies, and legislation.

AUDIT

All purchasing transactions may be subject to audit by the Office of the Auditor General and/or the Internal Audit Centre for the Province.

MONITORING AND REPORTING

The SNS Financial Services Division is responsible for monitoring the consistent application, performance and effectiveness of this policy.

CLEARING GR/IR ACCOUNTS

Purchasing Technicians must review their respective GR/IR reports monthly to provide timely reconciliations for any corrections, amendments, or close out. SNS Financial Services will monitor and ensure compliance with this process.

References

Some of the relevant legislation, trade agreements, and reference documents include:

- Public Procurement Policy
- Records Management Policy
- Personal Services Contract Policy
- Delegation of Financial Authority
- CFMS Financial System Overview
- Procurement Manual
- Public Service Act* (nslegislature.ca)

SNS Financial Services Directory (SharePoint)
Treasury and Policy Board Corporate Administrative Directives

Enquiries

For further information or clarification regarding this policy, please contact:

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