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Procurement's Relation to Other Financial Functions

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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Procurement's Relation to Other Financial Functions

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Every purchase activity produces financial transactions that are firmly connected to accounting and budgeting functions. Patricia C. Watt, in *An Elected Official's Guide to Procurement*, lists the following examples:

- Accounting—After a requisition is prepared, but before a purchase order or contract is completed, many county governments frequently encumber (set aside) a portion of the budget allocation in the accounting system to pay for the purchase. Upon approval of the invoice, payments are made and recorded in the accounting system.¹
- Budgeting—Budget development depends on good estimates of the costs and timing for the goods and services. Procurement planning and scheduling should go hand in hand with budget development.²
- Materials Management—When goods are received by a county department, they are received at a designated department or central warehouse (if the county has a central warehouse). The receiving report (if used) is then forwarded to purchasing, central finance, or any other departments needing to know that the material has been received. Good inventory management and buying practices (i.e., re-ordering goods) enhance the efficiency of any purchasing system. Poor inventory management and buying practices (i.e., re-ordering goods) waste the gains of an efficient purchasing system.³

¹Patricia C. Watt, *An Elected Official's Guide to Procurement*, (Government Finance Officers Association), 20.

² *ibid*, 20.

³ *ibid*, 20.

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