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SPHM
HOSPITALITY

PURCHASING S.O.P



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Series 4000

Purchasing

Subject: Purchase Authority & Limits

A-4001

A. Policy. It is the policy of the club to establish purchase authority and limits for club purchases.

B. Discussion

1. Material capital expenditures, i.e., those \$1,000 and over, are approved in the [Capital Budget].
 - a. Generally, a capital item implies a useful life of several years, excludes maintenance and repair items, and costs \$1,000 or more. Replacement of worn out equipment meeting these criteria qualifies as a capital item.
 - b. The capital budget is approved annually during the budget process and departures from this budget must be approved by the General Manager.
2. Resale merchandise purchases are authorized by means of the [Annual Retail Buying Plan].
3. Recurring purchases of food, beverages, operating supplies, etc., are not subject to these purchase limits.
4. All non-recurring purchases are subject to the following provisions:
 - a. Purchases will be made from the [Approved Vendor List]. New vendors may be selected as approved by the General Manager.
 - b. Department Heads may authorize purchases of less than \$500 as their departmental budget permits.
 - c. Purchases of \$500 or more must be submitted and approved in advance by the General Manager by use of [Purchase Orders], SPHM Form 228, available from the Accounting Office.
 - d. Department Heads will not break up a large purchase into multiple smaller purchases of less than \$500 for the express purpose of avoiding the requirement to submit a purchase order for approval.

Subject: Invoice Billing Addressee

A-4002

A. Policy. It is the policy of the club that invoices should be mailed to the Department Head who made the purchase so they may be verified and properly coded prior to payment.

B. Discussion

1. Department Heads order the bulk of consumable supplies and resale items in operations.
2. As the ordering agent, these individuals are in the best position to scrutinize the invoice to ensure that the order is correct and that the quoted price was actually charged.
3. As a result, all invoices should be mailed to the ordering agent. It is the responsibility of Department Heads to ensure that vendors have the purchaser's name and address and that they put this information on their invoices.
4. After receiving and verifying invoices, Department Heads should code and sign off on the invoice and forward it to the Accounting Office for payment.
5. Invoices mailed directly to the Accounting Office should be routed to the purchasing Department Head for verification and coding.

C. Responsibilities

1. Department Heads are responsible for notifying vendors of their name and billing address whenever orders are placed. Further, they are responsible for timely verification and coding of invoices prior to submitting to the Accounting Office for payment.
2. The Accounting Office is responsible for prompt payment of invoices and for routing to Department Heads those invoices received directly.

Subject: Purchase Orders

A-4003

- A. Policy. It is the policy of the club that non-recurring purchases greater than \$500 (with the exception of resale merchandise) require use of a purchase order.
- B. Discussion
 - 1. Purchase Orders, SPHM Form 228, are available from the Accounting Office. All purchase orders issued by the Accounting Office will be pre-numbered and will be noted in a Purchase Order log.
 - 2. Authorized employees prepare the purchase order, including a full description of the item to be purchased, the price including shipping and sales tax, and the vendor name, address, and contact.
 - 3. The completed purchase order is given to the Department Head for approval. The Department Head indicates approval by initialing the purchase order. The purchase order is then sent to the General Manager for approval.
 - 4. After the General Manager approves the purchase order by signing, the ordering department places the order with the vendor, and forwards a copy of the purchase order to the Controller.
 - 5. The Controller files the purchase order in the Purchase Order File until the items are received and verified by the purchaser. See [Receiving] for more information.

Subject: Alcoholic Beverage Purchases

A-4004

- A. Policy. It is the policy of the club to abide by all State laws regarding the purchases of alcoholic beverages.
- B. Discussion
 - 1. Some States require that alcoholic beverages be purchased through "State stores." Requirements include calling in orders, picking up beverages at designated locations by authorized individuals with payment by check on the spot, and accounting for serial numbers of bottles purchased and consumed.
 - 2. Other States allow purchases from alcoholic beverage distributors by placing orders and having beverages delivered to the premises with billing to follow.
 - 3. Regardless of individual States' requirements, each club, recognizing the privilege and value of alcoholic beverage licenses held by the establishment, will exercise due care and diligence in abiding by all requirements involved in the purchase and service of alcoholic beverages.
 - 4. Each State also has requirements regarding minors serving and working in establishments that serve alcoholic beverages. Such regulations may be obtained from the Alcohol Law Enforcement branch of the State in which the club operates.
- D. Responsibilities. The General Manager is responsible for ensuring that all aspects of State law regarding the purchase and service of alcoholic beverages are strictly followed.

