Yale

OneFinance

Purchase Order Practices & Execution Information Session

November 2023

Yale

Agenda

- Introductions
- One*Finance* North Star
- Session Objectives
- About the Project
- Quick Reference Guide
- PO Management Reports Demo
- Q&A

“ Introductions

Facilitators:

Konstantza Popova
Procurement Policy and Training Leader

Moderators:

Matt Flood
Rosa Genovesi
Change Management

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North Star

To enable Yale's mission, simplify and standardize financial services in order to make life easier where everyone has a role in building a strong culture of financial integrity, insight and stewardship of Yale resources.

Session Objectives

Review the enhancements to Purchase Order Process 3201 PR.01:

Review the new Purchase Order Quick Reference Guide and where to find it.

Demonstrate the new Purchase Order Management Dashboard and discuss how you can use it to manage the PO lifecycle.

Answer your questions about Purchase Orders.

About the Project

Why change?

- ✓ To clarify the current Purchase Order process for new and experienced users.
- ✓ Improve understanding of when and why a purchase order is needed.
- ✓ Eliminate re-work, save time, and ensure the timely receipt of purchases.

What is changing?

- ✓ Update 3201 PR.01 to establish best practices around purchase order management.
- ✓ Clarified roles and responsibilities throughout the purchase order lifecycle.
- ✓ Introducing a one-stop quick reference guide for preparing, creating, and managing a purchase order.

What is Not changing?

- ✓ The purchase order creation process itself is **NOT** changing.
- ✓ When you need to use a purchase order has **NOT** changed.

Procedure Enhancement Areas of Focus

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Overview → Before Creating a Purchase Requisition → Create a Purchase Requisition → Purchase Order (After the Purchase Requisition is Approved) → Changes to a Purchase Order

New visual guides to provide clarity on the actions to be taken along each step of the process.

