



Procurement Liquidation Issues

Lunch & Learn

August 12, 2020

Liquidation Issues

- The objective of the session to help develop an understanding of what caused liquidation issues in FY20 and the steps that have been taken to reduce risk in FY21.
- Through this knowledge transfer, ERP team members will be able to assist end users in looking for liquidation issues.
- This foundation of cross-functional knowledge will also provide campus users with knowledge to recognize and resolve liquidation issues as they occur.

Agenda

- Liquidation issue definition
- Lessons learned
- Business Process Overview
- Commitment Liquidation Issues
- Obligation Liquidation Issues
- Examples
- Reports
- Questions

Liquidation Issue

Liquidation issues on procurement transactions occur when debit and credit entries on the ledger do not match for a single transaction.



Lessons Learned



1. There are many reasons for liquidation issues
2. Commitment (requisition) liquidation issues are different than obligation (purchase order) liquidation issues
3. Resolving liquidation issues takes practice and patience

Vocabulary

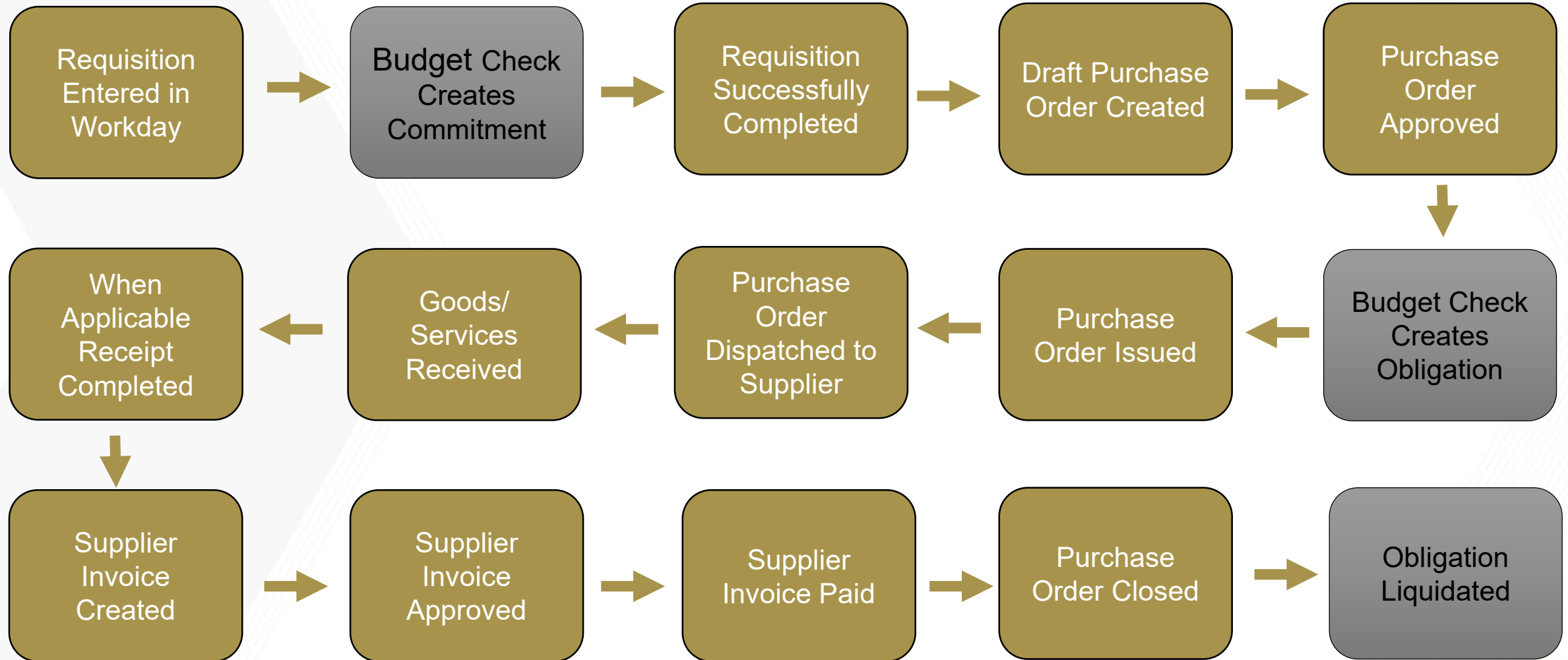
- ***Commitment*** is the term Workday uses when it “reserves” money on a requisition. The reserve stays in place until the purchase order creates the obligation.
- ***Obligation*** is the term Workday uses when it “holds” money on a purchase order. The hold (previously referred to encumbrance) allows Workday to identify money used to complete the payment to the supplier.

Transaction Status

Transaction status tells the user where the transaction is within business process.