Subject: Competitive Pricing

A-4005

A. Policy. It is the policy of the club that employees authorized to make purchases use competitive pricing to obtain goods and services at the best possible price for the quality desired.

B. Discussion

1. Authorized employees making purchases should shop for the best pricing for items by becoming familiar with suppliers offering similar products and/or services and selecting the lowest cost, quality vendor.
2. Often vendors quoting prices will quote prices for items with different specifications. Authorized employees must exercise due diligence in researching the cost/benefits of competing quotes to ensure that the club gets the best item to meets its needs for the best price.

Subject: Receiving

A-4006

A. Policy. It is the policy of the club that purchased items received be inspected to ensure the correct item, count and/or weight, and that all items are undamaged or unspoiled.

B. Discussion

1. It is important that any authorized employee receiving a purchased item carefully inspect the item to ensure it is the item ordered, is complete, intact, and has the correct count and/or weight.
 - a. Items received should be carefully compared to items listed on the packing slip, purchase requisition, or purchase order.
 - b. The receiving employee indicates the order is correct and complete by writing “Received,” signing, and dating the packing slip, purchase requisition, or purchase order.
2. After inspecting the order and ensuring that it is correct and intact, the employee should file the receiving paperwork (packing slip, purchase requisition, or purchase order) in a departmental receiving file until the vendor invoice is received.
3. Upon receipt of the vendor invoice, the authorized employee will:
 - a. attach the approved purchase requisition, purchase order, and/or packing slip to the invoice,
 - b. stamp and date the invoice with an approval stamp supplied by the Accounting Department,
 - c. initial and date the invoice stamp if the invoice agrees with the items received, and
 - d. resolve any discrepancies as soon as possible with the vendor and note resolution on the invoice.
4. The invoice is then coded with the appropriate [Expense Coding], approved by the Department Head, and forwarded to the Accounting Department for payment.
5. The Accounting Department processes invoices weekly and submits them to the General Manager for approval. See [Invoice Approval File] for more information. Once approved, disbursements are made.

Subject: Expense Coding

A-4007

A. Policy. It is the policy of the club that all expenses be coded with the correct expense code by the purchasing Department Head.

B. Discussion

1. Department Heads are responsible for ensuring that all departmental expenses are coded with expense codes. These codes should conform to the department's approved [Chart of Accounts].
2. Department Heads will make every effort to be consistent in assigning expense codes so that similar or comparable expenses are always assigned the same codes. This will help ensure comparability of financial statements from period to period.
3. Department Heads will note the appropriate expense code(s) on each vendor invoice. Where multiple expenses appear on one invoice, Department Heads will code each expense separately.
4. For expense items that are not readily identifiable, Department Heads should consult the Controller and/or the [Expense Dictionary].
5. To expedite the coding process and to assure uniform coding procedures, it is recommended that managed facilities prepare expense coding stamps as shown below.

Oak Hill Country Club
<i>August/08</i>
Month: _____
GL Code: <u>490-214</u> Total: <u>2,156.54</u>
GL Code: <u>490-222</u> Total: <u>86.78</u>
GL Code: <u>490-538</u> Total: <u>43.40</u>
Detail: _____ <i>Fertilizer/Oil/Seed</i>
Approval: <u>J.M. Smith</u> Date: <u>8/24/08</u>
Approval: _____ Date: _____

