

Non Payable Vendor Invoicing  
FI-AP-005  
10/21/08



# LaGOV

**Version 1.0**  
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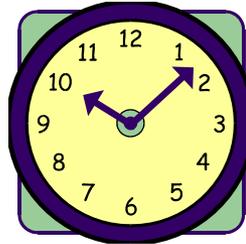


# Agenda

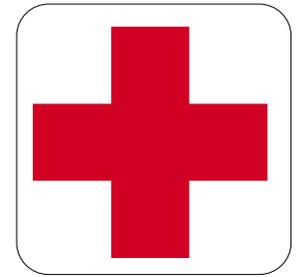
- Logistics, Ground Rules & Introduction
- Project Timeline
- Workshop Objectives
- Business Process Review
  - Process overview
  - AS-IS process flow
  - Current system alignment
  - Process improvement opportunities
  - SAP terms glossary
  - SAP concepts & functionality
  - Business process flow
  - Leading practices
  - Enterprise readiness challenges
- Next Steps – Action items
- Questions



# Logistics



**Before we get started ...**





# Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise





# Introduction

## ■ Roles

- **Process Analyst and Functional Consultant** – lead and facilitate the discussions and drive design decisions
- **Documenter** – take detailed notes to support the formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
- **Team Members** – provide additional support for process discussions, address key integration touch points
- **Subject Matter Experts** – advise team members on the detailed business process and participate in the decisions required to design the future state business process