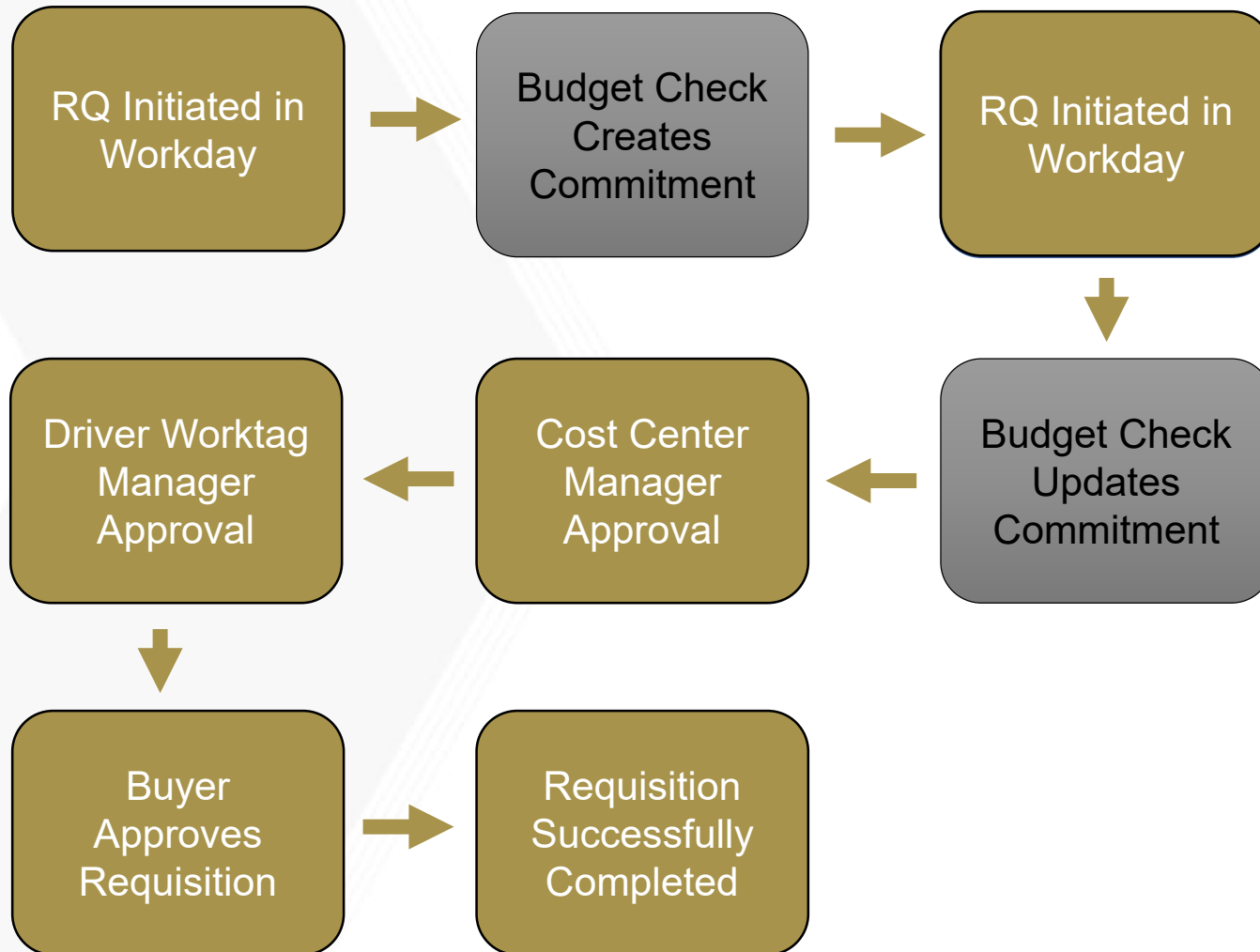
- **Draft** – transaction started, but not submitted
- **In Progress** – transaction working through the business process, but not complete
- **Successfully Completed** – transaction complete for requisition
- **Approved** – transaction approved
- **Issued** – transaction issued (purchase order dispatched)