Subject: Invoice Approval File

A-4008

A. Policy. It is the policy of the club that all invoices be approved by the General Manager prior to payment.

B. Discussion

1. General Managers have ultimate responsibility for the proper expenditure of club funds and, therefore, should review all invoices prior to payment.
2. In order to lessen the time burden of the General Manager, the Controller is responsible for preparing all invoices for payment. This preparations includes:
 - a. Ensuring that all expenses are properly coded by Department Heads.
 - b. Ensuring that all adjustments and credits to invoices have been made.
 - c. Ensuring that resale items are tax exempt.
 - d. Ensuring that all purchases over \$500 (except resale purchases) have properly prepared and approved purchase orders.
 - e. Ensuring that invoice amounts are correct by running and affixing a calculator tape of all charges to the invoice.
3. To further ease the time required for General Manager review, the Controller should have made and use a stamp that allows the Controller and accounting staff to initial that all of the above preparations have been checked and that the invoice is ready for the General Manager's review and approval.

C. Responsibilities

1. Department Heads are responsible for verifying and coding invoices.
2. The Controller is responsible for preparing invoices for the General Manager's review and approval, including the use of a stamp to indicate by initials in the appropriate spaces that all preparatory steps have been taken.
3. The General Manager is responsible for reviewing and approving invoices for payment in a timely fashion. In the General Managers absence, this duty can be delegated to the Clubhouse Manager or other designated manager.

Subject: Storerooms and Par Stocks

A-4009

A. Policy. It is the policy of the club that all storerooms used for storage of resale and consumable inventories be properly secured and organized and that par stocks be used to provide ready access to reasonable levels of inventory for daily operating needs.

B. Discussion

1. Storerooms

- a. Proper storage of inventories reduces damage and spoilage of stock.
- b. Proper organization (appropriately labeled shelving and items stocked on shelves in the same order as listed on inventory sheets) will reduce the amount of time needed to conduct month-end inventories. Cases of product should not be opened until previously broken down cases are fully consumed.
- c. To reduce spoilage stock should be rotated so that older stock is used first.
- d. Inventories represent assets of the club and must be safeguarded.
 - (1) Access must be limited to as few employees as possible.
 - (2) Doors to storerooms must be closed and locked at all times.
 - (3) Keys to storerooms must be assigned to specific individuals by means of a key register and a key control plan must be in place to ensure proper issuance and recovery of keys. Lost keys must be reported to the General Manager immediately.

2. Par Stocks

- a. Consumable items of inventory must be available to line employees, but only in sufficient quantity to meet daily needs.
- b. These stocks should be established at “par” levels and replenished daily by supervisors by means of inventory and issue forms. Such par stocks might include restaurant paper supplies, alcoholic beverages, sodas, snack mix for the bar, and other items consumed during normal operations.
- c. Par stocks should be kept in secured lockable closets, drawers, cabinets, and other easily accessible locations for use by line staff.

Subject: Gifts from Vendors

A-4010

A. Policy. It is the policy of the club that employees will not accept personal gifts from vendors other than those considered common business courtesies and for which reasonable reciprocity could occur in the normal course of business.

B. Discussion

1. If for any reason, gift items or courtesies are received that are valued at \$50 or more, they should be reported on a gift list to the General Manager.
 - a. Gift lists will be filed for review in the Accounting during the normal course of audits.
 - b. Meals and other common services that are usual business courtesies are not subject to the \$50 limit.
2. If there is any uncertainty about receiving a gift or service, the individual should consult his or her immediate supervisor or the Accounting Office before accepting the gift.
3. With prior management approval, it is acceptable to participate in customer appreciation events at the expense of a vendor or customer when the event is considered a general customer event. However, these events must be reported if participation in the event exceeds \$50 value.
4. Employees may not participate in [Purchase Rebate Programs] unless the rebate comes to the club, not the individual purchaser.

Subject: Service Contracts

A-4011

A. Policy. It is the policy of the club to establish service contracts with vendors who provide a recurring service to the club.

