Purchase Order Creation and Approval Policy

1.0 Objective & Intent

The purpose of this policy is to establish a standardized, auditable process for the creation and approval of all purchase orders (POs) within our Canadian cabinet and millwork manufacturing operations. By enforcing strict segregation of duties, predefined approval thresholds, and mandatory documentation, this policy aims to prevent unauthorized spending, optimize cash flow through accurate commitment tracking, reduce the risk of financial misstatement, and ensure compliance with internal controls and external audit requirements. Effective PO management directly impacts our ability to maintain accurate inventory valuations, negotiate favorable supplier terms, and avoid costly production delays due to material shortages.

2.0 Operational Scope

This policy applies to all departments within the organization, including but not limited to: Production, Millwork, Finishing, Warehouse, Maintenance, and Administration. It governs the creation and approval of all purchase orders for raw materials (lumber, veneers, hardware, adhesives, finishes), subcontract services (CNC routing, finishing, installation), capital equipment, MRO (maintenance, repair, and operations) supplies, and any other goods or services procured from external vendors. All PO transactions, regardless of value, must adhere to this policy. Exceptions require written authorization from the CFO or President.

3.0 Compliance & Data Security

> All purchase order data must be handled in strict compliance with the Personal Information Protection and Electronic Documents Act (PIPEDA) and our internal financial controls framework. Access to PO creation and approval modules is role-based and logged. No PO may be created or approved using shared credentials. All PO records must be retained for a minimum of seven years in a secure, encrypted digital repository. Any suspected fraud, unauthorized PO creation, or data breach must be reported immediately to the Compliance Officer. Regular internal audits will be conducted to verify adherence to this policy and the integrity of the procurement process.

4.0 Required Software & Administrative Tools

- Sage 300 (or equivalent ERP system) – PO module for creation, approval workflow, and commitment tracking
- Ryxen SupplyGrid – for real-time material threshold monitoring and automated PO generation triggers
- Microsoft SharePoint or equivalent – for secure storage of supporting documents (quotes, contracts, approvals)
- DocuSign or equivalent – for electronic signatures on PO approvals exceeding $10,000
- Company email system (Microsoft 365) – for automated PO approval notifications and audit trails

5.0 Step-by-Step Administrative Workflow

1. Requisition Initiation: The requesting department (e.g., Production) identifies a need and completes a Purchase Requisition form in the ERP system, including item description, quantity, estimated unit cost, required delivery date, and

justification. This must be submitted at least 5 business days before the required delivery date.
2. Budget Check: The ERP system automatically checks the requisition against the department's approved budget. If the requisition exceeds the remaining budget, it is flagged and sent to the Department Head for budget reallocation or CFO approval before proceeding.
3. Supplier Selection & Quote Attachment: The Procurement team (or designated buyer) selects a supplier based on approved vendor list and attaches at least one competitive quote (two quotes for orders over $5,000) to the requisition in the ERP system.
4. PO Creation: The buyer converts the approved requisition into a Purchase Order in the ERP system, ensuring all fields are accurate (ship-to address, terms, pricing, tax codes). The system assigns a unique PO number.
5. First-Level Approval (Department Head): For POs up to $2,500, the Department Head reviews and approves electronically in the ERP system. This must be completed within 1 business day of PO creation.
6. Second-Level Approval (Operations Manager): For POs between $2,500.01 and $10,000, the Operations Manager reviews and approves. This step must be completed within 2 business days.
7. Third-Level Approval (CFO): For POs exceeding $10,000, the CFO reviews and approves. Supporting documentation (quotes, contracts) must be attached. Approval must be completed within 3 business days.
8. Final Approval (President): For POs exceeding $50,000, the President provides final approval after CFO review. This step must be completed within 5 business days.
9. PO Release & Vendor Notification: Once all approvals are obtained, the system automatically releases the PO and sends it to the vendor via email. The buyer confirms receipt with the vendor within 24 hours.
10. Record Archival: The approved PO, all supporting documents, and the approval trail are automatically archived in the secure digital repository. The system logs the date, time, and user for each action.