

BOARD POLICY LETTER

4 NOVEMBER 1970R  
REVISED & REISSUED 13 OCTOBER 1975 AS BPL

CANCELS

Remimeo HCO POLICY LETTER OF 4 NOVEMBER 1970  
SO & SCN ISSUE IV  
Orgs SAME TITLE

COs & Exec

CANCELS

Dirs HCO PL 26 April 71 "EPOs"  
FBOs & AGFs HCO PL 22 April 72 "EPOs"  
to activate (Cancelled 12 April 73)

All Div Secs  
Treas Sec Hat  
Dir Disbs Hat  
Purchasing  
Dir RAM Hat

ESTIMATED PURCHASE ORDERS

HISTORY

An FP system which seeks to provide necessities but admits only exactly priced purchase orders sometimes collides with the fact that the exact cost of a vitally needed item is sometimes not known or obtainable when FP convenes.

Extensive and time consuming price searches for items then not accepted by FP is time lost.

Bills files have prices but many items are infrequently purchased and have no price on file or easily accessible.

This leaves FP members with 3 choices:

1. Delay the whole FP to obtain the missing prices.
2. Delete the unpriced items ignoring need.
3. Accept POs which, although apparently valid, are actually a guess and which get the originator into trouble with accounts or which deny him the item anyway when the real cost is discovered, or even worse, results in a bill far exceeding the planned amount.

SOLUTION

To solve all this and provide a workable FP system which prevents exclusion of vital org necessities, ESTIMATED PURCHASE ORDERS were developed aboard Flag and are established by this policy letter for use in all orgs.

EPO

EPO = ESTIMATED PURCHASE ORDER.

AN EPO IS NOT A PURCHASE ORDER AND GIVES NO AUTHORITY TO PURCHASE.

An EPO is submitted to FP in place of an actual and valid purchase order when the exact cost of a needed item is not yet known. It serves to hold aside the ESTIMATED amount needed

until an ACTUAL purchase order with exact cost can be raised against it.

That's all it does.

No purchase or order may occur by reason of an EPO.

EPO format and color are distinct and different from that of an actual and valid purchase order.

An EPO is mimeoed in black ink on white low grade cost paper.

CSW required of an EPO is the full and exact reason for need.

EPOs are made in duplicate - one for FP use, carbon for Div Sec to retain and use when making actual POs against them.

#### RED PO

An actual and valid PURCHASE ORDER is on deep pink paper and because of this is called a RED PO.

ONLY AN ACTUAL (RED) PURCHASE ORDER EXACTLY PRICED AND SIGNED BEFORE PURCHASE AUTHORIZES PURCHASE AND NO PURCHASE OR COMMITMENT TO EXPENSE MAY OCCUR WITHOUT ONE.

A Red PO has the exact cost of an item and any specifications (size, color, quantity) required by Dept 8 to purchase. It is not another estimate or an EPO re-copied on a Red PO form. It is EXACTLY COSTED.

Red POs may go direct to FP before meeting.

Red POs raised between FP meetings are only against already approved EPOs.

This gives two possible sequences:

- A.
  1. Red PO made and complete prior to FP meeting.
  2. FP meets.
  3. Purchase approved (or not).
  4. Red PO signed by PO signer.
  5. Purchase occurs if Red PO approved.
- B.
  1. Exact cost unknown, an EPO is made instead.
  2. FP meets.
  3. Purchase approved (or not).
  4. If approved, exact price obtained as and when available.
  5. Red PO made up.
  6. EPO and Red PO matched up by Dept 8.
  7. Red PO signed (or not) by PO signer.
  8. Purchase occurs if Red PO approved.

In either case, PURCHASE OCCURS ONLY BY REASON OF RED PO APPROVAL, AND ONLY AT THE PO AUTHORIZED COST OR LESS. NEVER MORE.

### FP ACTION

Date and time of FP meeting published in Orders of the Day or by staff notice board sets the deadline for submission of newly prepared EPOs and Red POs for the coming week or month. The primary requirement is coverage of all NECESSITIES.

FP members take up EPOs and Red POs in meeting against the gross amount established as available for PT expenditure, and from these submissions and from basic org needs, establish the Divisional allocation.

FP approval authority should require rejected POs and EPOs submitted by separate folder with completed FP for a check of items rejected.

Any real essential found rejected in favor of items less vital to function and promotion causes FP to be reconvened or is adjusted by the FP authority himself.

### DEPARTMENT OF DISBURSEMENTS

Dept 8 receives from FP:

- A. Red POs.
- B. EPOs to be held awaiting Red POs.
- C. The FP directive listing allocation by Division.
- D. Dateline established for bills already owing.

A basket set up in Div 3 Comm Center and labelled "RED POs" collects the Red POs submitted by Div Secs and staff against approved EPOs.

Purchasing section empties the basket once daily, staples to each Red PO its corresponding EPO and prepares the day's collection in a folder for PO signer. The action is once daily. No RUSH POs and no body traffic.

On return of the signed Red POs, Purchasing Section activates and routes to Bills File of the appropriate company.

Bills arriving then match up with the Red POs already in the Bills File and are subject to payment by dateline.

### PO SIGNERS

PO signing is done by the Treasury Sec against approved FP allocations.

### EPO AND RED PO MATCHING

EPOs and Red POs usually match up one-for-one, but not always.

1. An item too costly for allocation by one FP meeting may hold aside EPOs of partial cost until accumulated EPOs reach the total cost. This would give several EPOs against one final Red PO for actual purchase. Thus purchase of a large item can be covered by several months' EPOs for it accumulated from FPs granting it.

2. A single EPO may accumulate several Red POs against it. An example would be an EPO written for "Routine org supply items for February", against which Red POs would be drawn for individual items specifically priced, such as pens, carbon paper, etc.

Such an EPO is good until its total value has been used up by Red POs. It is then removed from EPO file as expired.

Where an EPO has more than one Red PO drawn off it, each amount drawn is entered in the space provided for this at the back of the EPO form, at the time the Red PO is signed.

The most usual type of EPO is one-for-one and expires on use of a single Red PO to match it - even when there is money left over due to actual cost being less than estimate.

#### HOW TO ACTIVATE THIS POLICY LETTER

1. Have adequate copies of the attached EPO form mimeoed off and distributed to Div Secs.
2. Have this policy checked out on all Div Secs and staff and particularly on Execs.
3. Require that the necessities of each Division are represented by Red POs or EPOs at the time of regular FP meeting.
4. See that EPOs do represent Divisional needs and allow no change or swap of EPOs after FP meeting. EPOs do not represent a Divisional allocation subject to change of amount or use. An EPO for light bulbs cannot become something else. It's light bulbs or nothing. EPOs do not substitute for planning. They only make it smoother and more real.
5. Enforce it if necessary by assignment of pay loss to any Division or staff member neglecting vital needs or requesting other items at the expense of real necessities.
6. Groove your Div 3 in thoroughly on EPO and PO handling as in this PL.
7. Refine it by preparation and use of Divisional checklists of materiel needs required to effectively promote and deliver.
8. Apply the use of EPOs to improvement of FP ease and effectiveness. An EPO system properly applied and supplementary to the existing Purchase Order system (which is unchanged) gives the margin that allows a simple and effective FP action without which the untended materiel needs of a Division or org can suddenly leap up as a real emergency.
9. Recognise any other use of this system as a misapplication to be reported to ethics and to result in starrate checkout of the offender on this Policy Letter and personal payment for any unauthorized or illegal purchase or expense to the org in excess of authorized amount.

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