

2.201 Purchase Orders

A Purchase Order (PO) is RCUH's official purchasing document. It sets forth the descriptions, quantities, prices, discounts, payment terms, date of delivery or performance, shipping and billing locations, and other terms and conditions. Upon acceptance by a vendor, the PO becomes a binding contract with RCUH. As a general rule, all goods and services should be obtained through the issuance of a PO. The acquisition of services may also require an Agreement for Services; refer to [Policy 2.204 Services Agreements](#). If services are being procured from an individual, sole proprietor, or single member LLC, whether through an Agreement for Services or PO, an Employee-Independent Contractor (EIC) classification is required before the Agreement for Services or PO is executed; refer to [Policy 3.225 RCUH Employee-Independent Contractor Review](#).

Goods and services shall not be parceled to intentionally evade competitive purchasing thresholds and requirements (see [UH AP 8.220 General Principles](#), section 7).

Refer to Policies 2.005 through 2.012 for guidance on the tax treatment of payments associated with a PO, which should be taken into consideration when first creating a PO.

I. Responsibilities

A. Principal Investigator

1. Initiate procurement transactions and comply with the requirements for purchasing goods and services.
2. Ensure that the applicable terms and conditions (e.g., Attachment 31, Attachment 32a/b/c/d, Agreement for Services, RCUH addendum to vendor's terms, etc.) are sent to the vendor with the PO.

B. Fiscal Administrator

1. Advise and assist the PI and Project staff with the various aspects of procurement.
2. Ensure that the procurement file is complete and available for audit with all necessary signatures, attachments, and supporting documents.
3. Ensure that the applicable terms and conditions (e.g., Attachment 31, Attachment 32a/b/c/d, Agreement for Services, RCUH addendum to vendor's terms, etc.) are given to the PI to send to the vendor with the PO.

II. Details of Policy

A. Purchase Requisition

The issuance of a PO begins with a purchase requisition. The purpose of a purchase requisition is to document the solicitation, selection, review, and approval of purchases before commitments are made to vendors.

1. Requirements

All procurements must comply with established requirements before any action is taken by the appropriate approving authorities. [Attachment 28 RCUH Procurement Checklist](#) details the required documents that must accompany a PO. The requirements are in compliance with federal, State, and institutional rules and regulations. Projects that are not subject to federal cost principles or regulations must adhere to sponsor requirements and prudent business practices. Procurements involving the provision of services must also ensure that the providers of services are appropriately categorized to comply with laws and regulations; refer to [Policy 2.204 Services Agreements](#) and [Policy 3.225 RCUH Employee-Independent Contractor Review](#).

2. Advances

If it is known at the time a purchase requisition is initiated that an advance payment (such as a deposit) is required, and the purchase is not an excepted purchase as defined in [UH AP 8.275 \(4h\)](#), then an [Attachment 47 Request for Advance Payment and/or Deposit to a Vendor or Contractor](#) should be included as a file attachment.

3. Budget Category (Object Code)

Budget categories (or object codes) are assigned to transactions for financial accounting and reporting purposes. RCUH projects (i.e., project numbers beginning with 000) utilize RCUH budget categories, which can be found by selecting “RCUH Reports” in the Financial Portal’s “Reporting” tab. “Budget Status Report Summary (Project/BC)” is the defaulted selection; enter the Project Number in the box and click Retrieve Report. UH accounts that are service ordered to RCUH utilize the Kualii Financial System (KFS) object codes (see [FMO : Account Codes \(hawaii.edu\)](#)).

Whenever possible, avoid using general budget categories when a more specific one exists. Inappropriate use of budget categories can lead to the misclassification of transactions and underreporting of financial transactions to the IRS.

4. Processing

Purchase requisitions are initiated by the Principal Investigator (PI) or designee, and submitted to the Fiscal Administrator (FA) for approval. For transactions below \$25,000, a PO can be issued once the FA approves the transaction.

Transactions of \$25,000 or more require RCUH approval before a PO can be issued.

Each fiscal or business office may have its own internal purchasing procedures. It is best for project staff to consult with their respective FA about these procedures in advance.

B. Tax Exemption

Projects exempt from paying the State of Hawai'i general excise tax for certain scientific supplies, equipment, and/or services under federal contracts and subcontracts (using either federal grant or prime contract funds), in accordance with [Hawaii Revised Statutes § 237-26](#), as amended, should check the "RCUH considers this P.O. exempt from the Hawaii General Excise Tax" box on the purchase requisition. All POs issued under this exemption should be transmitted with a completed [Attachment 3 Tax Exemption of Certain Scientific Contracts with the United States](#) memo printed on official business letterhead.

Questions regarding applicability of the tax exemption should be directed to the State of Hawai'i Department of Taxation (Phone: 808-587-1577; Toll Free: 1-800-222-3229; Email: Tax.Technical.Section@hawaii.gov; or Fax: 808-587-1488). If a vendor does not claim the exemption with the State of Hawai'i Department of Taxation, the project will be responsible for paying the tax.

