

PURCHASING AND CONTRACTING MANUAL

INTRODUCTION

The following manual has been prepared in an effort to insure that:

- (1) An efficient and cost-effective purchasing system is established and maintained; and
- (2) All purchases and contracts made by Spalding County are consistent with the requirements as prescribed by Georgia Law.

CENTRALIZED PURCHASING - PURPOSE

The objectives to be met through a Purchasing and Contracting Policy are essentially the same with other public agencies and with private businesses: County procedure should be designed to secure what is needed, when it is needed, and at the lowest possible cost.

This goal does not suggest that every need must be anticipated in advance and the necessary goods purchased and stored for use. There are many ways other than operating warehouses or maintaining large inventories to provide goods when they are needed.

Nor does the goal of low cost suggest that only the lowest priced goods should be purchased. The lowest cost in terms of use may result from the purchase of an item for which the initial cost thereof is not the lowest. Conversely, it does not follow that the highest-priced item is the one with the greatest quality and the lowest cost in use. The philosophy for County purchases is to make rational decisions in buying only after considering price, quality, performance, and other relevant factors.

It should be noted that Spalding County is not only concerned with making the "right buy", but is under an obligation, both moral and legal, to establish a purchasing and contracting process which will save public funds and prevent favoritism in the award of public contracts. It is these requirements which distinguish public purchasing and contracting from private purchasing and contracting: public buying is public.

ORGANIZATION

The Board of County Commissioners is responsible for the administration of county government. The Board believes a centralized purchasing program is the best method to achieve the objectives commonly sought through the purchasing function. In operations of any significant size, it is generally considered desirable to appoint a purchasing agent, either someone specifically for the position or some other officer designated to serve also as a purchasing agent. The County Manager, or his designee, has been appointed as the purchasing agent. However, as the program becomes more sophisticated and time-consuming, a part-time or full-time position may be warranted.

Savings through the use of a central purchasing function accrue because of:

- (1) Lower costs through buying in larger quantities when the needs of various departments are consolidated;
- (2) Standardization of items in common use, which permits consolidation of needs and larger-quantity buying;
- (3) Improved specifications;
- (4) Increased competition;
- (5) Increased use of discounts. Where departmental buying is practiced, invoices may not be submitted for approval and payment until too late to take cash discounts;
- (6) Closer checks on deliveries, with respect to both quantities and condition of goods; and
- (7) Improved control over expenditures. Centralized purchasing provides for a uniform and more complete accounting control. Vendors are allowed to deliver material to, and for, Spalding County departments and agencies only on the basis of an official purchase order issued through approved channels.

Centralizing the purchasing function, however, does not mean the total loss of operational control by other elected officials and department heads. Elected officials and department heads approve all requisitions for materials and usually, with assistance from the county manager, develop specifications for goods to be purchased. Thus, real control is not lost.

FUNCTION

Purchasing is a function of the County Manager's Office, the responsibilities for which should be assumed by the County Manager in conjunction with his duties and responsibilities as the County's budget officer. The purchasing function is responsible for two major areas:

PROCUREMENT: The timely purchase of all materials, supplies, equipment and services at the lowest cost consistent with the quality needed for the proper operation of County departments.

PROPERTY CONTROL: Maintenance of records for all real and personal property accrued by the County, commonly referred to as fixed assets; and, disposal of surplus, obsolete county property and unclaimed property which is not required for the provision of County services.

CONVENTIONAL PURCHASING PROCEDURES

Georgia law (see Appendix I) stipulates various procedures to which Spalding County must subscribe for certain types of purchases or contracts. This section represents an effort to incorporate those requirements along with other conventional purchasing procedures as Official County Policy. The following types of contracts/purchases are briefly discussed:

- (1) Competitive Bidding and Vendor Relations;
- (2) Formal Bids;
- (3) Informal Bids;
- (4) Low-Value Purchases; and

(5) Unauthorized Purchases

COMPETITIVE BIDDING AND VENDOR RELATIONS: Competitive bidding, when practical, should be encouraged at all times. Therefore, it is the policy of the County that specifications are written in such a way as to encourage competitive bidding. It is the responsibility of the county manager to see that no prospective bidder is arbitrarily excluded by unreasonable specifications and to solicit bids from as many prospective bidders as possible.

