

**SAM - PURCHASES**

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### **GENERAL** (Revised 3/14)

3500

The Procurement Division, Department of General Services, is responsible for every purchase of non-IT supplies or equipment in excess of \$100 and for contracts for purchases for every State agency with such exception as stated in Public Contract Code Sections 10295, 10298, 10430, and 12100.5.

The Procurement Division will also assist agencies in making determinations relative to the appropriate method of acquisition of their equipment needs. The office will also provide effective means of acquiring equipment whether the acquisition is to be made by purchase or through non-purchasing techniques.

### **COMPETITIVE PURCHASING** (Revised 6/06)

3503

The State is committed to a program of active competition in the purchase of personal property. Public Contract Code Section 10318 makes it illegal for any agency or employee to draft or cause to be drafted any specifications in such a manner as to limit the bidding directly or indirectly to any one specific concern, or any specific brand, product, thing, or service. It is the aim and desire of the Procurement Division, Department of General Services, to require that such competition be at all times by responsible suppliers, and the materials bought through such competition be properly suited to the job intended both as to price and quality.

Except for contracts and purchases for non-IT services and/or IT goods and services including telecommunication acquisitions which are processed according to the procedures set forth in SAM Chapter 1200 and SAM Chapter 5200, contracts and purchases in amounts exceeding \$50,000 are normally made by sealed bid procedure. In emergency situations or other special circumstances, statutes may exempt purchases from the bid procedure. Sealed bids are opened and read at a specified time and are maintained on file (Public Contract Code Section 10301).

Where the dollar threshold involved is \$50,000 and less, or where the competitive field is very limited, the Procurement Division will request informal quotations in lieu of using the more expensive formal method. Informal quotations will also be used to determine if previous prices are still in effect when dollar amounts are relatively small. Procurements valued \$50,000 and less are considered informal and are to be conducted in accordance with the State Contracting Manual, Volume II, Purchasing Authority Manual (PAM) requirements for informal competitive non-IT goods procurements.

When the range of bids received is such that purchase is not in the best interests of the State, all bids will be rejected. When all bids are rejected, all bidders will be advised.

Also, all bids may be rejected when with the consideration of the surrounding circumstances it is determined that it would be in the State's best interest to do so.

### **PROHIBITED PRACTICES** (Revised 3/14)

3504

No State officer or employee will personally derive any benefit from use of facilities available to the State for the purchase of equipment, supplies, or commodities. Use of purchase orders or other State purchasing procedures to obtain property for personal use, or misrepresentations to vendors that personal purchases are for the State, for the purpose of obtaining price discounts not allowed on personal purchases, will expose officers or employees to prosecution under Penal Code provisions relating to embezzlement and theft.

### **PURCHASES FROM COMMUNITY-BASED REHABILITATION OR SHELTERED WORKSHOPS** (Revised 3/14)

3504.2

See Chapter 2 of the [State Contracting Manual](#), Volume 2 or Volume 3 for more information.

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### **PURCHASES FROM PRISON INDUSTRY AUTHORITY** (Revised 5/94)

3505

In preparing purchase estimates, an agency will first consider if its needs can be met by Prison Industry Authority (PIA) commodities and services. Agencies are mandated by California Penal Code 2807 to purchase from and consult with PIA to develop new products and adapt existing products to meet their needs. They shall consult with PIA for commodities and services, or like commodities and services, even though not specified in the PIA catalog.

The Procurement Division, Department of General Services, will examine all submitted purchase estimates to determine whether PIA products would meet all reasonable requirements. If this appears to be the case, the Procurement Division will notify the ordering agency that the items should be purchased from PIA.

The Procurement Division will not purchase these items from commercial vendors without written authorization to do so from PIA. A waiver must be obtained from PIA prior to purchasing items from commercial vendors.

### **PURCHASING AUTHORITY** (Revised 3/14)

3506

The requirements for departments to obtain and maintain purchasing authority is contained in the State Contracting Manual (SCM). The SCM is available on the Internet at <http://www.dgs.ca.gov/pd/Resources/publications.aspx>. Departments are held accountable for the procurement activities conducted under approved purchasing authority.

### **AUTHORIZATION OF AGREEMENTS** (New 9/05)

3507

#### 1. State Departments – Authorized Signatures

- a. Authority to sign purchase documents is limited to those executive officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.
- b. Anyone who signs a purchase document should have knowledge in the procurement laws, policies and procurements pertaining to the goods or services being procured. If an individual with signature authority does not possess sufficient procurement knowledge and expertise, the individual should, prior to signing, have the purchase document reviewed by someone who possesses such knowledge and expertise.
- c. Delegation of signature authority is a selective process and should be commensurate with experience with principles of sound contracting and procurement policies, demonstrated familiarity with the process of purchase document formation, execution, and administration, and completion of applicable training and/or certifications.
- d. Each executive officer who has statutory authority to sign purchase documents shall ensure that his/her agency maintains a current written record of agency employees authorized to enter into and sign purchased documents on behalf of that agency. This written record shall be subject to DGS audit.
- e. State Board's and Commission's purchase documents in excess of \$5,000 must be accompanied by a copy of the resolution approving the execution of the purchase document, unless by statute the executive officer may sign the purchase document.

#### 2. Local Governmental Entities – Authority

- a. Purchase documents to be signed by a county, city, district, or other local public body must be authorized by a resolution, order, motion or ordinance for the purchase document. A copy of the authorization should be sent to DGS/OLS with the purchase document.
- b. Where performance by the local governmental entity will be complete prior to any payment by the state a resolution is not needed.

## SAM - PURCHASES

### PROCUREMENT SERVICES

3510

(Revised 3/14)

The Procurement Division, Department of General Services, can be of assistance to State agencies prior to requisition to determine possible supply sources, alternative product examinations, specification preparation, inspection and receiving practices, quality control, order follow-up and materials, expediting and the enforcement of the terms and conditions of purchase orders issued by the Procurement Division.

#### SPECIFICATIONS SECTION (Revised 10/74)

3510.1

The Specifications Section staff of the Office of Procurement, Department of General Services, can assist agency personnel in the preparation of the description and specifications of their purchase requirements before they are submitted on purchase estimates. Copies of standard specifications are available upon request; aid is available for developing descriptions of nonstandard commodities.

#### AGENCY RESPONSIBILITIES (Revised 9/91)

3510.2

Issuance of a purchase order by the Office of Procurement, Department of General Services is only one part of the buying process. The agency for whom the merchandise is purchased also has important functions to perform in this process. Following are some of the responsibilities of receiving personnel:

1. Receiving clerk must have a copy of order document to answer these questions:
  - a. Is delivery significantly late, unsatisfactory, or incomplete?
  - b. Does the item comply with the specifications and packaging requirements?
  - c. Are any inspection stamps or special labeling required and are they in evidence?
  - d. Has the shipment been inspected by the most qualified person available?
  - e. Have all the terms listed on the Purchase Order been met?
2. Maintain copies of Purchase Orders on file when contractors have responsibilities into future fiscal years.
3. Quality problems and questions should be directed to the Quality Control Section. See SAM Section 3510.3.
4. Purchasing problems and questions should be directed to the Buyer whose name and phone number appear on every Contract and Purchase Order issued by the Office of Procurement.