### ***Round the Room Introductions***

***Name***

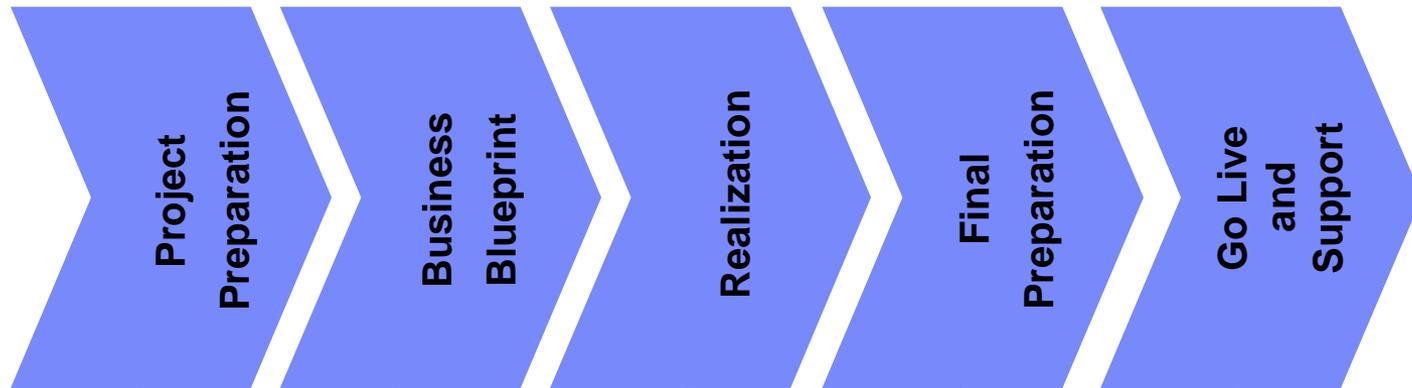
***Position***

***Agency***



# Project Phases

## ■ Five Key Phases



- Strategy & Approach Defined
- Project Team Training

- Business Process Definition
- Development Requirements

- Development & Unit Testing
- Integration Testing
- End-User Training Materials

- User Acceptance
- Technical Testing
- End-User Training
- Conversion

- Go-Live Support
- Performance Tuning



# Project Organization - Functional Teams

## Finance Leads

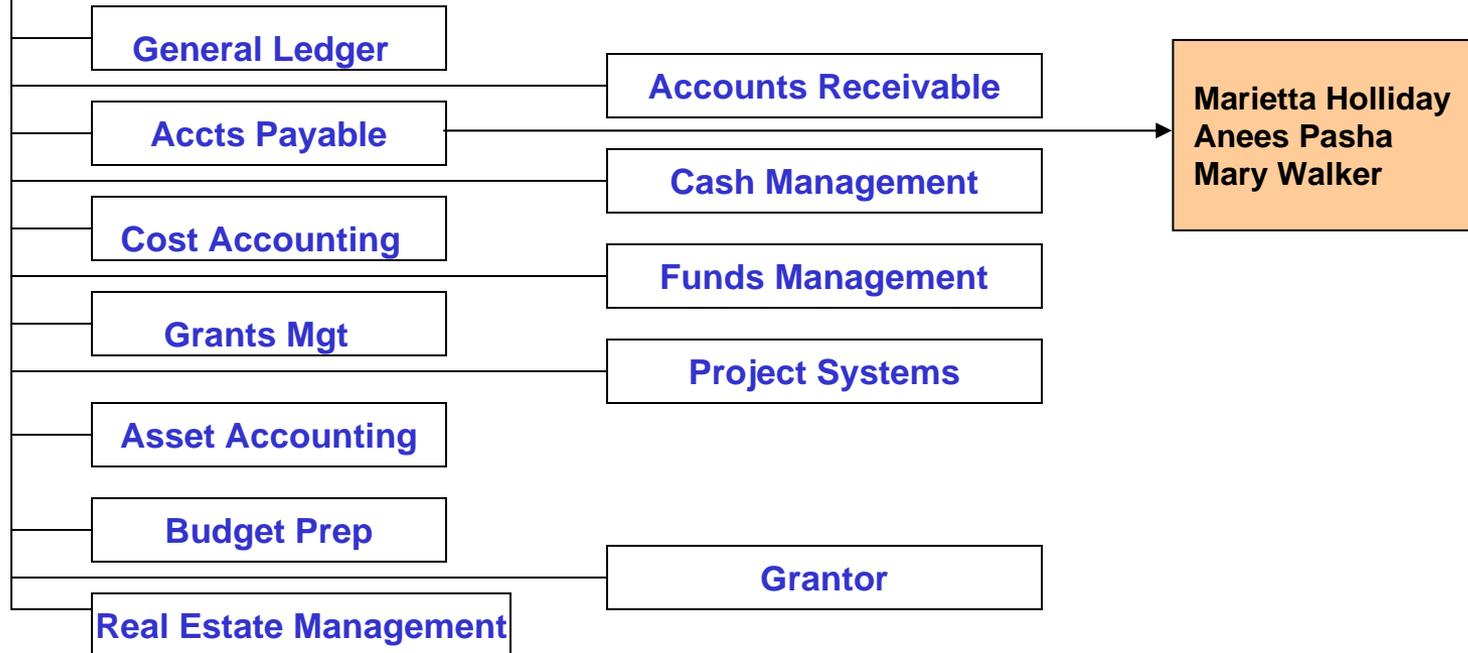
Beverly Hodges – Finance Lead  
Drew Thigpen – Finance Lead  
Mary Ramsrud – Consulting Lead

## Logistics Leads

Belinda Rogers – Logistics Lead  
Jack Ladhur – Logistics Lead  
Brad Denham – Consulting Lead

## Linear Assets Leads

Mark Suarez – Agile Assets Lead  
Charles Pilson – Consulting Lead





# Blueprint Objectives

- Review and discuss the current or As-Is business processes
  - Which helps to drive out the *Business requirements*
  - As well as the *integration points* with other processes
- Define Master Data
  - Address key integration points
  - Support organizational requirements
  - Consistent and appropriate use of data fields
- Define Future or To-Be business processes based on:
  - Best Practices inherent in SAP
  - Intellectual capital from other SAP implementations
  - State business requirements
- Identify development requirements
  - Which could result in the need for a form, report, interface, conversion, enhancement, or workflow (FRICE-W)
- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements