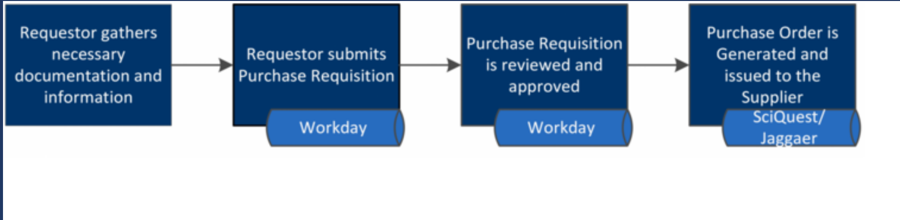

Figure 1: Purchase Requisition to Purchase Order Process

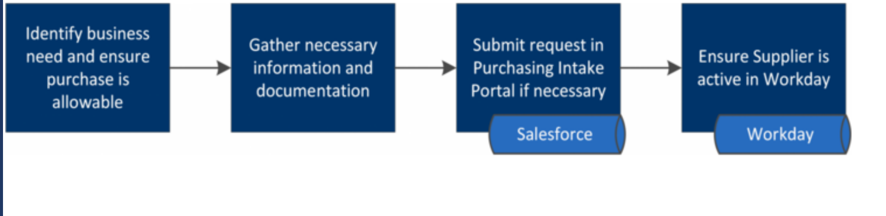

Figure 2: Prior to Purchase Requisitions

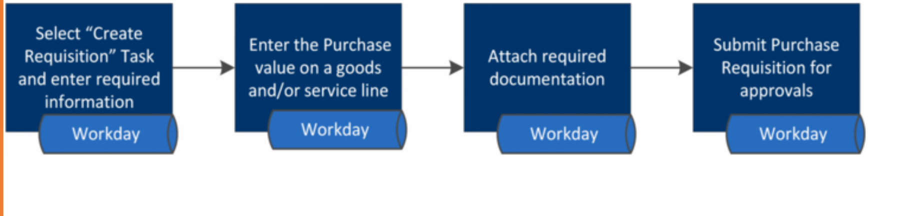

Figure 3: Create Purchase Requisition

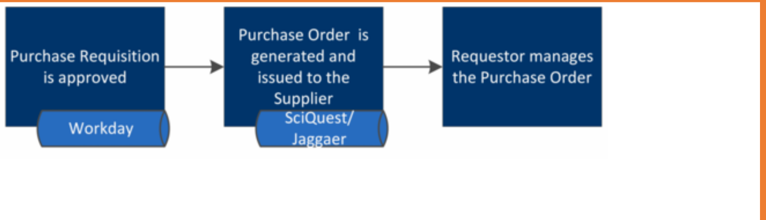

Figure 4: Post Purchase Requisition Approval

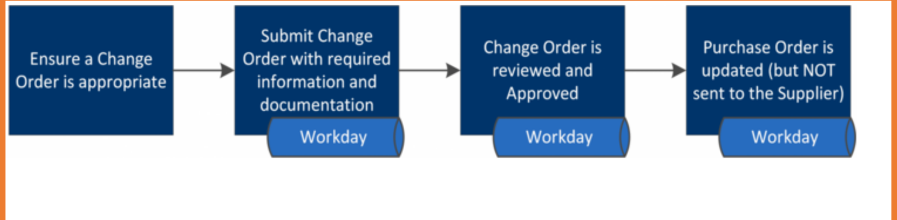

Figure 5: Change Order Process

Procedure Enhancement Areas of Focus

Yale

Overview → Before Creating a Purchase Requisition → **Create a Purchase Requisition** → Purchase Order (After the Purchase Requisition is Approved) → Changes to a Purchase Order

Create a Purchase Requisition

Catalog vs. Non-Catalog

Goods & Services line submissions
- Bulk Discounts
- Shipping and Freight
- Installment Payments
- Multi-Year Terms
- Unknown Value

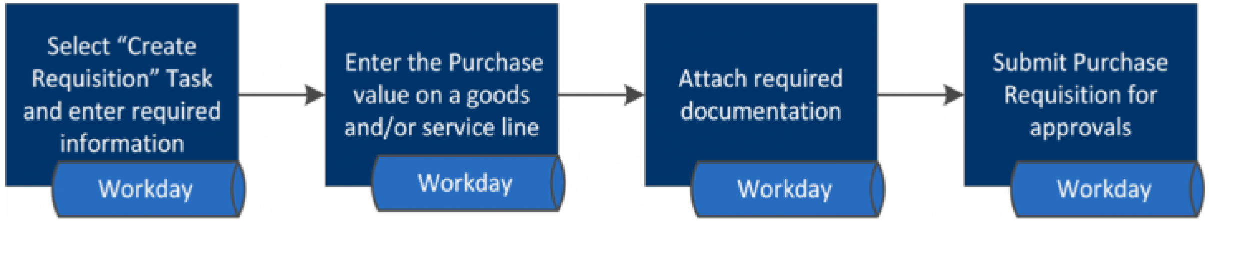

Figure 3: Create Purchase Requisition

Procedure Enhancement Areas of Focus

Overview → Before Creating a Purchase Requisition → Create a Purchase Requisition → **Purchase Order (After the Purchase Requisition is Approved)** → Changes to a Purchase Order

Purchase Order (After the Purchase Requisition is Approved)

PO Transmission to supplier

PO Management

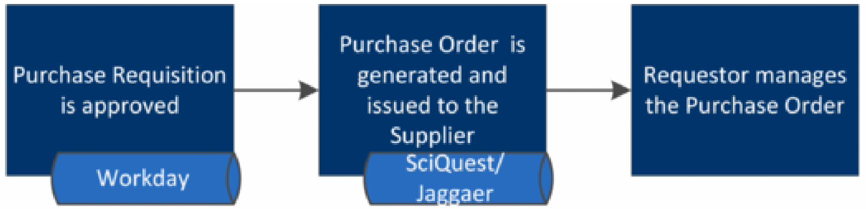

Figure 4: Post Purchase Requisition Approval

Procedure Enhancement Areas of Focus

Overview → Before Creating a Purchase Requisition → Create a Purchase Requisition → Purchase Order (After the Purchase Requisition is Approved) → **Changes to a Purchase Order**