#### QUALITY CONTROL SECTION (New 2/71)

3510.3

Quality Control assistance is available from the Office of Procurement, Department of General Services, for agencies throughout the State. The Quality Control Section should be contacted in the event:

- An agency has questions as to whether an item delivered against a purchase order meets specifications. (If necessary, Quality Control will arrange to inspect the item in question.)
- Equipment or supplies received and placed in services do not appear to be performing as expected or represented by the seller.
- You are receiving poor service, or experiencing other problems after items have been received.

## **SAM - PURCHASES**

### **REJECTION OF SUBSTANDARD COMMODITIES (Revised 10/74) 3510.4**

Failure to meet any of the requirements stated on the purchase order is grounds for rejection. Acceptance of substandard material defeats our standards program. In each case, however, common sense must also be used in deciding upon accepting or rejecting. The Quality Control Section of the Office of Procurement, Department of General Services, should be contacted if the agency is not certain as to the action it should take.

The actual data of delivery and the condition of the merchandise at the time of delivery is seldom, if ever, known by the Office of Procurement Buyer. Copies of all correspondence concerning purchase orders should be sent to the Office of Procurement area office and to the Quality Control Section, Office of Procurement, in Sacramento. If there is any doubt about the quality of a shipment, report the problem to the Office of Procurement and get the advice of the Buyer before scheduling the invoice for payment.

### **EMERGENCY PURCHASES (Revised 3/89) 3511**

When an emergency involving public health, welfare, or safety requires the immediate purchase of supplies or equipment without the taking of bids, the requisitioning agency will attach to its requisition a statement regarding the emergency. The statement will be signed by an officer of the agency. Acceptable statements will show that the emergency condition is one which would not have been avoided by reasonable care and diligence or that there is an immediate threat of substantial damage or injury to persons committed to the agency's care, to employees of the agency, to members of the general public, or to property for which the agency is responsible.

### **CONFIRMING ESTIMATES (Revised 9/85) 3511.1**

Confirming Estimates will not be processed unless submitted in accordance with SAM Section 3511 and Public Contract Code Section 10302. Emergency purchases should ordinarily be made under the provisions of SAM Section 3571.2.

### **MATERIALS EXPEDITING (Revised 3/89) 3511.2**

If initial contacts with a vendor who is late meeting specified delivery dates are unsuccessful, agencies should contact the Buyer responsible for the purchase order or contract. The Buyer or a materials expediter will contact the vendor on your behalf and will continue to monitor the vendor's progress until the order is complete. Your agency will be kept fully advised as to the current status of the transaction and of the Office of Procurement's efforts to enforce the terms and conditions of the purchase order or contract.

### **STANDARDS SAMPLING 3513 (Revised 10/74)**

From time to time, special forms will be sent to agencies to facilitate standards sampling. These forms will request information regarding date of delivery, condition of material on arrival, and pertinent comments. These forms must be filled out and returned immediately. If samples are requested, identify them with complete information, purchase order and estimate number, vendor, date, commodity, and comments.

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### **FINANCIAL PROFILE REPORTS** **(Revised 12/03)**

**3514**

Agencies that require information on firms within the United States may obtain this data from the Procurement Division, Department of General Services, which has contracted for credit rating services. Use of the service for purposes other than as a check on firms to whom credit may be extended is not authorized. The service consists of two parts: (1) a reference book listing the general credit rating of virtually every firm in the United States; and (2) a special detailed, confidential business information report on specific firms. Reports on individual consumers may not be ordered.

Detailed reports contain a comprehensive statement of the background and financial status of the firms. Use of Procurement's reference book is free of charge. Upon written request, single reports may be purchased for a fee. The fee is updated annually; call the Procurement Division for the most current fee. Requests which require immediate information will be charged extra. All reports will be processed on the basis of single reports. All reports may be ordered from:

Department of General Services  
Procurement Division  
707 Third Street, Second Floor  
West Sacramento, California 95605

### **MANUFACTURERS' WARRANTIES** **(Revised 12/03)**

**3515**

Many items of equipment purchased by State agencies carry a manufacturer's warranty of acceptable materials and workmanship. All agencies will register and maintain proper records of such warranties to ensure that defects covered by the warranty are repaired by the manufacturer.

The Procurement Division does not maintain any files or records of individual agencies' equipment warranties.

### **SURPLUS PROPERTY**

#### **DISPOSAL OF SURPLUS PERSONAL PROPERTY** **(Revised 3/14)**

**3520**

Prior to an agency's disposal of any state-owned personal surplus property, other than vehicles and mobile equipment (See SAM Sections 4111 through 4112 for Disposition of Vehicles and Mobile Equipment), the agency must obtain approval from the State and Federal Property Reuse Program Office, Office of Fleet and Asset Management, Department of General Services.

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## SAM - PURCHASES

(Continued)

### **DISPOSAL OF SURPLUS PERSONAL PROPERTY (Revised 3/14)**

**3520 (Cont. 1)**

The agency must submit to the State and Federal Property Reuse Program Office a Property Survey Report ([STD. 152](#)) requesting direction and approval prior to disposition of any state-owned personal surplus property, including general office furniture, regardless of the original acquisition value or if the property was recorded or capitalized for accounting purposes. The \$5,000.00 unit acquisition cost requirement for capitalization does not apply to disposal actions. Final disposition, which includes sale, trade-in, discarding or turning the property over to the State and Federal Property Reuse Program Office, or discarding the property may not occur until the State and Federal Property Reuse Program Office approves the disposition.

To request approval, the agency must electronically submit the completed Property Survey Report ([STD. 152](#)), to the State and Federal Property Reuse Program Office in Sacramento. Agencies can access the online [STD 152](#) at <http://www.dgs.ca.gov/ofam/Programs/StSurplus/Reutilization/CSPS.aspx>. This reporting requirement applies to all office furniture items, including (but not limited to) bookcases, cabinets, chairs, credenzas, desks, shelving, tables and similar items common to state offices.

The State and Federal Property Reuse Program Office facilitates and ensures recycling of used office furniture that is still sound and, therefore, reusable, thus contributing to reducing expenditures for new furniture and conserving the materials used in the manufacture of office furniture.

### **PROPERTY SURVEY BOARD (Revised 3/14)**

**3520.2**

Each agency will have a duly appointed Property Survey Board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the best interest of the state. To the extent possible, there will be a sufficient number of members on the Board to insure representation by both business management and program responsibilities. At least two Board members must approve all Property Survey Reports ([STD. 152](#)) and all Transfers of Location of Equipment ([STD. 158](#)).

### **PROPERTY SURVEY REPORTS (Revised 3/14)**

**3520.3**

When an agency proposes to dispose of state-owned, nonexpendable surplus property either by sale, by trade-in, or by turning it over to the State and Federal Property Reuse Program Office, or by discarding the property, the agency prepares a Property Survey Report ([STD. 152](#)) and submits it to the State and Federal Property Reuse Program Office for approval.