# Accounts Payable Workshops

Session ID	Date	Business Process	Goals
FI-AP-001	08/18/08	Account Code Structure – Vendors	<ul style="list-style-type: none"> <li>- Build business process design for maintaining vendors</li> <li>- Determine field level requirements for Non PO vendors &amp; reporting requirements</li> <li>- Determine use of vendor master functionality</li> <li>- Identify legacy systems that will be used for data conversions</li> </ul>
FI-AP-002	09/17/08- 09/18/08 09/23/08	Accounts Payable Processing	<ul style="list-style-type: none"> <li>- Develop business process design for Non PO related vendor invoice approvals</li> <li>- Develop business process design for 3-way/2-way match PO related invoice approvals</li> <li>- Develop business process design for invoice billing discrepancies and invoice tolerances</li> <li>- Develop business process design for vendor down payments.</li> <li>- Develop business process design for outgoing vendor payments</li> <li>- Develop business process design for vendor cash refunds and credits</li> <li>- Develop business process design for recurring vendor invoicing</li> <li>- Develop business process design for vendors who are also customers</li> </ul>
FI-AP-003	09/30/08- 10/01/08	Check Management	<ul style="list-style-type: none"> <li>- Develop business process design for house banks/bank accounts/check numbering in SAP</li> <li>- Identify check design (output form)</li> <li>- Develop business process design supporting daily check management</li> <li>- Develop business process design for reporting requirements for check management)</li> <li>- Develop business process design supporting escheated checks, return payments</li> </ul>
FI-AP-004	10/22/08	1099 Processing	<ul style="list-style-type: none"> <li>- Develop business process design supporting 1099 invoicing and reporting requirements</li> <li>- Develop business process design supporting validating 1099 vendor master data</li> <li>- Develop business process design supporting 1099 data transmission/corrections</li> </ul>
FI-AP-005	10/21/08	Non Payable Invoices	<ul style="list-style-type: none"> <li>- Develop business process design for free of charge vendor invoicing</li> </ul>
FI-AP-006	10/30/08	Purchasing Card Processing	<ul style="list-style-type: none"> <li>- Develop business process design to import purchasing card data from banking institution</li> <li>- Develop business process design for maintaining default purchasing card account coding</li> <li>- Develop business process design supporting expense approvals/controls/posting</li> <li>- Develop business process design supporting expense posting corrections</li> <li>- Develop business process design supporting period end close procedures</li> <li>- Develop business process design supporting purchasing card credits</li> <li>- Identify reporting requirements</li> </ul>



# Accounts Payable Related Workshops

Session ID	Date(s)	Business Process	Integration Point with AP
LOG-MM-006	09/30/08- 10/02/08	Maintain Purchase Requisitions	Defining 'front end' process for Logistical Invoicing in AP: Create, change and delete
LOG-MM-008	10/07/08- 10/08/08	Purchase Requisition Approvals	Defining 'front end' process for Logistical Invoicing in AP: Requisition approvals
LOG-MM-011	11/05/08- 11/07/08	PO Processing	Defining 'front end' process for Logistical Invoicing in AP: Create, change, approvals and deletion
LOG-MM-025	12/09/08	Procurement Reporting	PO reporting