Changes to a Purchase Order

When a Change Order can and cannot be used

How to submit a Change Order

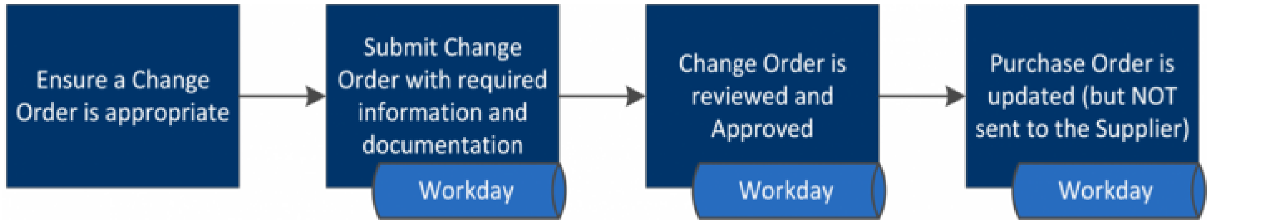

Figure 5: Change Order Process

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Purchase Order (PO) Quick Reference Guide

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Purchase Order (PO) Quick Reference Guide

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Purpose: Provide a one-page guide that highlights the process from start to finish.

Location: Procurement Toolkit>Buying>Requisition to Purchase Order>Tools and Training Guides Requisition to Purchase Order | It's Your Yale

Use: Use alongside document 3201 PR.01, not as a replacement. It does not provide detailed information on roles, responsibilities and process steps.

Purchase Order (PO) Quick Reference Guide

This Quick Reference Guide is a summary and should be used alongside, not as a replacement for, document 3201 PR.01. For detailed information on roles, responsibilities, and process steps, please refer to 3201 PR.01.

1 Take all necessary steps before initiating your request

- ☐ Document business need
- ☐ **If restricted goods or services:** consult Policies 3210, 3220, and 4209
- ☐ **If sponsored award or restricted gift funds:** Consult Policies 2200 and 2200 PR.02
- ☐ Gather quantity, description, specifications, catalog number, etc. (refer to step 2 of this Quick Reference Guide if these items are unknown).
- ☐ Obtain ship to/deliver to addresses
- ☐ Obtain charging instructions
- ☐ Ensure purchase method in Buying Guide is utilized
- ☐ Secure any documentation (including Contracts) as required by Policies 3201 and 3210
- ☐ Ensure you are assigned the correct Workday role for purchase submission
- ☐ Ensure the Supplier is active in Workday using the "Find Suppliers" report
- ☐ **If the Supplier is not active in Workday:** Submit a new Supplier Request per Procedure 3401 PR.01

2 Submit request in Purchasing Intake Portal if necessary

Purchasing Intake Portal

- ☐ **If help is needed identifying a Supplier:** submit request through the Purchasing Intake Portal with all relevant documentation attached
- ☐ **If help is needed determining sourcing strategy:** submit request through the Purchasing Intake Portal with all relevant documentation attached
- ☐ **If a contract needs to be negotiated, reviewed, and/or executed :** submit request through the Purchasing Intake Portal with all relevant documentation attached
- ☐ **If review of supporting and/or required documentation is needed:** submit request through the Purchasing Intake Portal with all relevant documentation attached