When an agency proposes to transfer such property to another agency or to a unit within the agency, the agency prepares a Transfer of Location of Equipment ([STD. 158](#)) and submits it to the State and Federal Property Reuse Program Office for approval. The agency may use an agency form in lieu of [STD. 158](#) for intra-agency transfers between organizational units accounted for in the same general ledger account.

The agency retains the original copy of the approved [STD. 152](#) or [STD. 158](#), as applicable, in a suspense file, pending final disposition of the property. If the agency sells the property, the agency enters the dollar amount received from the sale and the receipt number on [STD. 152](#), and disposes of the listed property without delay.

The requesting agency and the State and Federal Property Reuse Program Office retain copies of all STD. 152's and 158's in accordance with the general disposition schedule. See SAM Section 1611.

## SAM - PURCHASES

### **TRANSFER TO THE SURPLUS PROPERTY PROGRAM OFFICE** **3520.4** (Revised 3/14)

When state-owned surplus personal property is not to be transferred within an agency, the agency submits a [STD. 152](#) directly to the State and Federal Property Reuse Program Office.

The agency must provide adequate information in the "explanation" section of the [STD. 152](#), and indicate the reason(s) for disposal of the property.

The agency must use a single [STD. 152](#) only for similar items or items being surveyed for the same reason. The agency must use separate STD. 152s when surveying items for different reasons.

### **DONATION OF STATE PROPERTY** **3520.5** (Revised 3/14)

When an agency proposes to transfer state-owned personal surplus property to a non-state entity, the agency prepares a [STD. 152](#) and submits it to the State and Federal Property Reuse Program Office for review and approval prior to final disposition. The recipient of the property must be on record with the State and Federal Property Reuse Program Office as an eligible donee, thus indicating the recipient is eligible to receive such property.

NOTE: For vehicles and mobile equipment, submit proposals to the Department of General Services, Office of Fleet and Asset Management for review and approval.

### **SALE TO ANOTHER STATE AGENCY** **3520.6** (Revised 3/14)

The same procedure is used as a transfer within an agency or department, except the selling agency must complete a Property Survey Report, [STD. 152](#), and forward it to the Surplus Property Program Office before the sale takes place.

### **PUBLIC SALE** **3520.7** (Revised 3/14)

An agency can offer state-owned personal surplus property for sale to the general public after the agency has offered the property for use within the agency and after submitting [STD. 152](#) to the State and Federal Property Reuse Program Office for review and approval.

There are three methods an agency may use to dispose of state-owned personal surplus property through a public sale:

1. Sealed bid;
2. Auction;
3. Fixed price (not recommended).

**SEALED BIDS OR AUCTION SALES**  
(Revised 3/14)

3520.8

Typically the sealed bid method of public sale brings the highest cash return to the state. The agency must make a diligent effort to secure at least three competitive bids. If the agency cannot make three competitive bids, the agency employee who solicited the bids must prepare and sign a list of the firms or individuals contacted. The agency must attach the bid solicitation list and the bids received to the [STD. 152](#).

When an agency elects to dispose of state-owned surplus personal property through a public sale by auction, the agency must publish information about the auction to all sectors of the community. Public notices include:

1. Newspaper ads;
2. Posting of notice of sale in public places;
3. Mailings to interested businesses and individuals.

A fixed price sale requires the authorization of the Director of the Department of General Services.

Public sales should be announced a minimum of one week prior to the sale with newspaper ads running no less than three days. The bid opening date should allow ample time for advertising and inspection of the items by prospective bidders.

"Notice of Sale" flyers shall be made available on-site and should contain the following information:

1. When and where the items offered for sale may be inspected.
2. Bid opening date and time.
3. Method of notification to successful bidders.
4. Required method of payment and applicability of sales tax.
5. Required time frame for successful bidders to pick up items.
6. A "General Provisions" section should include an applicable statement similar to the following:

"Items are being sold as is and where is. Verification of the description and condition is the responsibility of the bidder. All sales are final. The State of California reserves the right to reject any or all bids, or to value any defects or irregularities therein. Minimum bid amounts, when indicated, shall be applicable."

(Continued)

## SAM - PURCHASES

(Continued)

### **SEALED BIDS OR AUCTION SALES**

**3520.8 (Cont. 1)**

(Reviewed 3/14)

“The State of California makes no warranty, either expressed or implied, as to the condition or completeness of the equipment being sold, nor does the equipment necessarily meet California Occupational Safety and Health Act Standard, Orders, or Regulations.”

After the successful bidder has paid for his/her items and presented his/her receipt, he/she shall be requested to sign an appropriate delivery receipt to signify that he/she has received the material. When scrap and junk is being sold, the person taking delivery shall either sign a delivery receipt or give the agency a receipt indicating the type and approximate quantity of material removed from the premises.

After the sale of material is completed, the amount of cash received shall be recorded on the approved copy of the Property Survey Report, which is retained by the organizational unit.

Whenever public sales are conducted, a system of checks and balances shall be used. This shall, at a minimum, consist of having separate persons handle the sale and the collection of funds.

State employees may participate in public sales providing they do so in the same manner as the general public. Employees may not use their position, office or prestige to their advantage when participating in sales of materials, nor may they participate on state time.

### **DISCARDED, SCRAPPED, RECYCLED, OR DISMANTLED FOR SALVAGE**

**3520.9**

(Revised 3/14)

When an agency disposes of state-owned surplus personal property by means other than the sale of the property (i.e., salvaged, scrapped, discarded, “Recycled”, or hauled to a landfill) the agency’s responsible employee and unit supervisor shall certify in writing that the disposition has been accomplished. The certification may be made on the [STD. 152](#), or attached and filed with the form. When the agency disposes of the property at a public landfill, the agency’s representative obtains the signature of the disposal site operator or attendant, indicating that the property listed was disposed of at the site. If the landfill is unattended, the agency’s responsible employee and the unit supervisor shall sign and certify that the disposition described was accomplished.

To the maximum extent possible, state agencies are required to recycle State owned surplus personal property with no useful life remaining. Agencies must dispose of irreparable and unusable electronic equipment (e-Waste) using the services of a State of California, Department of Toxic Substances Control authorized recycler.

### **DONATED FEDERAL SURPLUS PROPERTY**

**3521**

(Reviewed 3/14)

State agencies are eligible to receive donated federal surplus property distributed by the Department of General Services, Office of Fleet and Asset Management, State and Federal Property Reuse Program Office. Substantial quantities of high-quality new and used surplus materials and equipment very frequently become available to State agencies from this source.

All agencies eligible to receive donated federal surplus property will make a maximum effort to acquire necessary materials and equipment through the Federal Surplus Property Program. The State and Federal Property Reuse Program Office assists agencies in securing federal surplus property through obtaining and circulating information as to available federal surplus property, and assisting agencies in placing requests for such items. Since desirable items are generally available for a very limited time, agencies should promptly respond to notices of available property.