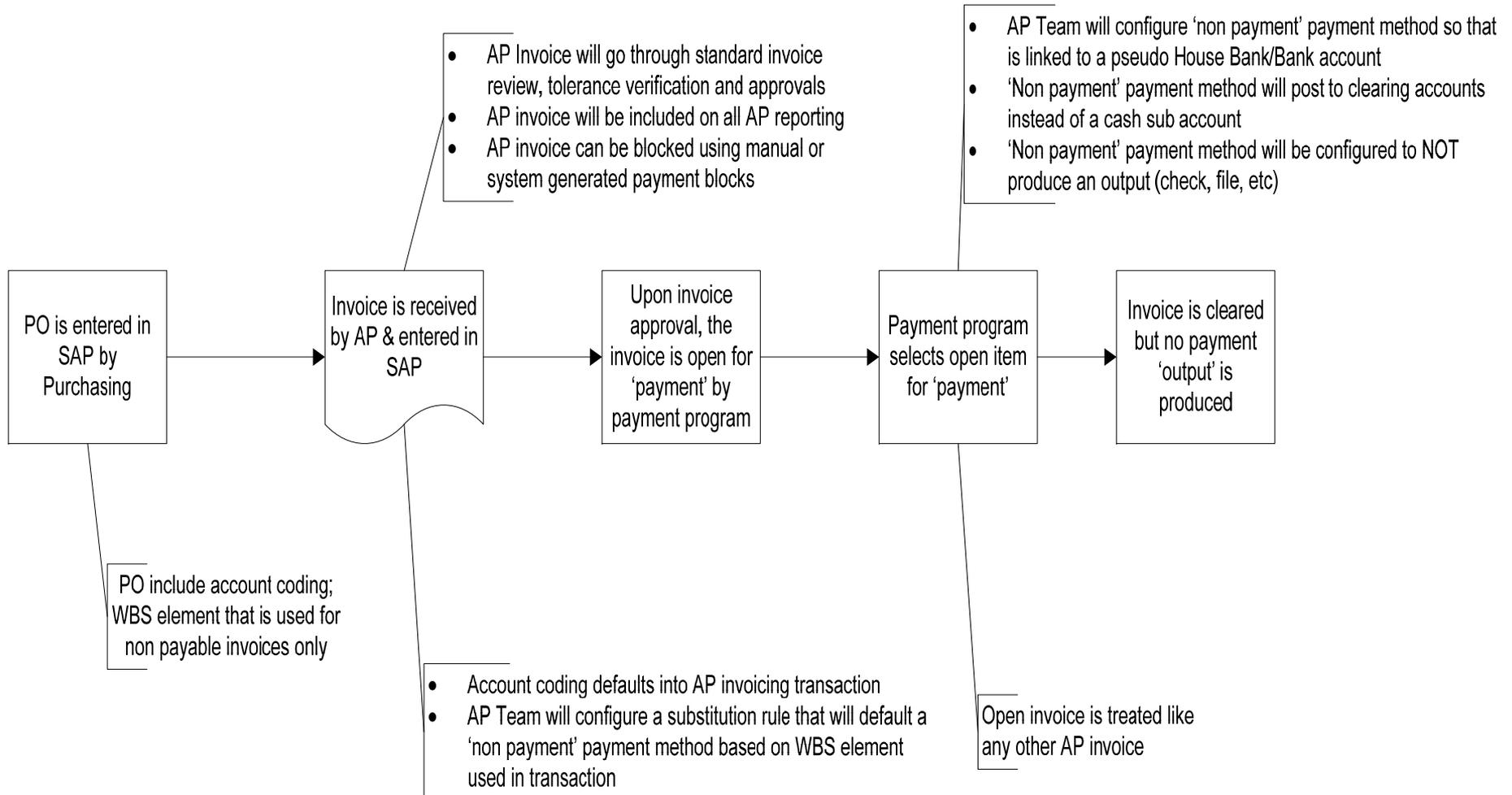


# Work Session Objectives

- Identify each agencies business requirements for procurement transactions (PO, invoicing) that are managed in SAP but not paid from SAP using the vendor payment function
  - Invoice data entry & accounting requirements
  - Invoice approvals and control requirements
  - How/when will the third party be notified of open liability & payment due date
  - How/when SAP will know the invoice has been paid by third party
  - When should the invoice be cleared in SAP
  - Reporting requirements
  
- Develop business process design supporting vendor invoice billing discrepancies/invoice tolerances and application of vendor credits



# High Level Overview Non Payable Invoice





## As-Is Process Flow

- Who are considered the “Third Parties” and what type of goods and/or services are purchased?
- In relation to Goods Receipt based purchases, where are the goods actually delivered?
  - Purchasing(SAP)
  - Third Party location
- Who receives the invoice first?
- Do the Non-Payable Vendors need a separate Reconciliation Account?
- Is there a need for a separate Vendor Account Group for the Non-Payable Vendors?



