**Purchase Orders (Obligations, Maintenance and Closure)**

1. An obligation 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 obligations are represented in Quantum by **Purchase Orders (PO)**.
2. Quantum uses the Document Styles for Contracts and Purchase Orders:
3. Purchase Order
	1. Funds reservation
	2. Includes obligation of funds, schedules and distributions.
	3. Quantity and amount based
	4. The PO lines may be associated to or created from Agreements/LTAs
4. Contract (Order)
	1. This combines the contract legal template and deliverables with the obligation of funds of the PO.
	2. No additional PO is needed for a Contract Order.
	3. Quantity and amount based
	4. Includes start and end date for contract in addition to the defined deliverables on the schedules.
5. Contract Work Order
	1. It is similar to Contract Order but tailored for civil works and service only contracts e.g., for Individual Contractors
	2. No Incoterms or shipping information
	3. Suited for delivery-based services / civil works
	4. PO / Funds reservation into the same document
6. All POs must be supported by legally binding obligations 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.

1. Purchase orders should reflect budget periods in which the goods and services are expected to be received.

1. 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.

1. Approving Managers are defined at three levels:
2. level 1 - Managers approve purchase orders up to USD 10,000,
3. level 2 approves purchase orders up to USD 50,000, and
4. Senior managers are without limit.
5. 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 [Procurement Oversight and Procurement Review Committees](https://popp.undp.org/node/11336).

1. 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.

1. A Purchase Order (PO) is required for:
2. All purchases of assets valued above US $5,000
3. All purchase of goods, services and small works where micro purchasing is processed in Quantum and a touchless PO is generated
4. Individual Contracts -IC- Contract Management Module must be used together with E-Req and PO.
5. For duty travel related transactions a PO is not applicable (see [POPP Duty Travel).](https://popp.undp.org/taxonomy/term/296/)

1. The Approving Manager who approves the Purchase Order is committing UNDP resources and is accountable for ensuring compliance with UNDP procedures.

**Maintenance and Closure**

1. All purchase orders (POs) must represent, at any given point in time, a genuine legally binding obligation to third parties. The amount and the extent of the obligation should be complete and properly stated in Quantum.

1. A PO must be approved with no exceptions in order to be correctly recorded in Quantum.

**Maintenance**

1. The objective of PO data-cleaning is to ensure the accuracy, completeness, and timeliness of expenses in the General Ledger and Projects module, and obligations in Budgetary Control and Projects. The regular maintenance process includes POs prepared on behalf of other agencies. Regular maintenance will also help unilateral closure of obligations by the Accounts section at the year-end, avoid incorrect reporting to the donor, and enable UNDP to use resources efficiently.

1. The PO regular maintenance exercise should ensure that:
	* All POs with budget date on or before the monthly accounting period are either fully processed by the period end, or, if they are no longer required, cancelled or closed;
	* All fully processed POs with budget date on or before the monthly accounting period represent legal obligations of UNDP, i.e. UNDP will receive goods or services and intends to pay for them. Note that according to UNDP FRRs, regulation 20.01, “*commitments and disbursements for the current year and commitments for future years shall be incurred only after allocations for UNDP programme activities, allotments in respect of the Institutional budget or other appropriate authorizations have been made in writing under the authority of the Administrator*.”
	* All fully processed POs have valid and accurate Chart fields.

**Closure**

1. All POs that are fully processed or if no longer required should be “finally closed” to ensure the order volume is accurate and the unused obligations are returned.

**Common errors made concerning POs**

1. This section sets out common types of problem in POs where Country Offices and HQ units need to take regular maintenance action. Specifically, issues with POs that are not fully processed are:
	* POs that are not approved;
	* POs that do not have valid budget status;
	* POs with a change order that are not fully processed;
	* POs with invalid Chart Fields, e.g., incorrect account code, incorrect fund codes etc.

1. In addition, there may be outstanding issues with fully matched POs, not completely matched POs, cancelled POs, and POs set up as ‘no match’. Procedures for each category are described below.

**Diagram**



