

PURPOSE

To ensure all purchases are properly reviewed, approved, documented, and controlled before money is spent.

SCOPE

This SOP applies to all employees involved in requesting, approving, creating, or processing purchases for the business.

CORE RULE

No PO, No Payment.

All purchases must be approved through a valid purchase order before goods or services are received.

STEP 1: SUBMIT PURCHASE REQUEST

Responsible: Requester (field staff, office admin, project manager, etc.)

Before anything is ordered, submit a request that clearly states:

- What is being purchased
- Quantity needed
- Preferred vendor
- Estimated cost
- Job, department, or cost code
- Business purpose

 *If this step is skipped, the PO becomes reactive instead of preventative.*

STEP 2: REVIEW AND APPROVE REQUEST


Responsible: Manager / Owner / Authorized Approver

Review the request for:

- Business necessity
- Budget alignment
- Pricing reasonableness
- Vendor selection

Outcome:

- Approved → move to PO creation
- Rejected → return to requester

 Approval must happen **before** the PO is created.

STEP 3: CREATE THE PURCHASE ORDER

Responsible: Purchasing / Admin / AP

Enter all required PO details:

Header Information

- PO number (unique and sequential)
- Company information
- Vendor information
- PO date

Line Items

- Detailed item/service description
- Quantity
- Unit price
- Total cost

Additional Details

- Delivery date/location

- Payment terms (e.g., Net 30)
- Job or cost code
- Notes or special instructions

 Be specific. "Materials" is not enough. Write **exactly** what is being purchased.

STEP 4: APPROVE THE PO

Responsible: Authorized Approver

- Review completed PO
- Confirm accuracy and completeness
- Sign or digitally approve

 A PO is not valid until it is approved.

STEP 5: SEND PO TO VENDOR

Responsible: Purchasing / Admin

- Send PO to vendor (email or system)
- Confirm receipt if necessary

 The vendor should acknowledge the PO **before** fulfilling the order.

STEP 6: RECEIVE GOODS OR SERVICES

Responsible: Receiver (field, warehouse, or office)

When items arrive or work is completed:

- Verify quantity and condition

- Compare against PO
- Document receipt (delivery ticket, signed work order, etc.)

 Do not rely on the invoice as proof of delivery.

STEP 7: MATCH INVOICE


Responsible: Accounting / AP

Perform:

- **Two-way match:** PO vs. invoice
- **Three-way match (recommended):** PO vs. receipt vs. invoice

Check for:

- Price differences
- Quantity differences
- Duplicate charges
- Missing PO number

 If it does not match, do not approve for payment.

STEP 8: APPROVE AND ISSUE PAYMENT

Responsible: Accounting / Owner

Before payment:

- Confirm match is complete
- Verify terms and due date
- Confirm approval

Process payment according to terms.

REQUIRED DOCUMENTATION

Each purchase should have:

- Purchase request (if used)
- Approved PO
- Receiving record
- Vendor invoice

 *All documents should be stored together for audit and tracking.*