Purchase Orders/Commitments

1. A commitment creates a legal obligation arising from a contract, agreement, or other form of undertaking by UNDP or based on a liability recognized by UNDP. Such commitments are represented in Atlas by Purchase Orders (PO). POs are raised for the procurement of goods and services. Payroll and travel expenses are not committed by a PO.

2. There are different types of POs in Atlas:

Regular PO

3. The most commonly used PO, used for discrete, individual purchases of goods and services. When goods and services are received by UNDP, a receipt in ATLAS is created. Upon submission of an invoice by the Vendor, an Accounts Payable voucher is created by the finance section. Before disbursements, ATLAS carries out either a 3-Way Match or a 2-Way Match. Matching is a process in ATLAS that happens automatically three times a day during which the system will match the vouchers with related purchase orders and receipts in ATLAS so that disbursement can be released. In a 3-Way match process, ATLAS will require (i) a receipt in Atlas, (ii) the relevant PO, and (iii) the voucher. In a 2-Way match, an ATLAS receipt is not required (e.g. for travel transactions). When an item is selected through the Procurement Catalogue described earlier, ATLAS will automatically determine whether a 3-way match or a 2-way match is required for the regular PO and carry out the function accordingly. This underscores again the need for selecting the items through the correct procurement catalogue.

Recurring PO Voucher Contract (RPOVC)

4. When issuing a purchase order for a service contractor on an individual contract, a Buyer has the option to use either a regular PO or a RPOVC. A regular PO involves limited steps, but all subsequent vouchers must then be created manually. Creating an initial RPOVC involves more detailed steps, but all subsequent vouchers are automatically generated.

- A recurring PO Voucher Contract may be used to facilitate a series of repeated purchases. The matching process is similar to the one described above under regular PO.

5. The following criteria for using RPOVC should be considered:

- The payment amount for each pay period is consistent (e.g., USD 1,000 per pay period).
- The time interval between payments is the same (e.g., the 15th day of each month).
- (a) and (b) are true for a fixed term, generally greater than one month, in which periods are repetitive.

6. If all three conditions are met, the Buyer should generate a RPOVC. Where any of the three conditions is not met, the Buyer should create a regular PO.
7. Atlas enables the Buyer to establish, manage and schedule regular payments such as for rent or lease, utilities and supply deliveries, and to generate a recurring voucher (RPOVC). In situations where the utility-providing vendor is the government or government agencies, a PO will not be required. It should be noted that timely intervention will be required in case a scheduled payment needs to be held back or adjusted.

**Milestones**

8. Offices can also make use of the milestone method for purchase orders, which allows for a commitment to be established in a staggered way at the time that milestones are recorded, rather than all at once for the full amount at the time that the PO is budget-checked. This provides a mechanism for entering into multi-year contracts, but reduces the required budget availability only by the relevant amount at any given point in time.

9. **Purchase Order MATRIX**

<table>
<thead>
<tr>
<th>Regular PO</th>
<th>Recurring PO Voucher Contract</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO/Contracts for goods, civil works and/or services, IC</td>
<td>Rent or lease contracts (equal payments on a periodic basis)</td>
<td>Staggered purchases</td>
</tr>
</tbody>
</table>

- UNDP Financial Rules and Regulations
- UNDP Operational Guide of the Internal Control Framework

10. All POs must be supported by legally binding commitments and contracts, entered into with third parties, within the relevant period, for goods and services required by UNDP. All supporting documents should be available for review by internal and external auditors.

11. Purchase orders should only be recorded in the financial period in which goods or services are expected to be received. For contractual arrangements in which goods or services are expected to be received over more than one financial period, a separate purchase order should be raised for each of the respective financial periods.

12. Dispatched POs must have been delivered to vendors on or before the end of the relevant period. All such POs must be approved and budget-checked. When approaching the end of a reporting period, buyers should determine whether the goods or services will be delivered in the following period and, if so, close the existing PO and raise a new PO against the following period’s budget.

13. The ICF requires that staff members who approve POs cannot create POs. To ensure adequate segregation of duties and good internal control, POs must be created by Buyers and approved by Approving Managers.

14. Approving Managers are defined at three levels:
    - level 1 Managers approve purchase orders upto USD
5,000, □ level 2 approve purchase orders up to USD30,000, and □ Senior managers are without limit.

15. Awarding of certain contracts is subject to the review and recommendation of Contracts and Procurement Committee (CAP) and Advisory Committee on Procurement (ACP) to the Head of Office or the Chief Procurement Officer (CPO). For additional guidance please refer to POPP on Contracts and Procurement Management.

16. Approving Managers, as the second authority, must be independent of the Project Manager, the first authority. However, certain staff members, such as the Head of Office, Deputy Resident Representative, Country Director, Deputy Country Director, and Operations Manager, may need to have both profiles if they must act as Project Manager on some transactions and as Approving Managers on other transactions. Where this is necessary, staff members with both “Project Manager” and “Approving Manager” profiles must not approve both a requisition and the associated purchase order, because this violates the requirement to segregate the First Authority from the Second Authority. Also, they must not act as the Second Authority for transactions charged to their own projects, as this presents a conflict of interest.

17. With respect to travel, UNDP rules require that all travel must be authorized by the traveler’s supervisor. So where the traveler is also an Approving Manager he/she must not approve the PO for his/her own travel.

18. POs are required for all purchases in excess of $2,500. For fixed assets and non-HQ travel, a PO is required for all purchases regardless of value. See PP&E Policy.

19. The Approving Manager who approves the Atlas Purchase Order is committing UNDP resources and is accountable for ensuring compliance with UNDP procedures. Therefore, UNDP does not require a separate signature on the hard copy PO. However, most Vendors require a signed PO as evidence that UNDP has authorized the commitment, so the Approving Manager should also sign the hard copy PO.

Diagram