RCUH does not have a tax exemption certificate.

C. Purchase Order Terms and Conditions

Each PO is accompanied by terms and conditions. The RCUH standard terms and conditions contained in Attachment 31 and Attachments 32a-d (if applicable) should be used for all transactions that do not have a formal written agreement. If a vendor requires the use of its own terms and conditions, carefully review the vendor's terms and conditions and consult with your FA, who may amend and sign the terms, or work with RCUH Procurement, per [Policy 2.203 Vendor Terms and Conditions](#).

RCUH's terms and conditions are in the Document Library as Attachments 31, 32a, 32b, 32c, and 32d.

[Attachment 31](#) **General Terms and Conditions Applicable to All Purchase Orders** should be attached to all POs unless a subaward or Agreement for Services is executed, or if RCUH and a vendor have agreed in writing that the vendor's terms and conditions will prevail.

[Attachment 32a](#) **Terms and Conditions Applicable to Contracts and Purchase Orders (Under Federal Grants)** should be attached to all federal, grant-funded POs, along with the applicable terms and conditions or agreement mentioned in Attachment 31. The Attachment 32a should not be sent to vendors if a subaward has been executed.

[Attachment 32b](#) **Federal Provisions – Government Subcontract Provisions Incorporated in All Subcontracts/Purchase Orders (Under Federal Prime Contracts)**,

should be attached to all federal, contract-funded POs, along with the applicable terms and conditions or agreement mentioned in Attachment 31.

[Attachment 32c](#) Federal Provisions Applicable When Subcontractor (Commercial Entity) Is in Possession of Government Property – Government Subcontract Provisions Incorporated In All Subcontracts/Purchase Orders (Under Cost-Type Prime Cost Reimbursable Contracts) should be attached when issuing a subcontract or PO to a commercial entity under a cost-type, prime, cost reimbursable contract, and if the subcontractor is in possession of Government property. Generally, Attachment 32c will be used in lieu of Attachment 32b.

[Attachment 32d](#) Federal Provisions Applicable When Subcontractor (Educational or Nonprofit Organization) Is In Possession of Government Property – Government Subcontract Provisions Incorporated In All Subcontracts/Purchase Orders (Under Cost-Type Prime Cost Reimbursable Contracts), should be attached when issuing a subcontract or PO to an educational or non-profit organization under a cost-type, prime, cost reimbursable contract, and if the subcontractor is in possession of Government property. Generally, Attachment 32d will be issued in lieu of Attachment 32b.

The PI selects the appropriate box on the purchase requisition. The FA ensures that the correct attachment(s) is(are) checked off on the purchase requisition and that the correct attachment(s) is(are) transmitted with the PO. If a contract or RCUH addendum to the vendor's terms is executed, it should be attached to the PO and transmitted to the vendor.

D. Internal Special Instructions

The purchase requisition Internal Special Instructions include the following:

1. Record of Competition

All procurement transactions shall be made to promote open and free competition unless specifically excepted (e.g., UH pre-approved sole source, UH exempt procurement, etc.). Refer to the following policies for more information on competitive purchases, [2.103 Request for Quotation](#), [2.104 Request for Proposal](#), and [2.105 Invitation for Bid \(For the Procurement of Construction\)](#).

The following selections are available to document the responses received during the solicitation:

- Verbal Quotations: List all of the verbal quotations received, and attach the [Attachment 25 Record of Verbal Quotations](#) to the PO.
- Written Quotations (Forward to FA): List all of the written quotations received, and attach all the written quotations to the PO.
- Not Applicable: List the reason the procurement was not competitively solicited (e.g., exempt procurement, sole source, etc.), and attach the related documentation, if applicable, to the PO to support the selection.

PO Transaction Amount	Response Required
Micro-purchase (\$10,000 or below)	No minimum number of quotations is required. FA approval indicates price reasonableness.
Greater than \$10,000, but less than \$25,000	Minimum of three (3) verbal quotations is required. A written quotation should be obtained from the vendor with the lowest price.
\$25,000 and above	<p>Minimum of three (3) written quotations is required if the solicitor uses discretion to select the vendors invited to submit a quote.</p> <p>Minimum of two (2) quotes is required if the solicitation is publicly posted in such a way that the solicitor does not control who responds.</p>

2. Confirming Purchase Order

A confirming PO is the formal authorization for an order already placed with the vendor. Its use is limited to emergency situations, and all procurement requirements must still be met.

The PI or designee should obtain prior approval from the FA to justify the need for the emergency procurement. Upon receiving approval, the PI checks the Confirming PO box on the requisition and includes a justification in the Internal Special Instructions Section B.

The standard review and approval process applies to all confirming POs.

3. Other Information

Internal Special Instructions Section C is used by the PI for any comments to the FA.