Good vendor relations must be maintained in order to insure that competitive bidding occurs. It is the policy of the County to insure good vendor relations by:

- (1) Giving all suppliers an equal opportunity to submit prices on a competitive basis.
- (2) Dealing with all businesses and sales people courteously and promptly.
- (3) Sending notes of appreciation for formal bids to unsuccessful bidders; and
- (4) Promptly returning all bid bonds once the formal procedure has been completed.

It is the County's policy that the vendors or sales persons contact the County Manager before attempting to solicit any county business. In all cases, the county manager or the appropriate elected official or department head (or the designated agent for that elected official or department head) will be the vendors or sales persons only contact with the County.

FORMAL BIDS: The formal bidding procedure must be followed in obtaining bids for the construction or repair of any courthouse, jail, bridge, causeway, or other public works in the county or for the purchase of materials, equipment or supplies which are estimated to cost \$10,000 or more. Dividing purchase contracts for the purpose of evading these provisions is prohibited. That the county manager is responsible for obtaining formal bids. Even when the bid documents are prepared by an architectural or engineering firm, the county manager must be involved to insure that all legal and procedural requirements are observed. The formal bidding procedure is initiated when the using department files a request with the County Manager. Some of the requirements for the formal bidding procedure are as follows:

Advertising for Bids: Formal notification to prospective bidders shall be as follows:

- (1) Construction or repair of any courthouse, jail, bridge, causeway, or other public works project:

The county manager shall give notice of the contract to be let by advertisement in the Griffin Daily News once a week for four weeks prior to the date of the bid opening, and by posting a copy of the legal notice at the Courthouse door for the same period of time, which advertisement and invitation shall contain details and specifications to enable the public to know the extent and character of the services or goods required and terms and time of payment. Each notice shall also include a statement reserving to the Board of Commissioners the right to reject any and all bids. Copies of the bid documents including specifications will be made available to any qualified bidders. It will also be

the routine policy of the County to send notices about the bid opening to as many known contractors or suppliers as is possible and practical.

(2) Purchase of materials, equipment or supplies:

The County Manager shall give notice of the contract to the let by advertisement in the Griffin Daily News at least seven (7) calendar days prior to the date of the bid opening. The advertisement shall contain sufficient detail to alert prospective bidders about the nature of the contract and the location from which the necessary bid documents, e.g. instructions to bidders, specifications, terms of payment, etc., may be obtained. It will be the routine policy of the County to send notices about the bid opening to as many suppliers as is possible and practical.

Number of Bids: The County may accept a bid for materials, equipment or supplies, but prefers to obtain at least three bids. If a single bid is received and there is reason to believe that more than one bid would be obtained at a second bid opening, the county policy will be to again solicit bids. The single bid shall be returned to the bidder unopened if it is decided that a second bid opening is necessary or desirable. However, the County reserves the right to accept a single bid without readvertisement if it can be demonstrated that there are no other suppliers for the item, or that a sufficient number of prospective bidders have been notified and have chosen not to bid. If a number of prospective bidders have been properly notified and have chosen not to bid, the county manager should inquire about the reasons for the decision not to bid.

In the case of construction or repair work, at least three bids must be obtained. If fewer than three bids are obtained, the bids must be returned unopened and a second advertisement of the proposal must be made. After the second advertisement, the award may be made even though only one bid has been received.

Bid Opening Procedure: Sealed bids are opened at the exact time and date specified in the legal notice and on the bid request. Late bids shall not be accepted, and all bids must be opened publicly. A written tabulation of all bids received shall be made for all participating bidders. Formal bids must be accompanied by a bid deposit of five percent (5%) of the bid price where the total contract price exceeds \$20,000. Acceptable forms of the deposit are limited to: cash, a cashier's check, a certified check, or a bid bond used in accordance with OCGA,13-10-1. The deposit shall be retained if the bidder is awarded the contract and fails to execute the contract and to give satisfactory performance and payment bonds as may be required by OCGA 13-10-1.

It is a County policy that all bids are made on the forms provided by the County and that delivery time and exceptions to the specifications are noted on the bid tabulation.

Award of Bids: A preference may be given to bidders located in Spalding County when the difference between the lowest out-of-county bid and the lowest in-county bid does not exceed 5%, and no more than \$2500 for purchases or contracts of \$50,000 or less, or 5% and \$5,000 for purchases or contracts of \$50,000.01 or more. Otherwise, bids must be awarded to the lowest responsible bidder, taking into consideration quality, performance and times of delivery. Formal bids are awarded by the Board of Commissioners upon recommendation from the County Manager. However, Spalding County reserves the right to reject any and all bids and accept the bid most favorable to the County.

