Change Order Policy
Effective Date: February 2007
Revision Date: March 2013

Policy Statement
Changes in a previously dispatched Purchase Order (PO) in ARC are to be completed through the use of a Change Order.

Reasons for the Policy
Payment amounts should ultimately match Purchase Order amounts, within a tolerance indicated in this policy. Above this tolerance a Change Order is required.

Primary Guidance To Which This Policy Responds
This policy is informed by Generally Accepted Accounting Principles.

Responsible University Office & Officer
Responsible University Office: Purchasing
Responsible University Officer: Vice President for Procurement Services

Revision History
This policy replaces the policy on Change Orders located in the Administrative Policy Library Purchasing Policies, dated February 4, 2007.

Who Is Governed By This Policy
This policy applies to everyone working at the University, or working on behalf of the University, who manages any aspect of purchasing activity with University funds.

Who Should Know This Policy
Administrators in schools and departments who have primary responsibility for purchasing have a particular obligation to be familiar with the requirements outlined in this policy.

Policy Text
Change Orders are the proper method for requesting the following changes to a Purchase Order:

- Increase/Decrease the value of a PO
- Modify Open Commitment of a PO
- Distribution of funds between chartfields associated with a PO and establishment of new chartfields associated with a PO
- Close a Purchase Order
- Reconcile PO value to payment
- Change contract dates
- Change Ship to/Bill to information

There is an allowable tolerance for the total payment amount to be greater than the total purchase order amount. This variance allows for items such as shipping charges and small incidental fees that may not have been anticipated when the purchase order was originally created. Above these thresholds, however, a change order is required to increase the value of the original Purchase Order. ARC maintains a table of these tolerances. When entering a payment, the system will indicate if the payment is within tolerance and processing can continue. If the payment is not within
tolerance, ARC will not allow payment processing to continue. This tolerance does not apply to, but not limited to:

- Leasing
- Catering (on-site)
- Maintenance and repair services

The variance thresholds are as follows:

<table>
<thead>
<tr>
<th>$ Range</th>
<th>% Cap</th>
<th>$ Cap</th>
<th>Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>All dollar values</td>
<td>10%</td>
<td>$5,000</td>
<td>Applicable to most good purchases</td>
</tr>
<tr>
<td>All dollar values</td>
<td>10%</td>
<td>$15,000</td>
<td>Applicable to most service purchases</td>
</tr>
</tbody>
</table>

Please note that the lower of the two cap amounts between a % Cap and a $ Cap is what governs as the cap threshold, over which a change order is required.

**Examples (non-Facilities):**

**Example #1**
Original Purchase Order dollar value = $10,000
Submitted invoice = $12,000
Dollar Variance = $2,000
Percentage Variance = 20%
Next Step: A Change Order **would be** required to process this payment as the lower CAP amount in this case would be 10% or $1,000 since the lower CAP will indicate threshold.

**Example #2**
Original Purchase Order dollar value = $10,000
Submitted invoice = $10,500
Dollar Variance = $500
Percentage Variance = 5%
Next Step: this is OK to process through Accounts Payable **without** a Change Order as it is within 10% of the specific dollar range and this is the lower CAP amount.

**Example #3**
Original Purchase Order dollar value = $100,000
Submitted invoice = $110,000
Dollar Variance = $10,000
Percentage Variance = 10%
Next Step: this is OK to process through Accounts Payable **without** a Change Order as it is within 10% of the specific dollar range and this is the lower CAP amount.

**Example #4**
Original Purchase Order dollar value = $4,000
Submitted invoice = $4,600
Dollar Variance = $600
Percentage Variance = 15%
Next Step: A Change Order would be required to process this payment as the lower CAP amount in this case would be 10% or $400 since the lower CAP will indicate threshold.

Responsibilities

**Requestor of the Change Order** – initiate change order by inputting information into ARC, and to provide explanation and the required supporting documentation that articulates the rationale for this transaction.

**Department Approver** – approving the validity of the change order request in ARC, both from operational and financial criteria; and verifies that supporting documents provide sufficient detail

**Central Purchasing Approver** – reviews the original purchase order and validates that the requested change is in compliance with the terms of the original Purchase Order, and that supporting document(s) are sufficient; approve the change order request; convert the change order request to an updated purchase order.

Definitions

*PO Value:*  
The current total amount of the PO, regardless of payments.

*Encumbrance:*  
To apply funds whereas those funds have been specifically allocated to a particular order for goods/services. Once funds are encumbered, the department should make an entry on their budget to reduce so as not to overdraw. Encumbrances are comprised of all approved and pending for approval requisitions, purchase orders, and supplier invoices.

*Total AP Payments:*  
AP Payments made to date plus all open invoices that are currently in ARC.

*Financial Change Order:*  
A financial Change Order includes any Change Order that does not alter the scope of the PO, such as updating a chartfield or distribution. A financial Change Order bypasses approval by the Purchasing Office and is reflected on the departments financial reports in ARC.

Contacts

Finance Service Center at (212) 854-2122 or financeservice@columbia.edu.

Appendix

UPK – Managing Requisition, Purchase Orders and Change Orders

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