Business Process



Reasons for Liquidation Issues

Commitment Issue – Requisition Budget Check FY20

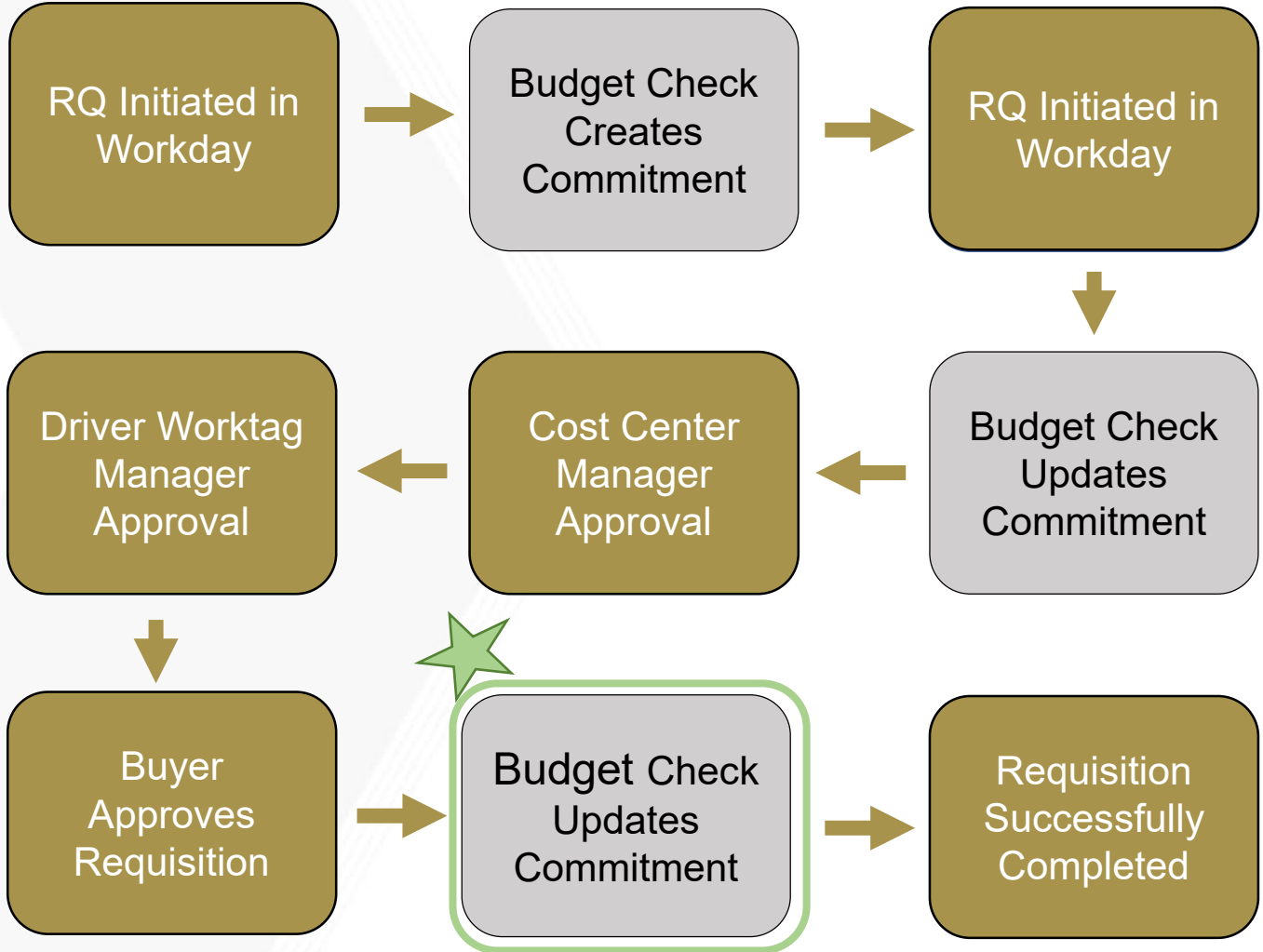


FY20 ISSUE

Workflow routes requisitions to buyers for approval. There are times when a buyer is required to update the amount on the requisition line. This may occur because there is a price discrepancy or the buyer is able to negotiate a different price or updates are required after a bidding process.

There was not a budget check step after the buyer's approval.

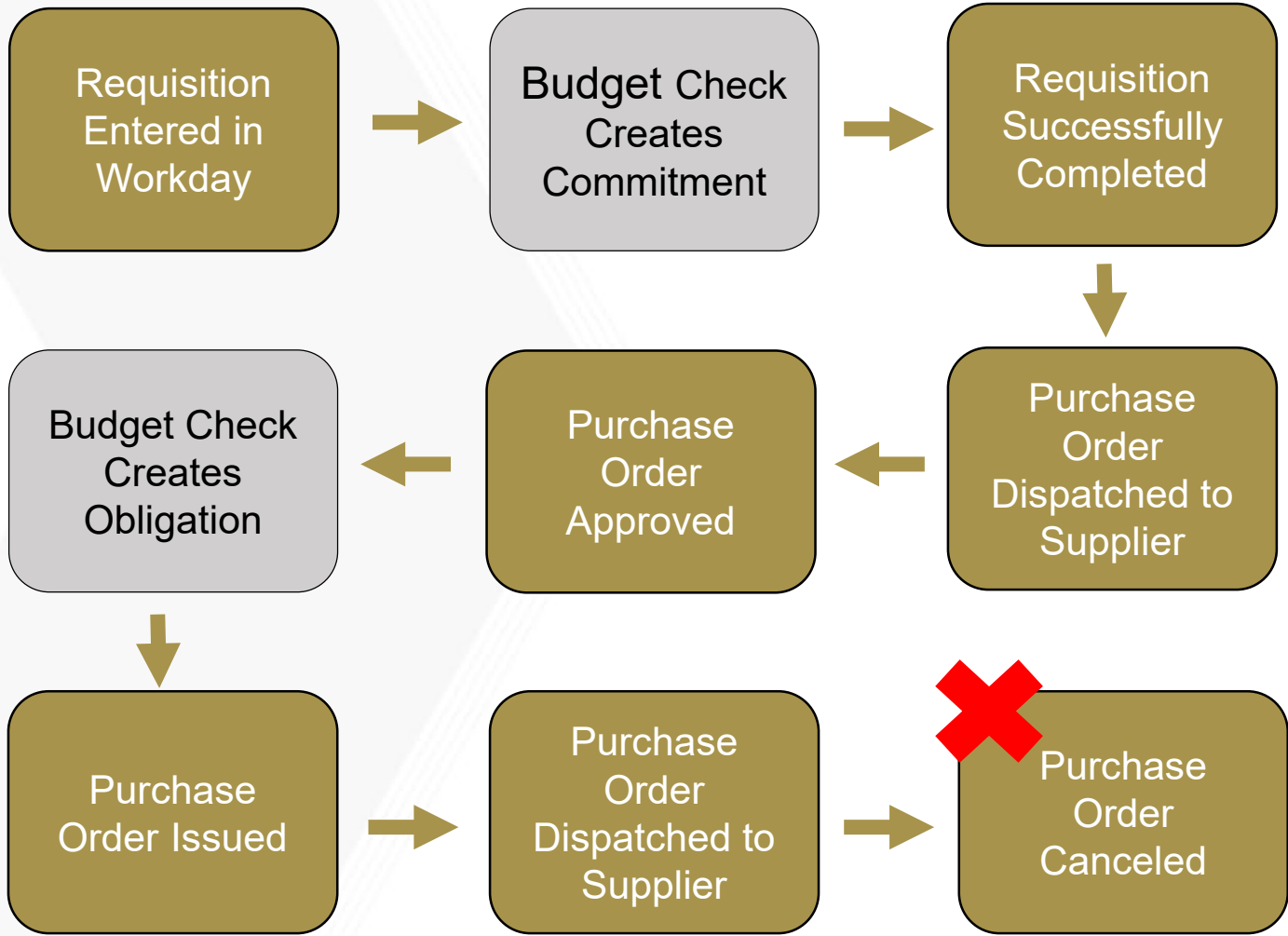
Commitment Issue – Requisition Budget Check FY21