INFORMAL BIDS: At least three informal bids should be obtained for the purchase of materials, equipment or supplies which are estimated to cost from \$5,000 to \$10,000. The bids must be in writing and a record must be kept of such bids on forms provided by the County Manager. Although verbal quotations may be obtained and noted, the policy of the County is to obtain written and signed quotations whenever possible. It is the duty of the County Manager to obtain informal bids or to insure that this function is performed. Informal bids are awarded by the county manager provided that the Board of Commissioners has approved a budget appropriation to cover the cost of the contract. A department which wishes to obtain its own informal bids must contact the County Manager before the requests are sent to prospective bidders.

LOW-VALUE PURCHASES: Purchases of materials, equipment, or supplies less than \$5,000 may be made without soliciting formal or informal bids. A purchase order must be issued for any purchase with an aggregate value of \$100.00 or more and each purchase order must contain a pre-audit certification signed by the Finance Director which attests that funds are available to pay for the purchase. Quotations should be obtained for purchases under \$5,000 whenever possible in order to insure that the County is purchasing all goods and services at the best possible price. Dividing required quantities or groups of related items for the purpose of evading the bidding requirements is prohibited.

Low-value purchases, as defined above, shall be conducted by the County Manager in accordance with the following procedures:

- (1) Receive requisition from head of department desiring goods or services;
- (2) Verify that requisition is not for goods available through an open purchase order. If goods are available through an open purchase order, note this on the requisition and return it to the department head;
- (3) Check current financial information to verify that unencumbered balance is sufficient to cover expenditure;
- (4) Buy from supplier offering the lowest price consistent with quality and performance after obtaining informal bids;
- (5) Prepare purchase order (four copies);
- (6) When a copy of the receiving report is received, compare it to fourth copy of purchase order, attach a copy, and file in closed purchase order file. Investigate and resolve exceptions/discrepancies, if any, and

- (7) Send the receiving copies of the receiving report (if available) and purchase order # to the County Manager's Office for processing. Notify the requisitioning department that the goods have been received.

UNAUTHORIZED PURCHASES: Any purchase of materials, equipment, or supplies without proper authorization is prohibited. Unauthorized purchases will not be honored with payment by the County and the individual involved will be held personally liable for such purchases.

PURCHASING PROCESS

A need for goods and services usually originates in the using department. Any department of the County may determine a need and make the need known to the County Manager. The County Manager, or his authorized agent, describes the need to suppliers and requests price quotations. This order is placed with the lowest, responsible bidder who delivers the goods or services to the requesting department. The recipient acknowledges receipt of the goods or services to the County Manager's Office and payment is processed.

PLACING AN ORDER: To place an order, prepare a requisition form describing the item or service in detail as shown in Attachment I of this manual. (Also, see Pages 9-15 for special procedures). When requested, the County Manager will provide pre-requisitioning assistance in locating a solution to a particular supply, equipment or service requirement. (i.e., literature, demonstrations, prices or cost estimates, etc.). Any employee may prepare a requisition. By signing the requisition form, the employee attests that the items or services ordered are necessary for the proper operation of the department. However, the department head must approve the requisition in order to make the request valid. When the requisition is properly signed, it is to be submitted to the County Manager.

PROCESSING TIME: All requisitions must arrive in the County Manager's Office in sufficient time for competitive bids to be obtained. The time required to obtain competitive bids depends upon the nature of the request and the total estimated cost of the request. Requests requiring the informal bid procedure may take a week or more. Requests requiring the formal bid procedure will take a minimum of four weeks. The actual time required will depend upon the complexity of the request. Routine purchases can normally be processed within a day or two of receipt of the requisition by the County Manager. When the order has been finalized, the County Manager signs the purchase order which attests that all procedures required by state law and County policy have been followed and that the order is in accordance with established professional purchasing standards. When a purchase order has been issued, the yellow copy will be sent to the requisitioning department and three copies will be retained by the County Manager's Office. In all cases, the vendor must be notified of the assigned purchase order number (a white copy of the purchase order is available for the vendor).