3 Select "Create Requisition" Task and enter/attach all required info

Workday

- ☐ Choose correct requisition type based on directions in Section 3.A of Procedure 3201 PR.01
- ☐ **If item is available in the catalog:** Select "Connect to the Supplier's Website", shop for items, and return the item(s) to the Workday shopping cart.
- ☐ **If good or service is NOT available in the catalog:** select "Request Non-Catalog Items" purchase type in Workday
- ☐ Remember the description entered will be listed on the PO sent to the Supplier
- ☐ Ensure all documentation required per Policy 3201 is attached (see Step 1)
- ☐ **If a contract is required per Policy 3210:** ensure the signed contract is attached (see Step 1)

4 Enter purchase value using the correct line type and submit order for approval

Workday

- ☐ **If purchase is for services with a known value:** enter the total value of the purchase on a single service line
- ☐ **If purchase is for services without a known value:** submit estimated total value for a period of one year with supporting documentation
- ☐ **If purchase is for services with a multi-year term:** enter the total value of all years as a single service line, unless the Supplier or funding source requires each year listed separately on the PO
- ☐ **If purchase is for Capital Equipment:** each item must be itemized onto a goods line (regardless of quantity)
- ☐ **If the number of goods items being purchased is 15 items or less:** itemize each item onto a separate goods line
- ☐ **If the number of goods items being purchased is more than 15 items :** Enter the total value on a single service line
- ☐ **If goods purchase has a bulk discount applied to the quote:** the Supplier should revise the quote to reflect a discount on each item; if not possible, the purchase should be submitted as a single service line
- ☐ **If goods purchase has a significant shipping/freight cost that is required to be on the PO:** the cost should be entered as a separate goods line
- ☐ **If goods purchase includes installment payments:** enter each installment as a separate goods line

5 Manage the Purchase Order

Workday

- ☐ Ensure the balance on the PO is monitored for sufficient funds and a Change Order is submitted, when necessary, per Section 5 of Procedure 3201 PR.01
- ☐ Ensure all relevant changes are made to the PO to align with the latest contract
- ☐ Ensure the PO is not overutilized or reused inappropriately. When necessary, submit a Change Order per Section 5 of Procedure 3201 PR.01.
- ☐ **If the PO has a remaining balance and all goods are received and/or services are complete:** ensure the PO is closed by submitting a request through the Purchasing Intake Portal
- ☐ Ensure all documentation is properly retained per Policy 1105

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PO Management Reports

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PO Management Reports Dashboard