 **NEW IN FY21**

The business process was updated to include a new budget check step after the buyer’s approval. This budget check step will eliminate commitment errors that were caused by the buyer updating pricing on requisitions.

Commitment Issue – Requisition, PO Canceled FY20

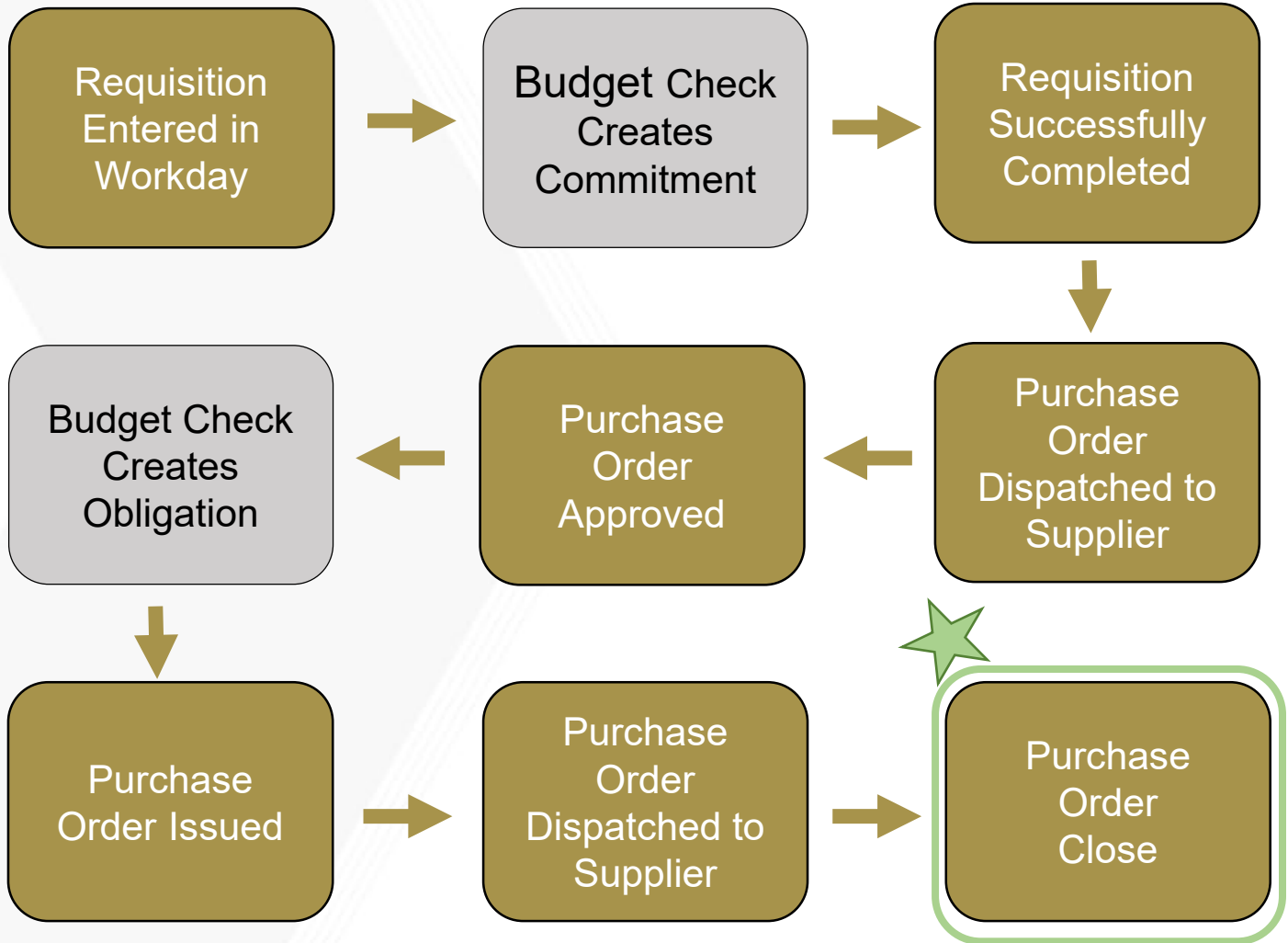


FY20 ISSUE

The difference between purchase order cancel and purchase order close was not well defined. Purchase orders were canceled when they should have been closed.