# Process Improvement Opportunities (Pain Points)

- Provides a consolidated enterprise wide view of the open Accounts Payable
- Standardization of vendor invoicing, payments and vendor open item management
- Accounting system of record is updated in real-time during the invoicing and payment processing
- Purchasing personnel and Accounts Payable Departments have equal access to the same information



# Leading Practices

- Establish standard 3-way and 2-way matching policies across the enterprise
- Establish electronic approvals to reduce/minimize manual or paper based approval processing
- Utilize electronic data presentation to automate invoice receipt from vendor
  - EDI
  - XML
  - Electronic bill presentation
- Define system controls to cut down on duplicate invoice processing
- Establish clear system driven separation of duties for master data management, invoicing and payments
- Establish 'self service' portals to allow vendors to research typical AP questions (payment status, invoice entry status, etc)



# SAP Glossary

## Accounts Payable Invoicing

- Non PO related Invoicing – Sometimes called direct data entry, purchase does not require a PO. Functionality allows users to manually enter invoice and credit information into SAP via standard invoicing transactions.
- PO related Invoicing – Also called Logistical invoicing, referring to functionality in SAP allows 3-way match invoicing (matching between: PO, Goods Receipt and Vendor invoice). Additionally functionality includes 2-way match invoicing; generating an automated vendor invoice based on the PO and Goods Receipt.
- Invoice Verification Tolerances – Functionality that allows system controls when processing logistical invoices
- Vendor Business Partners – Functionality separate vendor address data (PO ordering address, invoicing address, payment address) to be grouped in SAP for ease of use and reporting
- Payment method – indicator that specifies how a vendor invoice is paid (check, ACH, wire or Non Payment0
- Park – Functionality that allows invoice and credit memo data to be suspended in system without accounting ledger update. Parked documents can be changed, deleted, or posted in the future. Parked documents can be viewed/maintained by users who have access to parking transactions.
- Payment block – indicator that specifies that a invoice is excluded from vendor payment. Payment blocks can be manually set by an end user or automatically set based on violations on invoice verification tolerance settings.
- Workflow – Functionality that allows additional review and approval for documents that are entered/changed in the system



# Review of SAP Vendor Invoicing Basics: Document Types

- Document types are used to categorize documents in the SAP system.
- Document types control document number assignment
  - Externally numbered documents
  - Internally numbered documents
- Document types also control key header fields in terms of data entry requirements
  - Reference field
  - Document Header Text field
- Typically we have 6 main vendor document types:
  - Non PO related invoices → Doc type KR
  - Non PO related credits → Doc type KG
  - PO related invoices → Doc type RE
  - PO related credits → Doc type RE
  - ERS or EDI invoices/credits → Doc type RE
  - Invoice reductions → Doc type RE



# Review of Invoicing in SAP: Non PO related Invoices

- Invoices that do not require a Purchase Order (PO) are entered directly into the Accounts Payable module
  - Manual enter data based on paper invoice receipt
  - Interface invoice data based on data file
  
- Standard functionality provides:
  - Duplicate invoice checking (Doc Date, Doc Amount, Vendor, Reference)
  - Alternative payee/business partner functionality
  - Configurable field status requirements used during data entry
  - End User specific data entry controls (End User Tolerance Group)
  - Parking or holding an invoice
  - Data entry/calculation of use tax
  - Foreign currency invoicing
  
- Custom functionality provides:
  - Workflow functionality to automate electronic approvals
  - Custom fields on the invoice document
  - Substitution or validation of data entry values
  
- Are non payable invoices typically non PO related?



# Review of Invoicing in SAP: PO Related Invoicing

- Invoice verification business process is a part of the purchasing business cycle that links the purchasing activities (PO and goods receipt) to Accounting activities (invoice receipt and payment)
- Standard functionality in Logistical Invoice verification
  - System validation of invoice accuracy using the PO and goods receipt information
  - Automatic invoice blocking for invoices that violate invoice tolerances
  - Real time update of accounting ledgers, PO and goods receipt history and material price averages
  - Post credits memos
  - Manual or automatic invoice reduction
  - Verification of invoices with installment terms
  - Background or online verification
  - Unlimited multiple selection
- Are non payable invoices typically PO related?