AVAILABILITY OF FUNDS: Before authorizing a requisition, the department head should make certain that funds are available. The County Manager has the final responsibility of determining that funds are available for all purchases, and the signature of the County Manager must appear on all purchase orders to make them valid.

RECEIPT OF ORDERS: All materials and supplies ordered will be delivered to the requisitioning department. Only persons authorized by a department may sign delivery tickets. Before signing, the authorized person should verify that the materials have been ordered and that the delivered items are in the quantities, sizes, etc. Ordered. If the delivered items are damaged, their condition should be noted on the delivery ticket and the purchasing agent should be notified to make claim for damages. If the order is correct and complete, the receiving report should be signed and sent to the County Manager's Office immediately so that payment can be scheduled and made at the appropriate time.

If the delivery is to be made to a location other than to the office of the requesting department, arrangements must be made to inform the staff at the delivery point to anticipate receipt of the ordered goods. The requesting department is to be notified immediately by the receiving department when the goods are delivered.

LATE ORDERS: Once the County Manager has issued a purchase order, little or no follow-up is done on the order unless the requesting department advises the purchasing agent that the item has not been delivered or the services have not been performed in a reasonable length of time. Upon notification of a late delivery or unfulfilled service, the county manager will contact the supplier by phone or mail concerning the status of the order.

CANCELLATION OF ORDERS: All cancellations of orders must be made through the county manager. An order is usually cancelled when the County is advised of an unusual price increase, the inability of a firm to continue to supply an item or service, a service has been unsatisfactory, or there is an extended delay in the delivery of a needed item or service.

PAYMENT FOR ORDERS: Payment for orders is solely the responsibility of the County Manager's Office. Payments for invoices will not be made before the fifteenth (15) day of each month unless vendors offer a discount from the purchase price. However, it should be noted that all invoices must have purchase order number against which the purchase is charged.

SPECIAL PURCHASING PROCEDURES

OUT-OF POCKET PURCHASES: Approval of the County Manager and issuance of a purchase order are not required to make out-of-pocket purchases of goods and services in amounts not to exceed \$99.99. The procedure for said purchases shall be as follows:

- (1) Attach receipt showing details of purchase, (not just a cash register tape) to a memorandum requesting reimbursement
- (2) Forward the Request for Reimbursement to the department head for approval; and
- (3) Forward approved request to the County Manager's Office.

EMERGENCY PURCHASES OF MATERIAL, EQUIPMENT, AND SUPPLIES BETWEEN \$100 AND \$1,000: In emergencies, it may be necessary to buy materials and authorize repairs before preparing purchase orders. However, these purchases can be made only upon the authorization of the official or department head, or a designee. In such cases, when the purchase orders are prepared, they should be plainly marked:

"Confirming Order - Do Not Duplicate!" In all cases, all purchase orders for emergency purchases shall be prepared no later than the next working day.

WEEKEND, HOLIDAY AND/OR OVERNIGHT PURCHASES BETWEEN \$100 AND \$1,000: Occasionally, purchases are required outside of regular county office hours, especially purchases made by the Sheriff's Department, Parks and Recreation Department, Public Works or Correctional Institution. In such cases, purchases may be made before preparing a purchase order but only upon authorization of the department of agency head. However, a purchase order should be prepared during the next regular working day and shall be plainly marked: **"Confirming Order - Do not duplicate!"**

OPEN PURCHASE ORDERS: Open purchase orders may be used for many repetitive, usually low-dollar, purchases from one vendor. Rather than issuing a purchase order, one purchase order is issued for a period not to extend beyond June 30 to cover all purchases during that budget year. The procedure shall be as follows:

- (1) Identify the need to issue an open purchase order through examination of past purchasing records;
- (2) Solicit bids from qualified local suppliers if there is more than one accessible supplier;
- (3) Place the order with the selected vendor by issuing a pre-numbered purchase order. In the description section, write:

"Term order, furnish items as requested by the below-named employees of (Spalding County Department or Agency) when above purchase order number is referenced. Total purchases for the term of this purchase order are not to exceed \$_____. Issue monthly statements supported by signed counter tickets. This order expires on _____, 20_____.
- (4) Determine and name those employees in each department who will be authorized to make purchases under the open purchase order.
- (5) Inform authorized employees of the types of items covered by open purchase order, vendor name, purchase order number, and expiration date.
- (6) Collect delivery/counter tickets as received from authorized purchasers. Compare to the terms and prices of the agreement with the vendor, if applicable, and resolve any differences. Forward the delivery tickets by vendor name or purchase order number to the County Manager's Office;
- (7) Monthly, compare the delivery/counter tickets received from authorized employees with vendor statements and resolve any differences; and
- (8) Close the open purchase orders when the approved period has lapsed by writing "Complete" on the copies maintained in accounting. Also note the amount ordered during the month on the purchase order for future reference.