### **INSPECTION OF USED FEDERAL SURPLUS PROPERTY**

**3521.1**

(Reviewed 3/14)

The requesting agency inspects used federal surplus property before it is shipped to the agency. The Office of Fleet and Asset Management, Department of General Services, inspects used vehicles.

## SAM - PURCHASES

### LOAN OF STATE SURPLUS PERSONAL PROPERTY

3522

(Reviewed 3/14)

The State and Federal Property Reuse Program Office, Office of Fleet and Asset Management, Department of General Services, maintains an inventory of office equipment such as computers, desks, chairs, tables, typewriters, and some office machines that are available to agencies on a short term, no-charge, loan basis.

Equipment may be obtained or reserved by contacting the State and Federal Property Reuse Program Office warehouse located at 1700 National Drive, Sacramento, CA 95834.

All types of surplus property equipment may be loaned at no charge for periods up to 30 days.

In emergency situations, agencies requiring long-term use of equipment for which they are unable to fund rental charges may request exceptions to the 30-day loan limit by submitting supporting information to the Manager, State and Federal Property Reuses Program Office, Office of Fleet and Asset Management. Also, if an agency delivers an approved purchase estimate to the State and Federal Property Reuse Program Office, surplus equipment may be loaned to the agency that originated the estimate pending receipt of the purchased equipment without regard to the 30-day limitation. Agencies are expected to provide transportation for loaned or rented equipment. At the request of renting or borrowing agencies, equipment can be shipped by freight collect, or by common carrier.

### INTERDEPARTMENTAL EQUIPMENT RENTALS

3522.1

(Revised 3/14)

It is intended that agencies exchange available equipment and related services on a rental basis. In order to provide a simplified and uniform procedure for these transactions, departments will use an [Interagency Service Agreement and Invoice \(STD. 13A\)](#) to request the rental of available equipment, order supportive services, and provide the necessary documentation for billing purposes. Rental rates must include charges to recover all direct and indirect costs.

Complete information on interagency rental of mobile equipment, repair facilities, and mobile equipment repair services is included in the following publications:

1. Statewide Mobile Equipment Inventory
2. Repair Facilities Inventory and Location Catalog

These publications are available from the Chairman of the State Equipment Council, care of the Office of Fleet and Asset Management, Department of General Services, 802 Q Street, Sacramento, California 95814. The telephone number for the Office of Fleet and Asset Management is (916) 327-2086 or ATSS 467-2086.

The [Interagency Service Agreement and Invoice \(STD. 13A\)](#) may also be used in the interchange of equipment and related supportive services with city, county, or other local government units within the State.

SALE OR EXCHANGE OF PRODUCTS (See [Government Code Section 11330–35.](#))

## SAM - PURCHASES

### **CONTRACTS (Revised 3/89)**

**3530**

Contract buying reduces the volume of repetitive work, permitting more care and consideration of the award of major purchases, thereby allowing each buyer to become more conversant with the material requirements of the operating departments. It permits a better scheduling of supplies, allowing the operating departments, particularly institutions, to better adjust their inventories. It also encourages better service on the part of vendors, because of the value of such statewide contracts.

As a result of an expanded and comprehensive standards program, it is possible to expand the term contract program since it can be predetermined what quality or specification of material will be accepted statewide.

Officers and employees purchasing contract items at retail prices will be personally liable for the difference between the retail and contract price except in verified emergencies which must be fully explained on the invoice covering the emergency.

To verify contract dollar volumes and to ensure accurate bid information is provided to all interested bidders, each agency using State Contractors must submit one copy of each contract order (STD. 65) To:

State Office of Procurement  
P.O. Box 942804  
Sacramento, CA 94204-0001

### **STATE PRICE SCHEDULES (REVISED 3/89)**

**3531**

State Price Schedules are established to permit agencies to obtain volume pricing on noncompetitive items and to order directly from vendors. Unlike contracts, use of State Price Schedules is not mandatory. If an agency determines that another brand or type of item would meet their needs at a lower price, it may either make a delegated purchase or submit a purchase estimate to the Office of Procurement, depending on the dollar amount involved. Before making a delegated purchase, the agency must notify the Office of Procurement's Research and Analysis Section, in writing, of their intention to do so. The request will be considered approved unless the Office of Procurement notifies the requesting agency to the contrary within 48 hours (two working days) of receiving the request. If the agency submits a purchase estimate to the Office of Procurement, an explanation of the circumstances should be included.

### **MASTER SERVICE MAINTENANCE AND RENTAL AGREEMENTS (REVISED 9/91)**

**3532**

Agreements negotiated by the Office of Procurement, Department of General Services, for the maintenance and rental of office machines are not mandatory for State agencies if they are able to secure better prices that may be due to their remote location or similar factor. Master Service Agreements issued by the Office of Procurement for photocopiers ensure that the guaranteed useful life of the equipment is adhered to, as contracted for in the original purchase order. Use of Master Rental Agreements for the rental of EDP equipment is subject to the provisions in SAM Section 5291. Terms and conditions of the agreement are included in the notice.

### **NOTICES OF CONTRACTS, STATE PRICE SCHEDULES AND MASTER SERVICE AGREEMENTS**

**3533**

(Revised 3/14)

The Procurement Division, DGS website (<http://www.dgs.ca.gov/pd/home.aspx>) contains listings of all statewide contracts, State Price Schedules, and Master Service Agreements. The website will show the method for placing orders, the price, the terms and conditions, etc.

## SAM - PURCHASES

### MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING (REVISED 9/91)

3535

The Director of the Department of General Services has initiated a statewide program to establish effective standards and policies for all materials management functions including reduction of expendable goods inventories which are maintained in uneconomically large quantities.

This program is being administered by the Department of General Services, Office of Procurement, within the framework of the Statewide Materials Management System or the Purchasing Information Network (PIN). The program started in November 1977 and will continue until all major agencies and warehousing facilities are participating.

The Office of Procurement is responsible for establishing effective purchase methods for expendable items which provide a means to reduce the quantity and type of expendable items in State inventories. The Office of Procurement shall also recommend policies and procedures to reduce the State's expendable inventories investment, review agency materials management practices, recommend to agencies actions to achieve more effective materials management, and monitor and report on the progress of agency programs.

Agency owned expendable goods inventories will continue to be managed by the owning agency and not by the Department of General Services. Inventory control systems used throughout the State will be standardized whenever possible.

Basic statewide inventory management policy under which all agencies will operate is as follows:

Funds used for the purchase of expendable goods inventories must be clearly identified in the support documents which are prepared to justify agency's respective portion of the Governor's Budget. See SAM Section 6120. The information may be contained in the Schedule 2 (Line Item Budget) or Schedule 11 (Preparation of Supplementary Schedule of Operating Expenses). Other documentation may suffice, but funds used for the purchase of expendable goods must be clearly identified. This information will be made available to the Department of General Services, Office of Procurement, upon request by that entity.

The Department of General Services, Office of Procurement, is responsible for establishing purchasing, warehousing, inventory control, and distribution methods which will minimize the State's need for the maintenance of supplies, warehouses, and inventories.