Canceling a purchase order that has been approved and/or issues caused the link between the requisition and the purchase order to be broken. When the link was broken a commitment liquidation error occurred.

Commitment Issue – Requisition, PO Canceled FY21

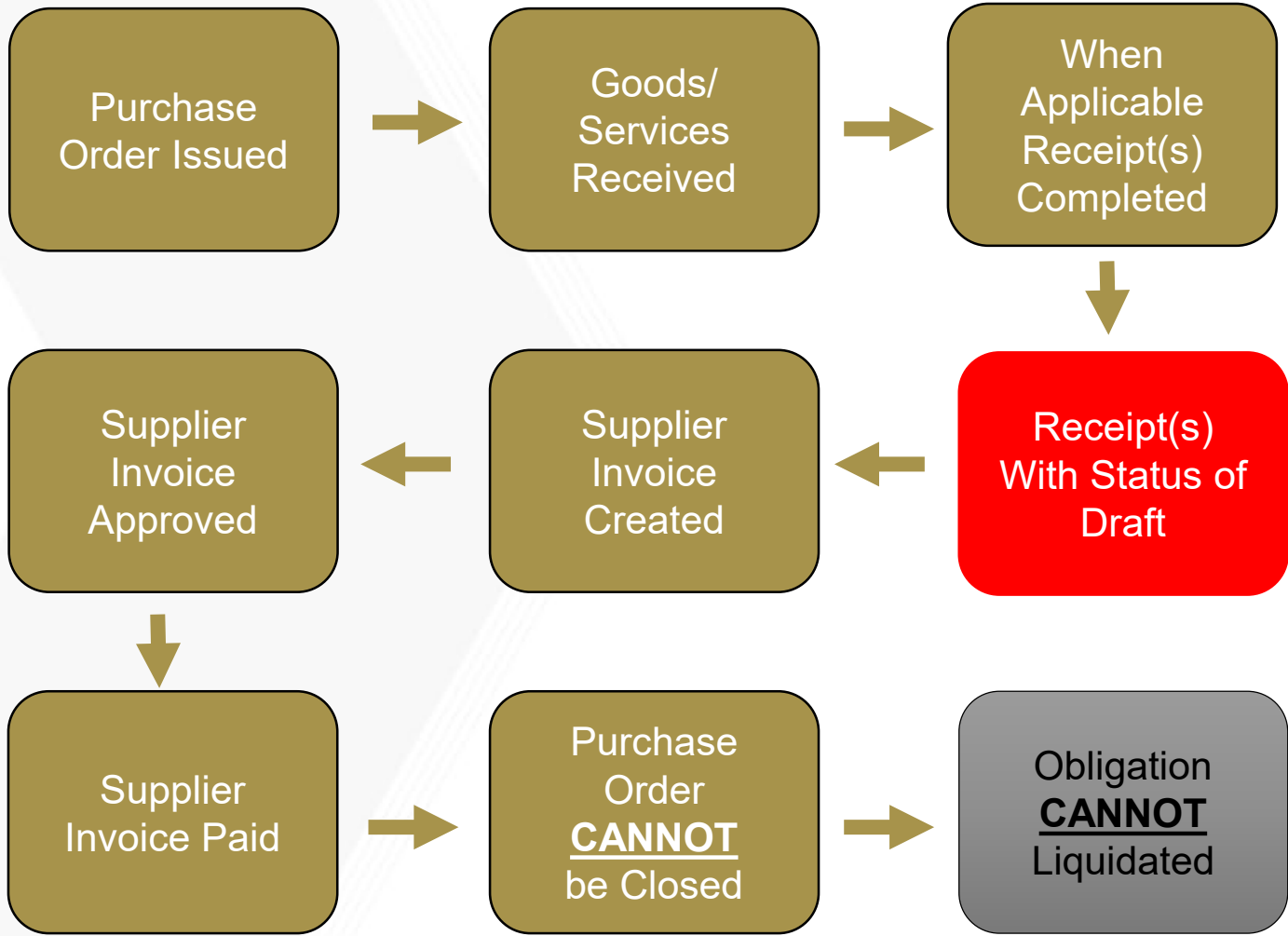


★ NEW IN FY21

Re-training occurred in the fall of 2020 to teach buyers when to use cancel and close.

- **Cancel** if the purchase order has a status of draft. (Canceled purchase order cannot be re-opened.)
- **Close** if the purchase order has a status of approved or issued. (Closed purchase orders may be re-opened)
- New role created to limit the number of buyers that have the ability to cancel purchase orders

Obligation Issue – Receipt in Draft Status



ISSUE

When a purchase order has a **receipt with a status of draft** there will be a liquidation issue.

Receipts with draft status must be completed or canceled before the purchase order will fully liquidated.

The Find Receipts - CR report is helpful when looking for receipts status.

