

Why use purchase orders?

Top ten Reasons for using PO's:

1. Establishes proactive management process to projects by determining costs up front before a job begins. A good purchase order system starts with a tight job estimate, therefore in order to create accurate P.O.'s you must calculate actual purchase order quantities and determine prices prior to production.
2. Another benefit of using a purchase order system is it makes it easier for companies to pay bills. For example, if a company receives an invoice for which there is no corresponding purchase order, then the company can immediately suspect that the invoice is erroneous. By only paying invoices for goods which match a current purchase order, a company can avoid paying for goods they never ordered.
3. Prevents unauthorized people from buying things using the company's resources. Only superintendents can call and authorize purchasing through variance P.O.'s
4. When your vendors present an invoice that references your PO#, your staff doesn't have to run around and see if the bill is legitimate. The PO process has already ensured that it is and the proper accounting of it should be simple.
5. Easily compare estimates against actual invoices and determine the "why, how and where" of variances during production.
6. Easily communicate, quantities, prices, colors, product numbers, work specifications, terms, job location, permit #, etc..on all Purchase Orders.
7. Established that NO work is to be commenced without a PO. This discourages subs from engaging in unauthorized work prior to a conference with the builder. Eliminates homeowner to "Sub-contractor" changes.
8. During times of price escalations, P.O.'s establish the price you're paying for the stated job. If prices are not accurate on the P.O.'s, wouldn't it be better to know that before construction rather than after the work is complete and the invoices have arrived? P.O.'s allow for the flexibility to re-price and competitively bid out work prior to production.
9. Can be the central control document for the company that all departments contribute to being accurate and correct. Sales personnel confirm selections are accurate, estimators confirm accurate quantities and prices. Field superintendents verify correct items are delivered and installed according to purchase order and accounting personnel verify the correct amounts are invoiced and paid.
10. Establish organization on a project from the inside out. Allow your office the ability to ensure that the field superintendents know what product & service are to make up a job. Provide your staff the ability to hold vendors/subs accountable for the work performed at the price agreed. If the cost is on the P.O. and the sub can't get it right, then it's his cost to make it right.

Communication is the foundation of good organization!

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You sub out construction work, why not office work?