The Department of General Services contracts with suppliers to deliver some materials directly to the point of use for State agencies. Other materials which require quality assurance testing or which, through volume purchasing, can be landed at one point and redistributed at a savings to the State, are purchased and redistributed by the Office of Procurement, Material Services.

The Office of Procurement, Material Services, is the central redistribution warehousing organization. Departments or agencies may maintain continuing inventories of supply items available from Material Services only at or near the point of use. Departments may not maintain redistribution warehouses to resupply point of use facilities unless authorized by the Department of General Services, Deputy Director, Office of Procurement.

State agencies must maintain unit stock records and conduct annual physical inventories if they operate warehouses which aggregate meet any one of the following criteria:

- Gross floor space exceeding 4,000 sq. ft.
- Average annual inventory investment in expendable goods exceeding \$50,000
- Annual issues of expendable goods exceeding \$100,000
- Expendable goods inventory consisting of 400 or more stock items

(Continued)

## SAM - PURCHASES

(Continued)

### **MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING (REVISED 9/91)**

**3535 (Cont. 1)**

Expendable items will be maintained in continuing inventory only if they are:

- Required for emergency needs involving public health, safety, or welfare
- Not readily available from supplier inventories
- Stable items with high demand and represent the low net cost purchase option

Agency inventories and operating costs generated by the continuing maintenance of such inventories shall be no greater than is actually required or economically justified. Inventories will be subject to periodic audit by Department of General Services or other authorized audit units to assure that individual agency managers have regularly and effectively maintained such inventories at the lowest practical level.

Agencies shall, within the general framework of this policy, develop and publish internal policies and procedures which must contain at least the following:

- Specific assignment of management responsibility for effective materials management at both agency-wide level and within each organizational unit that maintains continuing inventories of expendable goods.
- Policies and procedures governing the size and scope of continuing inventory investment, standards for utilization of storage space and review of materials management program effectiveness.

### **STORAGE OF OFFICE EQUIPMENT (REVISED 9/91)**

**3536**

New office equipment should be shipped directly to the point-of-use by the vendor whenever possible. New equipment may not be warehoused for more than 30 days under any circumstances.

A department may store a maximum of five complements of office equipment at any facility they lease or own. A complement of office equipment consists of one desk, one chair, one work table, one credenza, one bookcase, one typewriter, and one calculator.

Departments may store a maximum of 100 complements of used office equipment at the Department of General Services, Material Services Warehouses. These complements may be stored at Material Services only if they are required for emergency needs involving public health, safety, or welfare and are not readily available from supplier inventories.

Departments must state in writing why they need to store used office equipment, how many complements will be stored, and how long it will be stored. This statement must be filed with the Materials Management Unit, Office of Procurement, Department of General Services. Exceptions to these guidelines must be approved by the Department of General Services, Deputy Director, Office of Procurement.

### **REQUISITIONING PROCEDURE**

**3550**

(Revised 6/78)

Purchase estimates are initiated by the State agency to effect purchases, to provide management and the central budgetary authority with budgetary control over purchases, to serve as a formal requisition upon the Office of Procurement, Department of General Services, for agency purchases, and to provide an accounting record of purchases in process.

(Continued)

**SAM - PURCHASES**

(Continued)

**REQUISITIONING PROCEDURE  
(Revised 6/78)**

**3550 (Cont. 1)**

Agencies will contact the Office of Procurement, Department of General Services, early in the purchase process in order to benefit from advice and assistance on specifications, sources of supplies, price advantages, substitutions, and a determination of the agency's precise needs. Agencies that write to vendors for information to price purchase estimates will inform the vendors that the information requested is for accounting purposes and is not a request by the Office of Procurement for quotations. Agency titles which may be interpreted as relating to the Office of Procurement will not be used with signatures on agency request for prices. Agencies will write for price information to enter on estimates only when the balance in the allotment is such that this procedure is necessary to ensure that the allotment will not be truly over-encumbered by the purchase estimate. The agency should anticipate its needs and accumulate those needs to warrant quantity purchases. Special requests to the Office of Procurement and over-stocked inventories maintained by the individual agency increase the costs of State operation and will not be permitted unless properly justified.

**FORMS USED**

**3551**

(Revised 11/98)

The Office of Procurement, Department of General Services, will accept only those purchase requests submitted on standard forms. The standard forms are:

- o STD. 66 — Purchase Estimate
- o STD. 66A — Purchase Estimate Continuation
- o STD. 12 — Weekly Order Sheet Fresh Produce

**QUARTERLY REQUESTS**

**3552**

(Revised 7/64)

Large use items, such as food and clothing used in the State institutions, are normally submitted in the form of quarterly estimates. Such estimates form the basis for quarterly contracts entered into by the Office of Procurement, Department of General Services, to supply the institution's requirements of such items during the following three months.

**CONSOLIDATION OF INTRA-AGENCY REQUESTS**

**3553**

(Revised 9/82)

Agencies should make every effort to consolidate their requirements of similar items into a single purchase estimate. Items should be ordered in quantities sufficient for a reasonable period and consistent with future needs and available storage space. Agency procedures which result in the submission of several purchase estimates for the procurement of the same item or for like items for delivery to the same location often require the issuance of otherwise unnecessary purchase orders, incur additional shipping and packaging expense, cause an unfavorable impression of State business practices, and eliminate or reduce the volume purchase advantage of centralized purchasing. This practice often is an attempt to segregate purchases for accounting purposes.

(Continued)

## SAM - PURCHASES

(Continued)

### **CONSOLIDATION OF INTRA-AGENCY REQUESTS (Revised 9/82)**

**3553 (Cont. 1)**

Similar or like items to be purchased from more than one budget allotment or shipped to more than one location may be consolidated in a single purchase estimate. The appropriate budget allotment or shipping information may be written in the description portion of the estimate form or it may be shown on an attached detail sheet.

Estimates for similar or like items should be combined even though the items are to be paid for from separate appropriations from the same fund, or from appropriations from separate funds. In such instances the encumbrance and the subsequent expenditure will be allocated to the appropriation and fund. A single invoice received in such instances may be claimed by including the invoice in a claim schedule filed against one of the appropriations involved and putting an adequate cross-reference in the claim schedule filed against the other appropriation concerned. Frequent recurrence of such consolidated estimates may make it advisable to charge the encumbrances and expenditures for such items to a single appropriation in the first instance and subsequently recover the appropriate amount due from other appropriations by State Controller's transfer under a plan of financial adjustment as authorized by Government Code Section 11251. However, this method presents the disadvantage of overstating the encumbered balance of the allotments to be charged under the plan until such time as the State Controller's transfer is formally requested. Agencies desiring to use the plan of financial adjustment method where substantial amounts are involved should consult the Department of Finance budget staff before doing so. See SAM Section 8456.

### **DESCRIPTION OF ARTICLES (Revised 4/67)**

**3554**

Each department and institution should have one current catalog for each kind of commodity which is usually ordered. An institution should have catalogs from large hardware, plumbing, hotel supply, and office furniture dealers. Departments should be equipped with catalogs suitable to their needs. Upon request to the Office of Procurement, Department of General Services, appropriate catalogs will be supplied. Reference should not be made to eastern catalogs unless the article desired is not obtainable on the West Coast. All items to be purchased should be briefly and completely described and, whenever possible, reference should be made to catalog numbers when completing the purchase estimate form. The typing should be double-spaced between items, with detailed description of items being single-spaced.

