

On purchase orders

Brian T. Sniffen

15 October 2008

In 2009, St. Paul will switch to a new system of purchasing control. The new system will reduce stress on the Treasurer by putting more control into the hands that already have responsibility for sound operation of the church: the committee chairs. In this new system, committees will draft their own budgets, and have great flexibility to move money within those budgets. The Treasurer is responsible for paying bills in a timely fashion—not for enforcing fiscal discipline on the whole church. The way that the committee tells the treasurer to pay a bill is called a *purchase order*.

What is a purchase order?

A purchase order is a written document signed by the committee chair. It is not an order in the sense of a command. Rather, it is closer to the words ordination or orderly: a part of a regular and rational process for making purchases.

Purchase orders need not be in a fixed form, but it helps the Treasurer to understand them if they're in a standard format. A purchase order is somewhat like a cheque in this way: your bank will obey any letter that says "Pay to the order of St. Paul Lutheran Church one hundred dollars (\$100), signed, Mr. Bob Example." But your bank is happier and more efficient when you use pre-printed cheques from a cheque-book. The treasurer can work very flexibly with strange letters, but is happier and more efficient when given straightforward data in a standard format.

How does St. Paul use purchase orders?

St. Paul only uses purchase orders as internal communications from a committee to the treasurer. Many other organizations and companies use purchase orders for outside communication as well—Spacely Sprockets sends a purchase order to Cogswell Cogs for a thousand cogs at \$0.10 per on 30 days net, and Cogswell's acceptance of the order creates a contract under certain standard business conditions.

St. Paul doesn't do this, and you don't need to worry about it.

What must be in a purchase order?

A purchase order must minimally contain:

- An indication that this is a purchase order, not just casual conversation.
- Some name or description of the good or service to be purchased.
- An upper limit on the cost of the purchase.
- The name of the committee making the purchase
- The fund code in St. Paul's internal finance system (e.g., "N7" for Tower Outreach).
- The signature of the committee chair over all of the above.

The signature need not be ink on paper. E-mail is fine, as long as it shows that the committee chair understood and intended all the components above. The following is a purchase order:

Beverly,

The secretarial committee has ordered new fountain pens. Please pay the expected bill for 50 pens from Augsburg Poultry Farm and Nibbery at a total cost not to exceed \$100. This can be paid from R14, Stationary Supplies. This is a purchase order

-Brian Chair and sole member, Secretarial committee

That isn't hard, and it's clearly data we'll have well before we buy anything.

What if I don't know how much it will cost?

It's not necessary to know the exact cost of a purchase before writing the purchase order. You can just guess high. This will tie up an amount of your budget equal to your guess until the bill arrives. Then the treasurer will pay any bill up to the purchase order amount and release the un-used budget amount.

What if I guess wrong about how much it will cost?

Your budget is only charged for what the church actually pays. If you guess low, then the bill will be returned unpaid. If the treasurer has free time, you may get a call asking for a quickly-issued new purchase order.

What if I can't find the committee chair?

Only the committee chair can sign purchase orders. It is important that only one person on each committee be able to sign purchase orders: that way we can be sure that any purchase order came from someone with a running tally of the committee budget.

Only the committee chair can sign purchase orders. This is the only distinguished role of the chair, and ought to be a significant component of the selection process for the chair.

How do we buy goods shared between committees?

Some purchases cross committee lines. If committees can work out the details themselves, a joint purchase order specifying the split between fund codes and signed by both committee chairs is fine. Otherwise, the council is happy to help devise a split and issue a purchase order against the committee budgets in its name.