

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 1 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
	<b>REVIEWED BY:</b>		
	<b>APPROVED BY:</b>		
	<b>SUBJECT:</b>		<b>PURCHASING PROCEDURE</b>

**OBJECTIVE:**

To establish procedures to ensure that the purchase of all goods and services for hotel operations are authorized and implemented in accordance with pre-determined policies

**POLICY:**

1. The Purchasing department is responsible for using good purchasing methods; optimizing price savings, quality or value of products, vendor working relationships; placing orders with approved suppliers; negotiating pricing with suppliers.
2. The standard policies and procedures cover all items of purchase and service in the Hotel.
  - Non-Perishable items (Included Operating Supplies, Engineering Supplies)
  - Market list items
  - Capital Assets
  - Operating Equipment
  - Contracts for supply of goods and services
3. The Purchasing Department should obtain quotes for goods and services from prospective vendors by implementing a competitive bidding process to minimize the cost without affecting quality, quantity and delivery date.
4. Formal approval by hotel management through purchase order is necessary (except for the daily market list); no verbal order placement or commitment to any third party prior to obtaining formal approval, is permitted nor should be honored.
5. All purchase requests and purchase orders that are cancelled or refused by Management before being placed shall be clearly marked as such and retained to ensure that these are not later placed by accident or followed up on the mistaken assumption that goods or services were requested but not yet provided.

**PROCEDURE**

**I- Purchase Requisition**

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 2 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
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1. Any requesting department will raise a purchase requisition through the “Material Control Module” from software (if any) or manual purchase requisition with the description, quantity and the required date as well as the nature of item (FF&E or other), clearly specified.  
In the case of a purchase requisition issued by the store department according to the system of “minimum stock reorder point”, the item code, stock on hand, min/max stock and the average monthly usage shall be included.
2. After formal approval by the relevant Head of Department, the purchase requisition will be routed to purchasing department for subsequent action.
3. Whenever necessary, purchasing will arrange a meeting with the requesting department to clarify details of their requirement:
  - Whether the specifications and quantity are appropriate. With regard to the quantity of the order, the stock on hand, consumption pattern, and expected consumption rate should be considered.
  - Purchasing staff should follow the standard purchase specifications. The purchasing staff should not decide such specifications as paper thickness, paper stock, design, color and makers.
4. Purchasing will call for a written quotation from at least 3 suppliers and sample checking (if necessary) and the Department Head will be invited to check and comment. Any material variances must be notified to the requester prior to the placement of an order.
5. Quotes should be compared to specifications, price and date of delivery. Competitive pricing is one component of the evaluation and may be outweighed by other factors. Pricing alone will not be a deciding factor unless all else (item specification, delivery timing and reliability, etc.) is equal.  
When more than one vendor submits a quote with the same price, the volume of business that is done with the respective vendors should be considered to select the vendor. In order to encourage competition among vendors, orders for quote should not be placed with only one supplier.
6. The purchase request attached with the different quotations from the suppliers and proposed selected supplier will be routed to the Financial Controller for re-checking whether it has budget backed up or not and the General Manager

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 3 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
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second for approval of items which cost less than Baht 20,000 or non capex which already approved by GM can be directly sent to purchasing for purchase order preparation.

For items with exclusive distributor and/or regular order (store items), purchase orders should be prepared and sent to management for approval at the same time that the purchase request (attached) as the quote/supplier is certain. Regular market tests should be performed however to assess the price validity.

7. For the daily market list, the sole signature of the Executive Chef is sufficient to initiate the order. When a fixed price system applies, only quantity will be stated and approved; when daily market price is applied, the Executive Chef must verify and Cost Controller approve the market list after the quote given by the purchasing staff.

8. For items which cost over than Baht 20,000 and any service contracts with contractually bind the hotel for more than a year , such contract should be approved and signed by the Director of Finance together with General Manager.

9. The purchase requisition should be done through “Material Control” Application (if any), there won’t be any manual approval at this stage for Hotel which has Material Control Application.

10. Managing Director / Owner’s Representative then verify the purchase requisition for items over than Baht 20,000 / Contract which has more than one year.