Department or institutions purchasing lumber should keep on hand a full set of grading rules for lumber, and estimates for lumber should be in conformity with such grading rules. Copies of grading rules will be supplied on request.

Descriptions, whenever possible, should be copied from the last purchase order (not the previous requisition) since the buyers of the Office of Procurement endeavor to make the purchase orders correct in every detail of nomenclature, catalog number, and style.

## SAM - PURCHASES

### **LIMITING OF COMPETITIVE BIDDING** **(Revised 1/08)**

3555

Purchase estimates containing references to brand or trade name or other specifications which have the effect of limiting bidding to one bidder and/or one brand or trade name must be accompanied by a statement fully explaining why the product specified is necessary for the successful carrying out of the ordering agencies' services and functions. This statement shall include at least the following:

- The unique performance factors of the product specified.
- Why are these specific factors required?
- What other products have been examined and rejected and why?

Purchase estimates submitted without adequate information in support of limiting competitive bidding will be returned to the originating agency. Acceptance of a purchase estimate and the purchase of the specified product will indicate Office of Procurement, Department of General Services, agreement with the ordering agency in conformance with Public Contract Code Section 10301.

### **ITEMS OF SPECIFIED BRAND OR TRADE NAME** **(Revised 9/85)**

3555.1

When an agency decides that an article of a specified brand or trade name is the only article which will properly meet its needs, the agency will state such fact on the requisition and set forth all reasons requiring purchase of the specified item.

Acceptance of the requisition and purchase of the item will indicate Office of Procurement, Department of General Services, agreement with the agency. If the Office of Procurement disagrees with the requisitioning agency as to the brand or trade name to be purchased, the agency will be notified.

When a specified brand or trade name item is to be purchased as a result of a Board of Control decision, a copy of the decision will be filed with the related purchase order or contract in the Office of Procurement.

### **NONCOMPETITIVE PURCHASE OF EQUIPMENT REPAIR PARTS** **(New 5/79)**

3555.2

Purchase estimates requesting purchase of a specific brand or trade name of parts needed to repair equipment must contain the following information in lieu of that specified in SAM Section 3555:

- Why only one brand of part can be utilized to repair the equipment.
- Whether the specified brand of repair parts is available from only one source (i.e., manufacturer) or multiple sources (i.e., distributor).

### **NONCOMPETITIVE PURCHASE OF EQUIPMENT TO INTERMEMBER WITH EXISTING EQUIPMENT** **(New 5/79)**

3555.3

Purchase estimates requesting purchase of a specific brand or trade name of equipment to match and/or intermember with existing equipment shall contain the following information:

- o What is the quantity of existing equipment to be interfaced that is currently owned by the agency?
- o Why it is necessary that the requested equipment be the same manufacture as currently owned equipment?

## SAM - PURCHASES

### SALES AND USE TAX (REVISED 6/58)

3556

Purchase estimates prepared for items subject to the retail sales or use tax will show such taxes as a separate item. (See Fiscal Affairs portion of this Manual for other information regarding taxes.)

### SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS (REVISED 9/91)

3558

Purchase estimates which require budget staff approval under the terms of SAM Section 3558.1 should be submitted directly to the budget staff, Department of Finance. Purchase estimates not requiring review by the Department of Finance should be submitted directly to the Office of Procurement, Department of General Services.

The deadlines for receipt of purchase estimates by the Office of Procurement are as follows:

February 1 — All purchase estimates or purchase documents chargeable to current year expiring appropriations for EDP and telecommunications goods and/or services estimated to exceed \$100,000 must be submitted to the Office of Procurement for processing by this date. This deadline includes EDP Computer Assisted Retrieval (CAR) microfilm systems estimated to exceed \$100,000.

April 1 — All purchase estimates chargeable to current year expiring appropriations for equipment items, as defined in SAM Section 8602 and 8614, with an estimated cost exceeding \$10,000, must be received by the Office of Procurement by April 1.

May 1 — All purchase estimates or purchase documents for EDP goods and/or services submitted to the Office of Procurement for processing, and estimated to cost less than \$100,000, must be received by this date.

All other purchase estimates chargeable to current year expiring appropriations must also be received by May 1. Purchase estimates lacking required approvals by other State agencies or divisions of the Department of General Services will be returned to the ordering agency. Such purchase estimates must be received by the reviewing agencies as follows:

(Continued)

**SAM - PURCHASES**

(Continued)

**SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS  
(Revised 9/91)**

**3558 (Cont. 1)**

Department of General Services Due Date in Approving Division  
(Prior workday if the date falls on a weekend)  
**NON-EDP AND TELECOMMUNICATIONS ITEMS**

	\$10,000 or More		Less than \$10,000	
Telecommunications Division	Jan.	2	Feb.	1
Office of Fleet Administration	March	1	April	1
Office of State Printing:				
Equipment	March	15	April	15
Printing	March	15	April	15
Office of Records Management:				
Equipment	March	1	April	15
Files	March	1	April	15
Office of Real Estate and Design				
Services	March	1	April	15
Office of Support Services	March	15	April	15

**EDP AND TELECOMMUNICATIONS ITEMS**

	\$100,000 or more		Less than \$100,000	
Telecommunications Division	Dec.	15	April	1
Office of Records Management (CAR microfilm and optical disk equipment)	Dec.	15	April	1

NOTE: All EDP acquisitions, including CAR microfilm, must have necessary approvals from the Department of Finance, Office of Information Technology (OIT). Projects requiring OIT approval must be submitted to that office at least 45 days prior to the Office of Procurement's due dates.

A purchase estimate received after May 1 may be processed if there is a full and adequate explanation for the late submission approved by the department's chief administrative officer, or chief fiscal officer authorized by him/her, and it is either:

- o Required by an emergency involving public health, welfare, or safety, or
- o Funded by appropriations expiring June 30 or earlier which were not available before April 15.

(Continued)

**SAM - PURCHASES**

(Continued)

**SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS  
(Revised 9/91)**

**3558 (Cont. 2)**

Each purchase estimate should indicate that the funding is either from a "continuing appropriation" or an "expiring appropriation."

Refer to Board of Control Rule 610 concerning purchases in one fiscal year for use in the subsequent fiscal year and definition of legal charges against the old and the new fiscal years.

**EXEMPTION OF PURCHASE DOCUMENTS FROM PROGRAM AND BUDGETARY  
REVIEW BY DEPARTMENT OF FINANCE (REVISED 9/91)**

**3558.1**

The Department of Finance exempts from review for program and budgetary determination all purchase documents for items of equipment which can be funded from the amount budgeted for the purchase of equipment in the approved fiscal year budget.