INDIVIDUAL PURCHASE AGAINST OPEN PURCHASE ORDERS: For open purchase orders, the purchasing agent should provide to appropriate department and agency heads a list of vendors and items to be purchased from those vendors, along with a valid purchase order number for the current month.

- (1) User department employees should recognize the need for an open purchase order item and consult the open purchase order list supplied by the County Manager's Office. Obtain:

.Open purchase order number
.Approval signature(s) required

- (2) Authorized user department employees should use the open purchase order number to obtain the item from the vendor. Sign and obtain a copy of the delivery ticket or counter ticket; and
- (3) User department employees should forward the delivery/counter tickets to the County Manager's Office after assuring that the open purchase order number is written on it.

STATE CONTRACT PURCHASING: The state contract purchasing process enhances the bulk purchasing power of local governmental agencies and the State of Georgia.

If the using department has determined that the material, equipment or supplies which are desired are available through the State of Georgia and may be obtained through the State's Competitive Procurement Procedures, then local competitive bidding procedures may be waived upon the approval of the county manager, and then a purchase order may be issued.

TRAVEL AND CONFERENCE ATTENDANCE: A Travel Expense Form (see Attachment 4) must be filled out and submitted to the County Manager's Office with the appropriate signatures for an employee to receive a reimbursement for out-of-town travel for County business or professional activities. The form must be signed by the employee, and approved by the department head or in the case of a department head, the County Manager. The completed form must be submitted to the County Manager's Office for verification regarding the availability of funds. Final approval on all travel expenditures must come from the County Manager.

If a reimbursement is requested, receipts shall be attached at the time of submission. All travel requiring the over-night stay of a county employee requires the prior approval of the department head, or in the case of a department head, the County Manager.

The following guidelines are hereby established concerning conference attendance:

IN-STATE CONFERENCES: Requests by county employees to attend in-state conferences must be submitted to the department head, or in the case of a department head, the County Manager, at least two weeks prior to the commencement date of the conference. The requests should state the major topics upon which the conference will focus and the specific benefit which the conference will provide the employee and the county.

OUT-OF-STATE CONFERENCES: All out-of-state conference attendance shall be approved by the department head and the County Manager.

LOCAL TRAVEL: Local travel is defined as those occasions where travel is by automobile and no overnight stay is required by the trip. A separate Travel Expenses form (see Attachment 4) for local travel on County business is also required. The Travel Expenses form should be used to request reimbursement for travel which is necessary to the execution and performance of duty and of benefit to county government operations. The travel must be approved by the department heads. All travel for which reimbursement is claimed should only be that which is necessary to accomplish a specific purpose which cannot be done in any other manner or be done by a less costly method.

TRAVEL EXPENSES: The following guidelines will further delineate other county policies relative to travel advances and reimbursements.

- a. Receipts - No reimbursement shall be made for any out-of-pocket expense for which there is no receipt;
- b. Registration Fees - The County will pay all registration costs;
- c. Transportation - For travel to locations, the County will reimburse the employee on a per-mile basis driven at a rate established by the Board of Commissioners in the most recently adopted budget. Payment for other modes of travel may be approved by the County Manager.
- d. The County will pay the actual cost of lodging;
- e. Meals - the County will pay expenses for meals that are reasonable. Exorbitant meal expenses will be denied for reimbursement;
- f. Miscellaneous - Any miscellaneous expenses incidental to county business for which reimbursement is requested must be explained and documented in detail;
 1. The County will not pay for: Telephone, telegraph, entertainment, laundry, or other items of a personal nature not necessary for the conduct of county business.
- g. Expenditure of County funds for the following items is considered improper and illegal:
 1. Expenses for the family of County personnel.
 2. The cost of testimonials, parties, alcoholic beverages;
- h. All travel requests must include time of departure and return.