Purpose

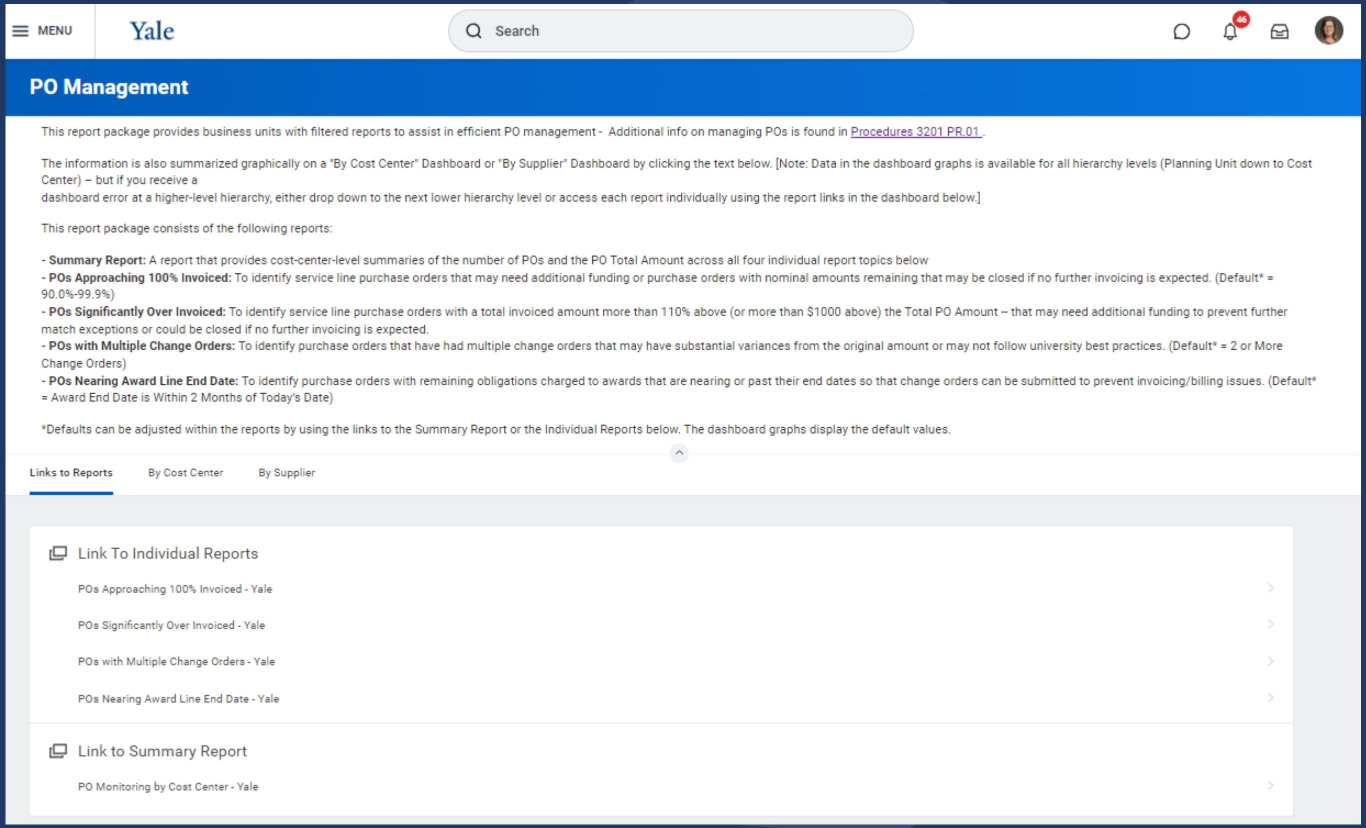
Provide a new dashboard to simplify reporting, enabling business offices to better track and monitor their POs.

Uses

Identify POs that:

- Approach their initial budget
- Significantly exceed their initial budget
- Have multiple change orders and/or substantial variance from their original amount
- Approach their award's end date

PO Management Reports Demo



Location:
Workday>Menu>Dashboards>PO Management

Connecting the Dots…

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POs Approaching 100% Invoiced

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POs Significantly Over Invoiced

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POs with Multiple Change Orders

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POs Nearing Award Line End Date

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Summary

3201 PR.01

Enhancements:

- Create a Purchase Requisition
- Purchase Order (After the Purchase Requisition is Approved)
- Changes to a Purchase Order

Quick Reference Guide:
Procurement Toolkit/Buying/Requisition to Purchase Order/Tools and Training Guides/ Requisition to Purchase Order | It's Your Yale

Updated Workday training modules:

- Create Requisition
- Change Purchase Order
- Where is my Order?

PO Management Dashboards

New reporting to simplify the way you identify and manage:

- POs Approaching 100% Invoiced
- POs Significantly Over Invoiced
- POs with Multiple Change Orders
- POs Nearing Award Line End Date

North Star

To enable Yale's mission, simplify and standardize financial services in order to make life easier where everyone has a role in building a strong culture of financial integrity, insight and stewardship of Yale resources.

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Questions From the Community

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Questions From the Community

Shipping/Freight:

What is considered a “significant” freight cost?

Freight cost can vary widely and may have a different meaning for a department, depending on its budget. Generally, freight cost over $1,000 is considered significant.

Questions From the Community

Shipping/Freight:

How do we know if the freight is required to be on the PO?

Yale does not require the freight cost to be on the PO, but the supplier may.

If the **supplier requires** the freight cost to be on the PO, it should be entered as a **separate goods line**.