Find Receipts - CR

← Find Receipts - CR Actions

Company C0503 Georgia Institute of Technology Receipt Date On or After 07/01/2020

109 of 1721 items

Receipt	Receipt Date	Receipt Status	Purchase Orders	Supplier Contract	Company	Supplier
REC-2026616 for PO-5073673	07/06/2020	Draft	PO-5073673		C0503 Georgia Institute of Technology	Newark Element14
REC-2026622 for PO-5061411	07/06/2020	Draft	PO-5061411		C0503 Georgia Institute of Technology	Clear Channel Outdoor Inc
REC-2026638 for PO-5091704	07/06/2020	Draft	PO-5091704		C0503 Georgia Institute of Technology	VWR Intl LLC
REC-2026650 for PO-5092572	07/06/2020	Draft	PO-5092572		C0503 Georgia Institute of Technology	VWR Intl LLC
REC-2026700 for PO-5089609	07/07/2020	Draft	PO-5089609		C0503 Georgia Institute of Technology	Dell Marketing LP
REC-2026713 for PO-5093386	07/07/2020	Draft	PO-5093386		C0503 Georgia Institute of Technology	Edward Don & Company
REC-2026727 for PO-5083447	07/07/2020	Draft	PO-5083447		C0503 Georgia Institute of Technology	Egan Visual Intl Inc
REC-2026737 for PO-5089378	07/07/2020	Draft	PO-5089378		C0503 Georgia Institute of Technology	Johnson Controls Inc

Price Change on Supplier Invoice (Less)

Purchase Order

QTY	Description	Unit	Unit Cost	Line Total
10	Microscopes	Each	\$ 1,500	\$ 15,000
25	Slides Sets	Boxes	\$ 250	\$ 6,250

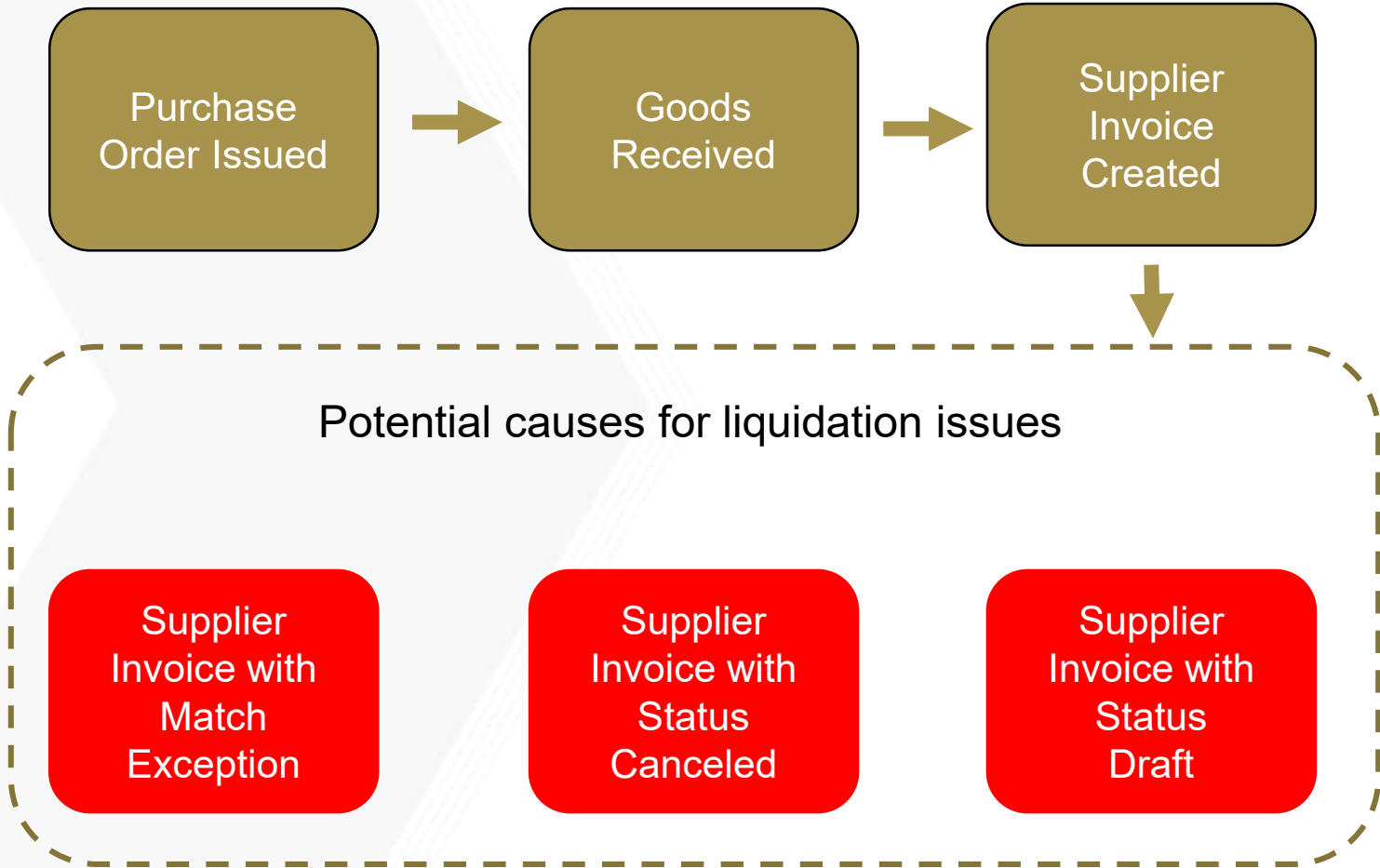
- 7/1 – PO created
- 7/15 – goods received
- 7/20 – receipt created. *User checked fully receive box on receipt, but all goods were not received.*
- 7/21 – supplier invoice created in Workday