Purchases of equipment will remain a departmental responsibility subject to statutory and administrative rules and restrictions. Equipment lists for capital outlay projects will still be required for capital outlay projects in accordance with pertinent sections of the State Administrative Manual. Departments are specifically charged with the responsibility for the analysis of equipment requirements to supplement the approved legislative program and approval of the models and types of equipment which can most sufficiently support the project or program. Subsidiary effects such as changes in staffing requirements, operating expense, supplies, and space should be evaluated with respect to each choice.

The amount budgeted for equipment in the approved fiscal year program may not be augmented except with the approval of the Budget Revision, STD. 26, by the Department of Finance.

Purchase estimates for automotive equipment will be submitted directly to the Office of Fleet Administration, Department of General Services, for approval. Estimates approved by the Office of Fleet Administration will be routed to the Office of Procurement, Department of General Services. Estimates requiring changes or deletions and disapproved estimates will be routed to the originating department.

A certification will be required of the agency for any equipment purchase estimate exempted under the above instructions as follows:

"This purchase estimate does not require approval by the budget staff, Department of Finance, under the provisions of SAM Section 3558.1.

Signed \_\_\_\_\_, Accounting Officer  
(or other authorized representative)."

## **SAM - PURCHASES**

### **OTHER PURCHASE ESTIMATES (REVISED 4/76)**

**3558.2**

Purchase estimates and requisitions for items other than equipment (See SAM Section 3558.1) will be submitted to the Sacramento or Los Angeles office of the Office of Procurement, Department of General Services (see SAM Section 3558.3 for offices serving various areas), unless it is:

- o Dependent upon approval of a budget revision or a transfer of budget allotment, or
- o For an item or class of item specifically restricted.

In either of the above circumstances, the estimate or requisition will be submitted to the budget staff, Department of Finance, through agency channels.

### **AREAS SERVED BY OFFICE OF PROCUREMENT (REVISED 3/89)**

**3558.3**

Areas served by the two procurement offices are shown on the map, 3558.3 Illustration. All purchase estimates should be submitted to the Sacramento office, except estimates for fresh produce for Southern California delivery should be submitted to the Los Angeles office.



## **SAM - PURCHASES**

### **INCREASE OR DECREASE OF ESTIMATES (REVISED 6/80)**

**3559**

The Request for Purchase Order or Estimate Change, STD. 96, is used under the circumstances described below, to change estimates that have already been forwarded to the Office of Procurement, Department of General Services. A separate STD. 96 should be used for each estimate to be changed.

Refer to SAM Section 3558.1 concerning approval required by the budget staff, Department of Finance, for overdraft of budget allotments.

### **INCREASE (REVISED 9/85)**

**3559.1**

The Request for Purchase Order or Estimate Change, STD. 96, is required:

- o If the original estimated cost is less than \$1,000 and the increase amounts to \$100 or more and exceeds the estimated cost by 25%.
- o If the original estimated cost is from \$1,000 to \$4,999 and the increase amounts to \$250 or more and exceeds the estimated cost by 10%.
- o If the original estimated cost is at least \$5,000 and the increase amounts to \$500 or more, regardless of percentage.
- o When requested by the Office of Procurement, Department of General Services, for specific estimates.

The percentages noted above pertain to the total dollar amount encumbered on the purchase estimate for one or more items, not to the individual line items listed.

If agencies wish to be advised of an anticipated expenditure that would exceed a specific amount, it should be noted on their estimate; i.e., "If expenditure exceeds \$\_\_\_\_\_, notify agency before Purchase Order is issued."

## **SAM - PURCHASES**

**DECREASE (REVISED 11/71) 3559.2**

Request for Purchase Order or Estimate Change, STD. 96, may be used to decrease estimates in process if it is determined that the actual expenditure will be less than anticipated, and it is desired to reduce encumbrances to facilitate other use of funds.

**PURCHASE ORDERS (REVISED 9/85) 3565**

Purchases are authorized on the form Purchase Order, which is completed and sent to the vendor by the Office of Procurement, Department of General Services.

One purchase order will be issued for each vendor supplying items listed on a single purchase estimate. See SAM Section 3553.

**PURCHASE ORDER CHANGES 3566**

(Revised 3/14)

Information regarding purchase order changes can be found in the SCM. The SCM is available on the Internet at <http://www.dgs.ca.gov/pd/Resources/publications.aspx>.

**WHEN REQUIRED 3566.1**

(Revised 3/14)

Purchase order changes are required in the following instances:

1. Change in F.O.B. point
2. Change in terms if unfavorable to the State
3. Change in estimate number
4. Change in vendor's name (except simple spelling corrections)
5. Increase in Unit Price
6. Mathematical error over \$10
7. Addition or cancellation of any item
8. Change in description specifications, scope of work or substitution of any material
9. Extension of time on "As Needed" or "As Required" order (such orders are written for units of material; "As Required" or "As Needed" for a period ending DATE).
10. Any overdraft of a purchase order except as permitted under subparagraph 3 in SAM Section 3566.2.

## SAM - PURCHASES

### WHEN NOT REQUIRED (REVISED 9/91)

3566.2

Purchase order changes are not required when:

- o Price billed is less than purchase order.
- o Weight or quantity is less than purchase order and unit price as stated on the purchase order.
- o At the time of taking a final delivery, there is a balance in a purchase order, and the final delivery does not overrun the order by more than 10%. This would apply to such items as yardage, steel, lumber, rock, asphalt, products produced from roll paper stock; e.g., forms, cartons, etc., and other items when exact quantity is not known at the time the order is placed, including items that come in standard containers.
- o Delivery of items such as fresh vegetables varies from the weight, quantity or count specified, on the order (not to exceed plus or minus 10% of the value of the total order up to \$1 million).
- o Order specifies certain sized containers and other containers which are acceptable are delivered, but total quantity and price are within the limits of the order.
- o Items are purchased by Procurement for resale and final delivery does not exceed the order value by more than 10%.

### BLANKET PURCHASE ORDERS (REVISED 3/89)

3568

Blanket purchase orders issued without the taking of competitive bids and in which the products ordered and unit prices are not specified are strongly discouraged. Requests for blanket purchase orders must be accompanied by a statement explaining the nature of the probable emergency requiring the blanket purchase order, the probable effect on public health, welfare or safety caused by this emergency, and the reasons why other purchase methods will not meet the agency need.

Present policy all but excludes the use of blanket purchase orders. All such purchases will be made under a delegated purchase authority program which may be granted on an individual basis to agencies with approved Material Management Plans. Agencies must provide a justification of their need in order to receive the special purchase authority. All requests must be submitted to the Office of Procurement, Department of General Services. Details of information which must be included in such requests may be obtained from the Office of Procurement's Research and Analysis Section.

### DISCOUNTS

3573

(Revised 3/14)

It is normal practice to extend both trade and cash discounts to the State.

## **SAM - PURCHASES**

### **TAXES**

#### **FEDERAL EXCISE TAX (REVISED 1/59)**

**3574.1**

State purchases are normally exempt from Federal Excise Tax, but an Exemption Certificate, STD. 802, must be attached to the Sub-Purchase Order. See SAM Section 3585 for further detail.