## Review of Invoicing in SAP: PO related Invoice Verification

- If there is a variance between a vendor's invoice and the expected invoice based on PO and or Goods Receipt, it is resolved in SAP by using 3 methods:
  - Accepting the Difference → Invoice Verification Tolerance Blocks
  - Reducing the Invoice → Manual Invoice Reduction
  - Requesting a new Invoice → Park Invoice Document



# Review of Invoicing in SAP: Invoice Verification Tolerance Settings

- Invoice tolerances are configured to verify the accuracy of vendor invoices based on information in the PO or provided by the Goods Receipt
- Establishing tolerances allows for an acceptable amount of variance due to known business conditions
- Vendor invoices that violate established verification tolerances are automatically blocked for payment until variance can be reviewed and validated or corrected
- Invoice verification tolerance can be configured at company code level and by vendor



# Review of Invoicing in SAP: Invoice Verification Tolerance Settings

- AP Amount for item with order reference
- BD Form small differences automatically
- BR Percentage OPU variance (IR before GR)
- BW Percentage OPU variance (GR before IR)
- DQ Exceed amount: quantity variance
- DW Quantity variance when GR qty = zero
- LA Amount of blanket purchase order
- LD Blanket PO time limit exceeded
- PP Price variance
- VP Moving average price variance





## Review of Invoicing in SAP: Evaluated Receipt Settlement (ERS)

- Functionality that supports automatic vendor invoice creation based on details provided in the PO and Goods Receipt(s)
- Does not require an invoice receipt from the vendor (paper or electronic)
- Vendor invoices are created using the ERS program which can be scheduled to run using a batch scheduler
- Best practice requires that ERS invoices are electronically acknowledged by the vendor



# Invoicing Design Guidelines

## Points to Keep in Mind:

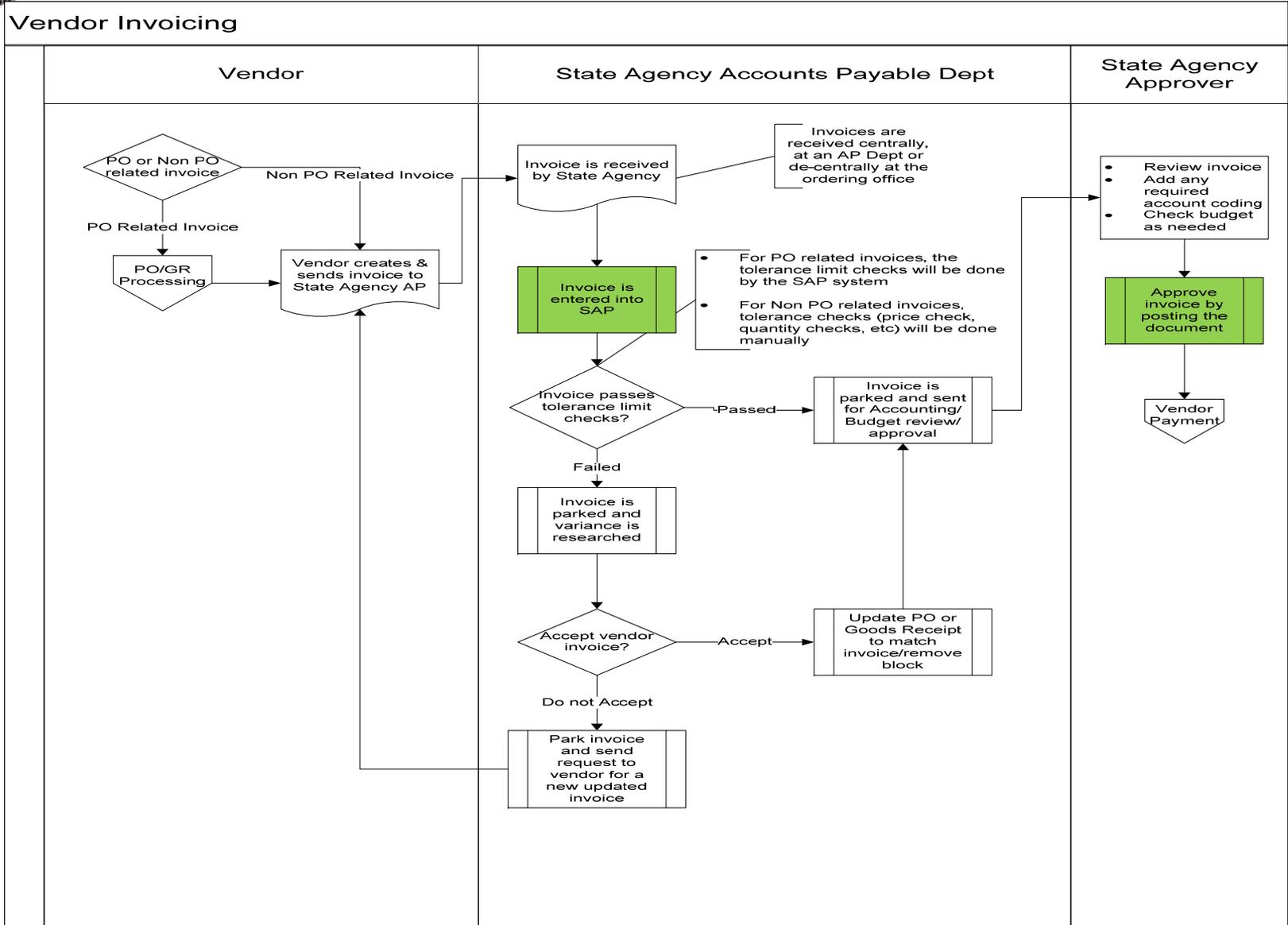
- Keep it simple
- Think enterprise wide
- Think in terms of 'To-Be' design and break 'As Is' traditions
- Reporting requirements