Supplier Invoice

QTY	Description	Unit	Unit Cost	Line Total
8	Widget	Each	\$ 1,500	\$ 12,000
15	Assemblies	Each	\$ 250	\$ 3,750

- 7/21 – there is not a three-way match. Purchase order has a match exception.
- 7/25 – requisition initiator cancels receipt created on 7/20, then creates a NEW receipt for the correct amount.
- 7/25 – supplier invoice approved and scheduled for payment

Obligation Issue – Supplier Invoice not Complete



ISSUE

When a purchase order has a **supplier invoice that has a status of anything other than approved or paid** there could be potential liquidation issues.

The Find Supplier Invoices - CR report is helpful when looking for supplier invoice status.

Find Supplier Invoice for Campus - GTCR

← Find Supplier Invoice for Campus - GTCR Actions

Companies C0503 Georgia Institute of Technology Invoice Date On or After 07/01/2020

Organization Cost Center Hierarchy: Georgia Institute of Technology - All Cost Centers

670 of 7907 items

Supplier Invoice Number	Created Date	Supplier Invoice Date	Invoice Due Date	Current Aging Days	Company	Cost Centers	RQ Initiator	Worktags	Invoice Status	Match Status	M E
Supplier Invoice: INV-1078490	01/13/2020	12/12/2020	01/11/2021	0	C0503 Georgia Institute of Technology	CC000096 EBB/BME - Engineered Biosystems Building - Biomedical Engineering CC000265 IBB - Institute for Bioengineering and Bioscience	Adrienne Williams	BR20 CC000096 EBB/BME - Engineered Biosystems Building - Biomedical Engineering CC000265 IBB - Institute for Bioengineering and Bioscience CL61000 Sponsored Operations - Federal Government FD20000 Restricted - Education and General + More (8)	Canceled		
Supplier Invoice: INV-1149708	07/15/2020	07/07/2020	07/07/2020	28	C0503 Georgia Institute of Technology	CC000038 BIOSCI - Biological Sciences	Adrienne Williams	Boris Priloutski - bp48 BR20 CC000038 BIOSCI - Biological Sciences CL61000 Sponsored Operations - Federal Government FD20000 Restricted - Education and General + More (2)	In Progress		
Supplier Invoice: INV-1148681	07/13/2020	07/02/2020	08/01/2020	3	C0503 Georgia Institute of Technology	CC000096 EBB/BME - Engineered Biosystems Building - Biomedical Engineering	Aeryal Herrod	Athanasios Mantalaris - amantalaris BR21 CC000096 EBB/BME - Engineered Biosystems Building - Biomedical	Canceled	Matched	

Legacy Purchase Orders

Legacy purchase orders are purchase order that were converted from the legacy system (PeopleSoft)

Legacy purchase orders

- Must be received centrally
- May have change orders done to add funds ONLY when there is an increase required to pay a supplier invoice
- Must be closed as soon as the final invoice is paid

Fiscal Year 19 (BR19)