#### **SALES AND USE TAX**

**3574.2**

(Revised 3/14)

In addition to the State sales tax, the State is subject to the Bradley-Burns Uniform Local Sales and Use Tax.

#### **TRANSACTIONS (SALES) AND USE TAX (REVISED 12/90)**

**3574.3**

In addition to the local sales and use tax described in SAM Section 3574.2, numerous counties have enacted ordinances establishing special taxing districts that impose one or two-and-one-half percent transactions and use taxes. The tax is imposed on the retailers and applies to sales to State agencies. State agencies taking deliveries of tangible personal property for use within the counties that have imposed these district taxes will pay this tax when such tax is added to the sales price by the retailers.

Effective January 1, 1988, sellers or lessors of vehicles, aircraft or undocumented vessels are required to collect the district tax imposed in the county of registration. If the tangible personal property is purchased in a county that does not have a district tax and is brought into a county that does impose a district tax the agency should report and pay the district use tax unless the property is a vehicle, vessel or aircraft and the tax has been collected by the seller.

This tax does not apply to contracts of sale for a fixed price agreed to and executed prior to the effective date of the district tax if neither party has the unconditional right to terminate the contract.

#### **SALES AND USE TAX ON TRANSPORTATION CHARGES (RENUMBERED 8/70)**

**3574.5**

California sales and use tax does not apply to separately-stated charges for transportation of property from the retailer's place of business or other point from which shipment is made directly to a place specified by the purchaser, except: (1) where the property is sold for a delivered price, or (2) where the property is delivered by facilities of the retailer.

The tax applies in the latter two circumstances unless the transportation occurs after title to property has passed to the purchaser and the charges for transportation are separately stated. In order to show that title passes prior to the transportation of goods, the intention of the parties in this regard must be expressed in some writing which constitutes a part of the contract of sale; otherwise, it will be assumed that title passes after the transportation is completed.

## SAM - PURCHASES

### PERSONAL PROPERTY TAX EXEMPTION (NEW 8/76)

3574.6

The State is exempt from property taxation under California Constitution, Article XIII, Section 3(a). Any obligation for property tax on State leased equipment would exist, if at all, only as a result of an express provision of the lease agreement. If the lease obligation existed, payment would not be made directly to taxing authorities, but would be limited to reimbursing the lessor for actual tax payments which the lessor could prove had been made.

Provisions in a lease adding "applicable State and local taxes" to the monthly rental relate to sales and use taxes and do not encompass personal property tax. Any lease clause which requires the State to reimburse the lessor for personal property tax must be contained within the approved contract before the State would make any payments to reimburse the vendor for this tax. However, clauses requiring the State to reimburse for personal property tax should be avoided whenever possible.

If a copy of a personal property tax bill is received, the bill should be forwarded for payment to the lessor named in the bill by a letter per 3574.6 Illustration. No payment should be made by the State. If, after payment of the taxes, the lessor submits a properly documented claim for reimbursement and the lease so provides, the lessor can be reimbursed for the taxes applicable to the lease term.

In some instances, personal property tax bills will be received on equipment which was on lease but which was purchased by the State prior to the tax lien date of March 1st. In such a case, the property would be tax exempt and the bill should be returned to the taxing authority with a letter notifying it of the change in ownership. Such notice should include the date on which the State's purchase was made.

Questions regarding contracts or exemptions should be directed to the Department of General Services' Legal Office at (916) 445-4084 or ATSS 485-4084.

### PROCEDURAL STEPS, PURCHASE ORDERS

3575

(Revised 3/14)

Copies of the [Purchase Order, STD. 65](#), used for purchases under \$100 are not required to be submitted to the Procurement Division, Department of General Services.

### DEPARTMENTAL PROCEDURES

3575.1

(Revised 3/14)

Departments can issue more detailed instructions regarding purchase orders. While such instructions will be for information and guidance of departmental employees, it is recommended that they be issued after review of the SCM or consultation with the Procurement Division, Department of General Services. Copies of the instructions for delegated purchases must be on file with the Procurement Division.

## **SAM - PURCHASES**

### **CASH PURCHASES (REVISED 1/81)**

**3580**

Board of Control Rule 678 (effective January 6, 1981) permits agencies to make immediate payment from revolving funds (when funds are available) for invoices payable by cash of \$50 or less not including sales tax, and for invoices payable by authorized bank drafts of \$500 or less inclusive of sales tax if approved in accordance with SAM Section 8123. Sub-purchase orders are not required to affect or make record of purchases under \$100. All purchases of \$100 or more must be made on a Contract Delegation Purchase Order, STD. 65, or other comparable document approved by the Office of Procurement, Department of General Services. This is not an implied approval for the purchase of items requiring clearance of the Office of Procurement, Department of General Services.

### **EXCISE TAX EXEMPTION ON PURCHASES (REVISED 9/85)**

**3585**

The State is exempt from the payment of Federal Excise Taxes, except for the purchase of retreaded tires and transportation of persons or property by air. This tax is normally billed as a "concealed tax" in the price of the merchandise; hence, it is the exclusive responsibility of any person authorized to sign an order on the part of the State to see that this is not paid. This is done by filing an exemption certificate with the order. (The Exemption Certificate, STD. 802, is available from Department of General Services, Office of Procurement, Material Services Section.) At the same time, write across the face of the order, "Exemption Certificate Attached" and write on the Exemption Certificate the number of the order or sub-purchase order.

To find out what is normally subject to tax and the percentage of tax, refer to the "Scope of Tax" list. Then ask your supplier if his price includes excise tax. If so, determine the amount and deduct this from the price to establish the cost of the material less tax.

On purchases where the excise tax amounts to less than \$0.50 (total) made from small dealers or merchants who are unfamiliar with the means by which they can obtain reimbursement, do not claim exemption. This also applies where automotive repairs are made in conjunction with the purchase of automotive parts and a State discount is allowed by the selling garage. However, a small merchant who does business with the State on a "repeat" basis on items subject to excise tax should be familiar with how he is able to get a refund by turning in the Exemption Certificate. If in doubt, contact the nearest office of the Office of Procurement for advice.

(Continued)



## **SAM - PURCHASES**

### **CREDIT CARDS**

**GENERAL** **3590.1**  
**(Revised 12/12)**

Purchases are to be made from the service stations and dealers of participating oil companies.

**RESTRICTIONS ON USE OF CREDIT CARDS** **3590.3**  
**(Reviewed 12/12)**

Credit cards will not be used for the purchase of items covered by price contracts except as noted by item in SAM Sections 3612 through 3696.3. Agencies may further limit employee credit card purchases within classes of items listed on the reverse side of the credit card.

**CREDIT CARD INVOICE, COMPLETION OF** **3590.4**  
**(Reviewed 12/12)**

Employees using credit cards will insure that, where practicable, oil company sales tickets are completed in ink, and that in every instance the amount of the sale is totaled at the bottom of the sales ticket.

**REMOVAL OF CREDIT CARDS FROM VEHICLES** **3590.5**  
**(Reviewed 12/12)**

Agencies are to remove credit cards from their vehicles which are to be sold or otherwise disposed of, and the cards are to be delivered to the agency's accounting officer.