LEASE-PURCHASE AGREEMENTS: A lease of personal or real property with an option to purchase the property is subject to the laws and contracting requirements mentioned under **FORMAL BIDS, INFORMAL BIDS AND LOW VALUE PURCHASES**. The

total estimated expenditure determines which of these types of purchase/contracts applies to the lease-purchase.

For accounting purposes, lease-purchase agreements are recorded as purchases of fixed assets with the related incurring of debt.

PROFESSIONAL SERVICES: When professional services, e.g. land surveying, engineering, architectural, medical, dental, legal, etc. are desired for an amount in excess of \$10,000, a Request for Proposal (RFP) shall be prepared and distributed to as many known providers as is possible and practical. Instructions for the submission of a proposal and forms on which proposals are to be submitted shall be prepared by the county manager. Prices or quotations for services rendered shall not be included in the initial proposal. Instead, each one submitting a proposal shall provide information to confirm that his firm is technically and legally qualified to render the desired service and has in fact routinely provided the service to other clients.

Once a proposal is received, it may not be changed or augmented in any way and becomes the property of the County. All proposals will be reviewed by the County Manager in consultation with the Board of Commissioners. A list of qualified proposers will be submitted to the Board of Commissioners for its consideration. The Board will then decide whether to interview recommended proposers for the desired professional service. After interviews have been conducted, the Board will select a finalist and proceed to negotiate a contract which shall include but not be limited to such matters scope of services to be provided, cost, terms for the partial payment for services rendered, and termination.

CONTINUING CONTRACTS: Continuing contracts are contracts for which a portion or all of the scope of services are performed in ensuing fiscal years. The primary factor in determining when a specific contract is a continuing contract is whether it is possible for the other party to the contract to fulfill part or all of the contract in the current year. Thus, there are two basic types of continuing contracts:

1. Contracts that require fixed monthly amounts of service over a period of months or years. A common example is a rental contract that provides equal payments per month over the life of a contract.
2. Contracts that prohibit all or part of the provision of goods and services by the other contracting party before a specific date at the end of the current fiscal year.

In both of these cases, the contract itself specifies the amounts that can become due and payable during the current year. If a type 2 contract does not specify that delivery must occur in an ensuing year, it should not be considered a continuing contract. Therefore, unless the contract or purchase clearly specifies a date at which service may begin, the finance officer should not consider it to be a continuing contract. The following wording, when added to the face of a purchase order before issuance, will accomplish this purpose:

"Delivery of goods and services to be provided hereunder will not be accepted by the purchaser before *_____."

* Insert first day of the fiscal year in which the contract is to be paid.

If this system is used, remember that unless the statement is enforced and deliveries are rejected before the specified date, the goods actually received in the current year will be charged to the current year.

There is one other form of continuing contract that occurs only on the last day of a fiscal year. When it becomes physically impossible for the uncompleted portions of purchase orders to be completed during the current year, it is legally possible for a governmental unit to reclassify the uncompleted portions of the open purchase orders or contracts to continuing contract status.

All continuing contracts automatically encumber the appropriations for the new budget year on July 1 of that budget year, to the extent that the contract can legally be fulfilled in the new year by the other contracting party.

PURCHASE ORDERS AND CONTRACTS OUTSTANDING AT JUNE 30: There are two options for handling purchase orders and other contracts outstanding at the end of the fiscal year.

The options available to the governmental unit are:

1. Continue to encumber the appropriation and pay the invoices rendered in the subsequent year from the encumbrances outstanding.
2. Disencumber the open purchase orders as of June 30 as continuing contracts and encumber them as of the following day - July 1.

The second of the two options is recommended for all Spalding County contracts except those for extraordinary expenditures. The following basic policy shall be observed before the end of the year and for subsequent years:

1. In order to be consistent with the recommendation of the National Council on Governmental Accounting specifically Statement 1, contracts for extraordinary expenditures (notwithstanding capital projects ordinances) shall continue to be encumbered and will be recognized as encumbrances. Monies for the payment thereof shall be reserved in Fund Balance under "Reserve for Encumbrances" and reported as such in the Fund Balance section of the State of Financial Position for the Fund. However, a budget amendment will be required in the subsequent year's budget before any request for payment can be honored.

All other purchase orders and contracts that are not complete and remain as encumbrances outstanding at year-end shall be reclassified as continuing contracts. As continuing contracts they shall be disencumbered at year-end and immediately encumbered against the following year's appropriation.