

# FUNCTION OF POs AND OAs

## Outline Agreements

An OA:

- Is an overarching agreement between the State and a contractor that governs purchases that will be made during a specified period of time.
- Does *not* provide permission to ship or commence services.
- Does *not* encumber funds, *until a PO is issued against it*.

For example:



We agree...

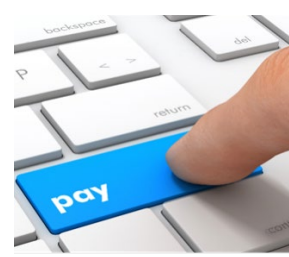
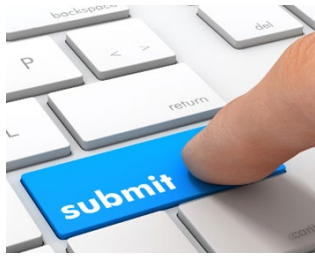
That throughout the next 12 months, and possibly additional years (up to 7), you, the contractor will sell us, the State, office supplies at a specified cost.

## Purchase Orders

A PO:

- Serves as the contract between the State and the contractor for a one-time purchase.
- Is submitted to a contractor, often in reference to an OA, as permission to ship a commodity or commence a service with a commitment to pay, initiating the actual purchase.
- Is an actual order that encumbers funds.

For example:



We now need to purchase...

And are authorizing shipment of specific office supplies and are committing payment. Invoice us, and after we confirm that you provided the specified supplies, we will issue payment at the contracted cost.

#### HELPFUL HINT

*You may issue multiple POs under an OA.  
POs can be issued at any time during the term of the OA, and for any quantity of the contracted item(s), as long as the order abides by the terms of the agreement.*

## Independent Purchase Orders

When an agency needs to purchase a known quantity of a commodity or service only one time, the buyer may simply issue a PO from the solicitation without creating an OA.

An example of a purchase that would result in creating an independent PO is the one-time purchase of a piece of lab equipment, which generally would look like this:

1. The buyer issues an IFB to get bids (price quotes) on the specified piece of equipment needed.
2. Prospective contractors submit their bids, and the lowest responsive and responsible bidder is awarded.
  - See the definitions of “responsive” and “responsible” in the solicitation templates provided by OSP.
3. The Buyer issues a PO to the successful contractor.
4. The contractor ships the equipment, and the State facilitates payment, concluding the procurement.