E. External Special Instructions

Special instructions to the vendor that will be printed on the PO should be entered in this section after selecting the “Other” button. By selecting the “Travel Agency Refund Notice” button, “SPECIAL INSTRUCTIONS: Refunds payable to RCUH and not traveler on any unused tickets” will be printed on the PO.

F. Additional Forms and File Attachments

Additional documentation may be required to support your purchase. The online purchase requisition includes a drop-down menu with commonly used forms that can be easily managed by the Add, Edit, and Remove features. The available forms are Determination of Cost or Price Reasonableness (CPR), Sole Source Justification, Authorization to Purchase Equipment with Federal Contract or Grant Funds, Equipment Inventory Form, Subcontract Agreement, Agreement for Services (UH Projects), Agreement for Services (Direct Projects), and FFATA Data Collection for Subcontractor/Vendor.

File Attachments can be used to attach other supporting documents as appropriate (e.g., solicitation, technical specifications, quotation, vendor terms and conditions, RCUH addendum to vendor’s terms and conditions, contract, contract amendment, tax clearance, certification statements required for federal purchases, etc.).

G. Additional Requirements

Refer to [Policy 2.203 Vendor Terms and Conditions](#), Section III.A.2., for additional requirements related to intellectual property, export controls, data, hardware/software, and publicity issues.

H. Purchase Order Change Form

A Purchase Order Change Form (POCF) is the official purchasing document used to amend an existing PO. A POCF ensures that all changes to the original purchase are properly authorized, and provides documentation of the changes for the vendor and for subsequent audit. Since a POCF is a procurement action, it requires the same approvals as the original PO. When a POCF is used to amend a contract, the contract amendment must accompany the POCF.

A POCF is typically used for the following reasons:

1. To change the quantity or dollar amount of the order (unless the change is due to tax, shipping, insurance costs, or a decrease to the remaining encumbrance when a final payment can be made to close the PO, in which case a POCF is not needed);
2. To change the descriptive portion of the PO (i.e., specifications of the order);
3. To change the object code or budget category¹;
4. To change the project or account number; or
5. To inform the vendor of a partial or total cancellation.

¹ A POCF can be used to adjust the encumbrance of a specific object code prior to making a final payment to prevent a dangling encumbrance. For example, a final payment that does not include object codes with balances will result in a dangling encumbrance on the object codes that are not included on the final payment. To prevent this from happening, the user may want to liquidate the remaining balances on the object codes that will not be included in the final payment prior to processing the final payment.

An increase that necessitates additional procurement file documentation (e.g., cost or price reasonableness, tax clearance, etc.) requires a POCF. For example, if a micro-purchase is made without three (3) verbal quotations, and the vendor subsequently informs the Project of a unit price increase for an item on the existing PO that bumps the purchase to above the micro-purchase threshold, a POCF with a CPR explaining the lack of competition and reasonableness of the price is required.

III. Relevant Documents

[Attachment 3 Tax Exemption of Certain Scientific Contracts with the United States](#)

[Attachment 28 RCUH Procurement Checklist](#)

[Attachment 31 General Terms and Conditions Applicable to All Purchase Orders](#)

[Attachment 32a Terms and Conditions Applicable to Contracts and Purchase Orders \(Under Federal Grants\)](#)

[Attachment 32b Federal Provisions – Government Subcontract Provisions Incorporated In All Subcontracts/Purchase Orders \(Under Federal Prime Contracts\)](#)

[Attachment 32c Federal Provisions Applicable When Subcontractor \(Commercial Entity\) Is In Possession of Government Property – Government Subcontract Provisions Incorporated In All Subcontracts/Purchase Orders \(Under Cost-Type Prime Cost Reimbursable Contracts\)](#)

[Attachment 32d Federal Provisions Applicable When Subcontractor \(Educational or Nonprofit Organization\) Is In Possession of Government Property – Government Subcontract Provisions Incorporated In All Subcontracts/Purchase Orders \(Under Cost-Type Prime Cost Reimbursable Contracts\)](#)

[Attachment 47 Request for Advance Payment and/or Deposit to a Vendor or Contractor](#)

[Policy 2.101 Source Selection Methods](#)

[Policy 2.103 Request for Quotation](#)

[Policy 2.109 Source Evaluation and Award](#)

[Policy 2.203 Vendor Terms and Conditions](#)

[Policy 2.204 Services Agreements](#)

[Policy 2.213 Procurement File Documentation](#)

[Policy 2.302 Tax Clearance \(Certificate of Vendor Compliance\)](#)

[Policy 3.225 RCUH Employee-Independent Contractor Review](#)

[UH AP 8.220 General Principles, Section 7 \[Procurement Violations\] and Section 9 \[Exempt Procurements\]](#)

[UH AP 8.255 Sole Source Procurement, Exhibit A](#)

[UH AP 8.275 Contract Formation and Administration, Section 4h \[Contract Payment Processing\]](#)

[Memo Regarding Responsibility for Procurements \\$25,000 and Greater on Accounts Service Ordered to RCUH](#)

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