B. Discussion

1. Service contracts are the appropriate vehicle to establish vendor relationships where the vendor provides a standard service on a recurring basis, such as elevator servicing, landscape services, kitchen exhaust hood cleaning, golf cart maintenance, etc.
2. Most service companies will offer a standard service contract. Such contracts should be scrutinized carefully to ensure they meet the club's needs. Particular attention should be paid to:
 - a. Fees and term of contract - usually the longer the term the better the price, but a long-term contract may not offer necessary flexibility to seek alternative services.
 - b. Cancellation clause - under what conditions may the contract be cancelled?
 - c. Escalation of fees - what provision does the contract make for increases in fees?
 - d. Obligations - are there any obligations on the part of the club? Would the club have any problems meeting those obligations?
 - e. It is always a good idea to seek proposals from several companies providing the same service to ensure the best price.
 - f. It is also important to check vendor references to find out if other clients are satisfied with their service.
3. If concerned about the terms of the contract, discuss the contract with the General Manager who may decide to have a legal review of the contract.
4. All contracts must be signed by the General Manager and a club officer. See [Contract Signing Authority] for more information.

Subject: Use of Club Credit Cards

A-4012

A. Policy. It is the policy of the club that credit card charge accounts may be established with local retail outlets with which the club does recurring business.

B. Discussion

1. Recognizing that office supplies and maintenance and repair items are needed on an ongoing basis and may not always be foreseen, the club may establish a credit card charge account with local retail outlets.
2. Such credit cards may be issued to certain key employees at the discretion of the General Manager. These individuals will exercise prudent care in safeguarding these cards and ensuring that only necessary, approved purchases are made.
3. The General Manager and Controller must closely monitor the use of these credit cards.

C. Procedures

1. Any authorized employee making a credit card purchase must get a receipt. Receipts must be noted as to what the purchased items were for and receipts will be turned in to the Controller.
2. When approving invoices for payment, the General Manager will review the billing statement and the individual, annotated receipts.
3. Except in the case of purchases for emergency repairs and maintenance, the responsible Department Heads must ensure that credit card purchases remain within approved budgeted amounts.

Subject: Cash on Delivery (COD)

A-4013

A. Policy. It is the policy of the club not to order items on a COD basis, nor accept COD deliveries, with the exception of [Alcoholic Beverage Purchases] when required by State law.

B. Discussion

1. COD orders usually happen when an ordering department has not taken the time or made the effort to establish a billing account with a vendor.
2. COD deliveries can create difficulties for the receiving department as well as the Accounting Office.
 - a. Clubs keep a limited amount of petty cash on hand, and it is not always immediately available to pay COD deliveries.
 - b. There is no guarantee that someone will be in the Accounting Office to prepare a check for COD deliveries.
3. Should some item be ordered from a vendor where no billing account has been established, it is suggested that Department Heads use a personal funds or a credit card to purchase the item and then seek [Expense Reimbursement] from the club.
4. In emergency situations, the General Manager or Controller may deviate from this policy at their discretion.

Subject: Purchase Rebate Programs

A-4015

- A. Policy. It is the policy of the club that employee involvement in purchase rebate programs is prohibited unless the rebate comes to the club.
- B. Discussion
 - 1. Some professional organizations have established purchase rebate programs for their members. Purchases made through certain companies trigger rebates which are given back to the individuals who placed the orders. The program may be appropriate for Department Heads who own their own retail operations in the club. But unless the Department Head owns the shop such rebates are not appropriate.
 - 2. Managers must always be careful of rebates offered by vendors to ensure that the rebate is not offered and does not come to the purchasing manager personally. This would be a violation of generally recognized business ethics, whereby an individual gains personally from purchase decisions he or she makes for the club.
 - 3. In general, it is the policy of the club not to allow rebates from vendors to anyone who does purchasing. This includes purchasing of resale inventories for retail operations and consumable inventories such as food, beverages, supplies, repair and maintenance materials and parts, and any other items purchased for club operations.
 - 4. The club always wants to take advantage of any rebate or credit that is available from vendors as a means of lowering the club's costs, but such rebates must be credited back to the club, not an individual manager. By doing this, a manager will never have his or her purchasing decisions questioned as motivated by personal gain.