## Discussion Points:

- What purchases are allowed on invoices without a Purchase Order?
- How will AP invoicing be done in SAP? Centrally or de-centrally?
- Is there business value in using a separate document type (number range) for non payable invoices?
- What controls or approvals do you want in place during invoicing & credits?
- What should be the field status requirements for invoice data entry?
- How will the AP Dept know a non payable invoice from a regular invoice?



# To-Be Business Process Flow: Vendor Invoice





# Review Vendor Payment Processing

- Vendor payment program functionality clears open vendor items (invoices and credits) and generates payments based on configured payment methods (check, ACH, etc)
  - Payment methods are configured according to required business function
    - Payment method 'C' → Paper check output
    - Payment method 'T' → Wire transfer file output
    - Payment method 'A' → ACH file output
  - Per vendor specification, multiple payments to one vendor can be consolidated on one payment medium (check, ACH, etc)
  - Payment program does not clear blocked invoices
  
- Vendor payment program can be executed online or schedule to run in batch
  - Payment program clears vendor liability, decreases bank sub account (cash)
  - Generates payment medium (output) to vendor
  
- Payments can be made for all vendors across agencies (centralized payment processing) or decentralized by agency

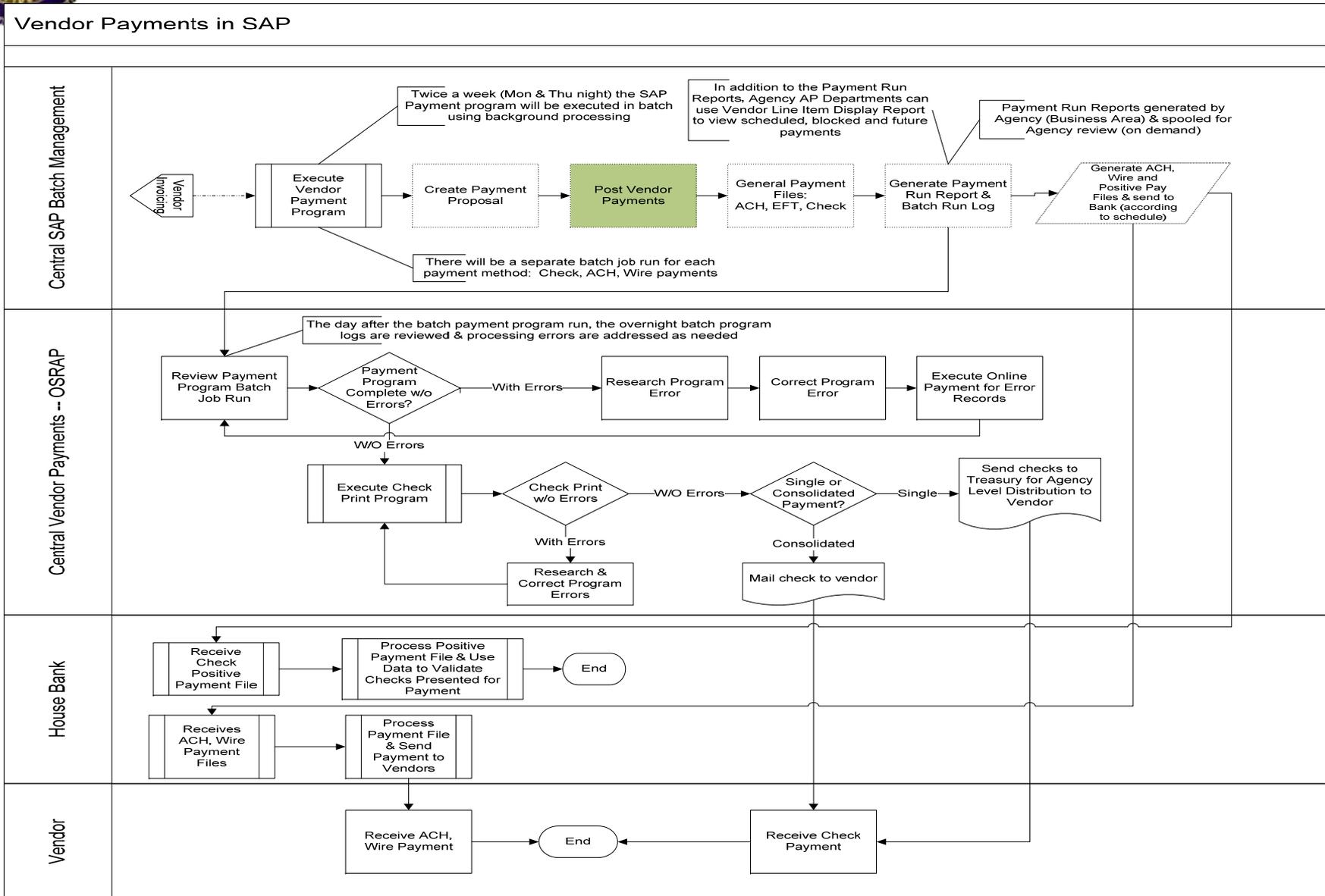


# Review Vendor Payment Processing

- How do you want the 'non payable' payment method to be configured
  - Accounting entries that should be made
  - Output generated: Request for Disbursement
- Do you want to limit 'non payable' payment method to specific vendors?
- Should non payable invoices be included in traditional overnight batch process?
- How do you want to manage the 'payment' process?
- Who should be notified if there are overnight processing errors?



# To-Be Business Process Flow: Vendor Payment Processing





## Review Vendor Account Management: Reporting

- Standard Vendor line item and payment history reports are available in SAP
- Using Business Intelligence (BI) or ECC6 custom reporting functionality (ABAP code, Queries) custom aging reports can be developed based on specific business needs
- SAP reports can be communicated by various means:
  - Printed and mailed, faxed, etc
  - Viewed online
  - Downloaded and saved to external file
- Are there any other specific reporting requirements for vendor account management?



# Enterprise Readiness Challenges

- Training
- Establishing and adhering to enterprise wide invoicing and payment policies



## Next Steps

- Prepare and send out meeting minutes to invitees.
- Draft Design Document is prepared.
- Follow up on action items identified during the workshop.
- Schedule off-line meeting (s) to discuss areas of special concern
- Plan follow on workshops, as required.
- Plan validation workshop.
- Ensure all to-do's are appropriately documented



# Questions?