Prior Year Purchase Order/Change Order

Budget Reference BR20

- 5/25/20 – PO issued to supplier

Line #	Description	Amount
1	Consulting Services	\$15,000

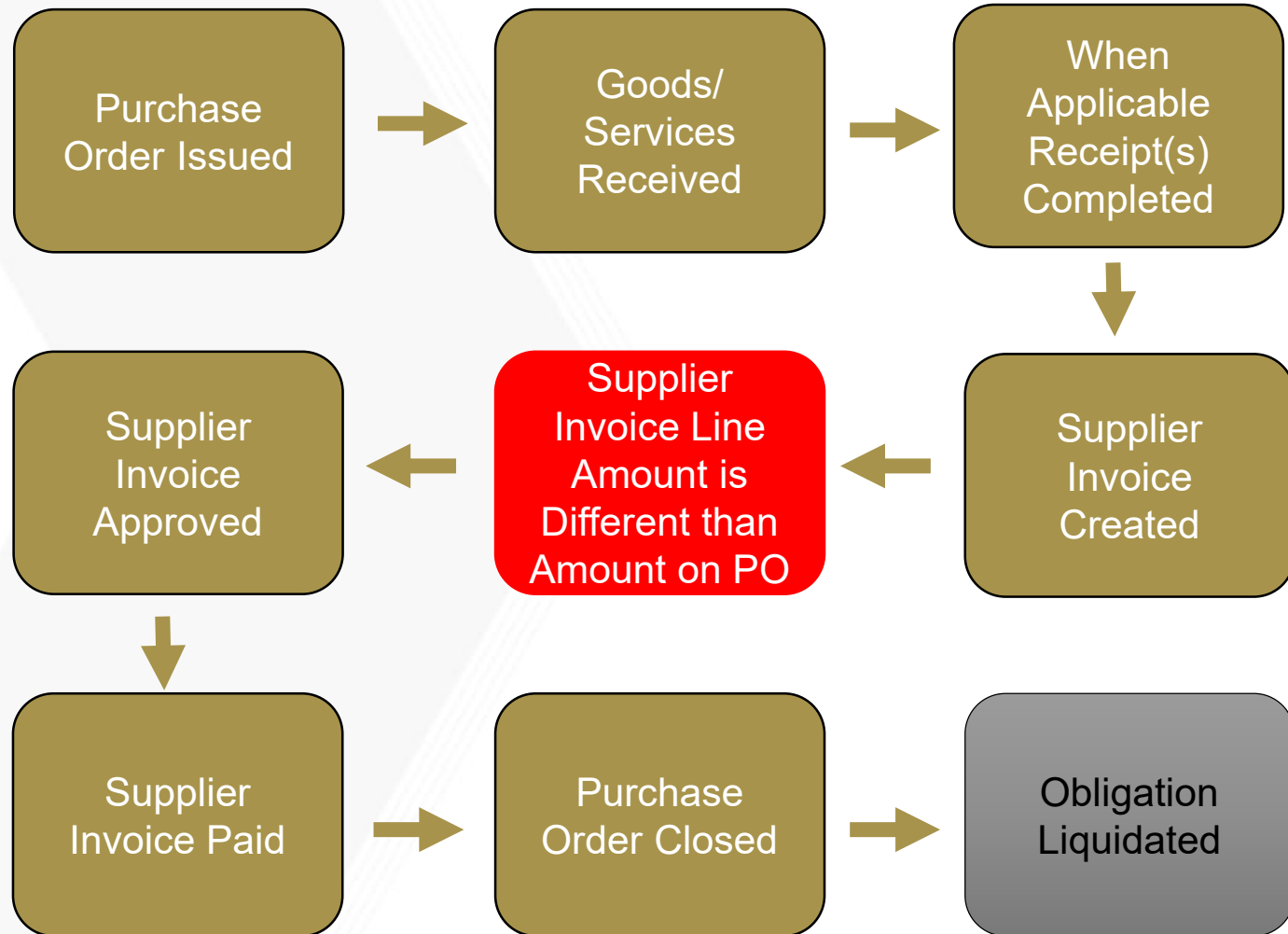
- 7/20 – supplier invoice entered in Workday. Supplier invoice = \$18,000
 - Supplier invoice exceeds tolerance
 - Change order required

Change Order

Line #	Description	Amount	BR
1	Consulting Services	\$ 15,000	BR20
2	New line for payment of supplier invoice	\$ 3,000	BR21

- 7/25 – change order completed
 - New line added to PO to add money from BR21
- 7/26 – supplier invoice approved & paid
- Optional – department requests PO to be closed

Purchase Order ≠ Supplier Invoice



ISSUE

When a purchase order line amount is greater than/less than the purchase order line amount liquidation issues may occur.

Price Change on Supplier Invoice (Less)

Purchase Order

QTY	Description	Unit	Unit Cost	Line Total
250	Widget	Each	\$ 15.00	\$ 3,750.00
250	Assemblies	Each	\$ 2.50	\$ 500.00

- 7/1 – PO created
- 7/15 – goods received
- 7/20 – receipt created in Workday
- 7/21 –

Supplier Invoice

QTY	Description	Unit	Unit Cost	Line Total
250	Widget	Each	\$ 10.00	\$ 2,500.00
250	Assemblies	Each	\$1.00	\$ 250.00

- 7/21 – supplier invoice created with price discount on each line. Supplier invoice approved & scheduled by Accounts Payable.
- 7/30 – supplier invoice paid
- 8/3 – department makes request to close purchase order. Remaining balance on purchase order will liquidate.

Price Change on Supplier Invoice (More)

Purchase Order

QTY	Description	Unit	Unit Cost	Line Total
250	Widget	Each	\$ 15.00	\$ 3,750.00
250	Assemblies	Each	\$ 2.50	\$ 500.00

- 7/1 – PO created
- 7/15 – goods received
- 7/20 – receipt created in Workday
- 7/21 – supplier invoice received. Price increase on each line. Changes are greater than tolerance.

Supplier Invoice

QTY	Description	Unit	Unit Cost	Line Total
250	Widget	Each	\$ 20.00	\$ 5,000.00
250	Assemblies	Each	\$3.00	\$ 750.00

- 7/21 – requisition initiator & cost center manager notified that change order is required.
- 7/25 – change order completed
- 7/30 – supplier invoice created, approved and scheduled for payment.

Process for Closing Purchase Orders

Enter a ServiceNow ticket when you want to make a request to close purchase orders

- Use the Find Purchase Order report to search for purchase orders by worktags or cost centers
- Download Excel spread sheet of report
- Add a column to identify purchase orders to be closed
- Attach spread sheet to ServiceNow ticket

Are there reports to help?

There are a few line level reports that are helpful in evaluating liquidation errors:

- Requisition Line Commitment Report - CR
- Requisition Line Commitment Report for Campus - CR
- Purchase Order Line Obligation Report – CR
- Purchase Order Line Obligation Report for Campus – CR
- Find Journal Lines - CR
- Find Receipts – CR
- Find Supplier Invoices – CR

Job Aids

- Requisition
 - [Request Non-Catalog Items](#)
 - [Request Catalog Items](#)
 - [Create from My Procurement Favorites](#)
 - [Create from Templates and Other Requisitions](#)
- [Receipt](#)
- [Find Supplier Invoice for Campus](#)
- [Close Open Purchase Purchase Order](#)
- [Requisition and Purchase Order Status Definitions](#)

Questions