If **the supplier does not require** the freight cost to be on the PO, it should **not be included** in the requisition in Workday.

Questions From the Community

Deposits/Advanced payments:

What is best practice to handle deposits/advanced payments?

***Note*:** Advance payments should only be made in limited circumstances (e.g., when the Supplier will incur significant costs prior to beginning work). All deposits, down payments, and prepayments ≥ $25,000 require approval by the Director of Strategic Sourcing and Category Management.

An advance payment or an installment payment should be entered as a **separate goods** line to match the agreement/quote. This also applies to Capital Equipment purchases.

Questions From the Community

Deposits/Advanced payments:

What should we do if a supplier requires a deposit/advanced payment to be paid with different payment terms (e.g., upon receipt)?

Note: Avoid altering payment terms unless absolutely necessary and justified by the supplier.

To accommodate a deposit with different payment terms than the rest of the PO:

- ➢ Use requisition type that requires Invoice Review
- ➢ Ensure that the deposit is entered as a separate goods line on the requisition
- ➢ Ensure that the invoice <u>**clearly states**</u>: **For DEPOSIT, to be PAID UPON RECEIPT**
- ➢ Review invoice in Workday: "Add Approver" → Choose the AP Specialist Group → Check all the names within that group (total of 6) → Add comment in comment box "**For DEPOSIT, to be PAID UPON RECEIPT**"

One requisition for multiple suppliers:

Can a single PO be issued to multiple suppliers for an event?

Creating one **requisition** for multiple suppliers is primarily used for goods catalog purchases. Workday will issue **multiple separate POs** to each supplier.

Combining services and goods purchased from different suppliers on a single requisition should be avoided. It creates complexities that could result in errors.

Note: If a requisition to multiple suppliers contains an attachment, the system will not allow you to proceed. This is a measure to prevent all suppliers from receiving the attachment.

Questions From the Community

Change Orders:

When would it be best practice to issue a Change Order to an existing PO instead of generating a new PO?

- Adding to the original scope.
- Extending the time and/or funds to complete the original scope.
- Changing charging instructions (except for goods lines with invoice activity)

Note: Change Orders are NOT sent automatically to the Suppliers from Workday. It is the responsibility of the Requestor to document the changes to the original contract/PO and to communicate the changes to the Supplier.

New PO vs Change Order :

When is it appropriate to create a new PO instead of issuing a Change Order?

A new PO is appropriate when:

- New scope is added (the supplier will deliver different goods/services).
- Significant change is made to the original scope.
- The original contract or scope has ended.
- It is required by the funding source (typically sponsored awards with requirements for annual PO(s) or matching of grant dates).
- The COAs change frequently and inconsistently.
- It is required by the supplier.

Additional Resources

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Procurement webpage:

News & Announcements: Find Business Update: Procurement-Related Announcements

Resources: Locate helpful resources such as the Buying Guide, Procurement Toolkits, Information Session guides

Sourcing: Develop strategic supplier partnerships; maximize value & quality of the contract

Buying: Eliminate unnecessary work; secure best pricing on regularly purchased items

Paying- Learn about University-approved payment approaches & disbursement types.

Policies & Procedures: Consult Procure-to-Pay Policies & Procedures

Questions?

Specialized purchasing support (Sourcing/Buying, Contract Review, Policy Questions etc.): Purchasing Intake Portal

Facilities purchasing support: https://facilities.yale.edu/

General payment process support - Finance Support Center (Accounts Payable, Expense Management, Supplier-related questions) askfinance@yale.edu

Submit an Invoice: yss.invoices@yale.edu

Submit a Sub-Award Invoice (Used by Subcontractor and departments that received the invoice instead of AP): yss.subcontracts@yale.edu

Supplier Changes: supplier.change@yale.edu

Purchase Card Application, Changes, and Exceptions: purchasing.card@yale.edu

General Purchasing Support: purchasing.helpdesk@yale.edu