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 4 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
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## **II- Purchase Order**

1. Based on approved purchase requisition, a purchase order in 4 copies is prepared and forwarded with attached initial purchase request and all supporting documents, to the Director of Finance and MD/Owner Representative to obtain approval to place the order. The purchase order form must be numbered, and the number posted to the purchase requisition.
2. Orders can be placed with the vendor either by telephone, fax, internet or mail. When placing orders by telephone, the vendor contact and date of order should be noted and a confirming copy of the order sent to the vendor.
3. The distribution of the purchase order is as follow:

Original	Supplier (to place the order)
1st copy	Purchasing department (to file with original purchase requisition attached with)
2nd copy	Circulated through Purchasing, Receiving and Accounting (to match against Purchase Order, Receiving Report and Invoice for subsequent payment)
3rd copy	Purchase requesting department (filed for record)

## **III- Purchase Requisition Authorization**

Items	Purchasing Procedure				
	Issuing PR	Finalizing PR	Approval PR		Approval PO
			<=20,000 Cost Controller	>20,000	
Market List	Exec.Chef	Exec.Chef	Cost Controller	Cost Controller	DOF & MD/O'Rep
Non-Perishable	HOD	Purch. Mgr.	GM	GM+DOF+MD/O'Rep	DOF & MD/O'Rep
Capital Assets	HOD	FC	GM	GM+DOF+MD/O'Rep	DOF & MD/O'Rep
Contract of Supply of Goods & Services	HOD	Purch. Mgr.	GM	GM+DOF+MD/O'Rep	DOF & MD/O'Rep

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 5 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
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1. As a rule, purchase requisition and order forms should be authorized by both the Financial Controller or General Manager and Director of Finance/MD.
2. Purchases exceeding the certain amounts or contract periods must be approved by the Financial Controller and Director of Hotel Operation. The criteria should be determined by the Director of Finance considering various factors at each hotel:
  - All purchase orders in excess of a certain amount (20,000) per order;
  - All contracts which have a term of one year or less and a value in excess of a certain amount; and
  - All contracts which have a term of more than one year all installment payment contracts and leases should be approved by the Director of Finance and Managing Director or Owner’s representative.

#### **IV- Supervision of deliveries**

1. The Purchasing department is responsible for delivering goods to the requesting department by the delivery date detailed in the purchase order. They are responsible for communicating with receiving staff; following-up on the delivery (calling the vendors to verify, trace or expedite the orders). When the requested delivery date cannot be met, the Purchasing Department should immediately notify the relevant department.
2. The purchasing department should monitor all undelivered and partially delivered items in order to avoid any potential operating problems. When purchase orders are issued, they should be placed in an open purchase order file until the items are received, and only then filed in the closed purchase order file. At month-end, a list per department of all outstanding purchase requisitions and purchase orders(undelivered and/or partially delivered) should be prepared by purchasing department and reviewed by hotel management during a formal purchasing meeting.

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 6 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE NO.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
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#### **V- Cancellation of Purchase Orders**

1. In the event of canceling ordered goods, In case of cancellation of an approved Purchase Order by Purchasing Manager / The Head of Department who ordered the goods, he/she must affix the stamp “Cancelled” on the purchase order and inform the Purchasing Manager, Financial Controller in written about the reason of such cancellation.

The Purchasing department will contact the vendors immediately and advice the cancellation. If the vendor insists on a penalty, purchasing staff should contact the Financial Controller and take appropriate measures to rectify the situation.

2. When a vendor reports to the hotel the cancellation of a previously accepted order, the Purchasing department will place a new order with another vendor promptly after contacting the requesting department. The initial purchase order should be cancelled (stamped as such) and a new purchase order will be issued and sent to management for approval with the former and now-cancelled purchase order attached.

#### **VI- Subsequent change of purchase price after placing an order**

1. When prices rise after placing an order and it is difficult to negotiate price adjustments, other vendors should be contacted. If goods of the same quantity, quality and within the same delivery frame are available at reasonable prices from other vendors, the original order should be cancelled and replaced with a new order to the other vendor
2. If there is no alternative other than to accept increased prices, the existing purchase order must be cancelled and a new purchase order prepared. The revised purchase order should detail the reason for the revised order and be accompanied by the old purchase order form when sent for approval.

<b>STANDARD OPERATING PROCEDURE</b>	<b>CODE: PS – 002-1</b>		<b>PAGE: 7 of 7</b>
	<b>EFFECTIVE:</b>		<b>UPDATE No.: REV 01</b>
	<b>INITIATED BY: PRIMA CONSULTANT CO., LTD.</b>		<b>DEPT./SECTION:</b>
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	<b>APPROVED BY:</b>		
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**VII- Purchase formats (sample attached)**

1. **Purchase Request:** No mention of 3 quotations; only the chosen quotation is mentioned as the different quotations from suppliers are attached with the purchase request
2. **Store Purchase Request:** To allow an efficient stock management based on the system of minimum stock reorder point
3. **Purchase Order:** All references to purchase request must be clearly stated, including the nature of purchase (FF&E or other) and the type of payment.

\_\_\_\_\_  
**Chief Accountant**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Financial Controller**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Director of Finance**

\_\_\_\_\_  
**Date**