R12.2 Procurement - Managing Advances, Recoupment, and Retainage

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About the Presenter

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Agenda

- Define and Discuss Advances, Recoupment, and Retainage
- The Role of Complex Work Within Oracle Procurement
- Oracle Purchasing Setup Requirements
- Walkthrough transactions from Procure to Pay

Definitions

Advances

- A sum of money paid to a supplier prior to any work being performed or goods provided.
- For instance a smaller contracting firm might require capital to start the project.
- Construction companies and Universities might require advanced payment to meet start up costs on building or research projects.

Recoupment

- Recoupment is the process of recovering the advanced payment during the processing of a standard invoice.

- Recoupment can be realized based on a recoupment percentage rate and can be automatically withheld from payments.

Retainage

- Funds that are withheld from a payment to a contractor.
- Retainage can be a specific amount or a rate to retain during payments.
- Retainage is utilized to make sure that the agreed upon work is completed before final payments are made.

Role of Complex Work in Within Oracle Procurement

OAUG

Complex Work

- Managing construction projects or highly engineered items requires information and transactions that go beyond standard price and delivery terms.

- Advances, Recoupment and Retainage are all parts of the transaction that were/are handled manually and at the end of the procure to pay cycle.

- Complex Purchase Orders allow business to capture the financial agreement up front and aide in automating downstream processes.

Complex Work

- The Buying Organization is able to negotiate the financial terms of the agreement and capture them appropriately.

- Complex Work was introduced in early R12 as a part of the Services Procurement offering:
  - Advances, Retainage, and Recoupment
  - Financing
  - Progress Payments
  - Work Confirmations
  - Integration between Purchasing, Sourcing and iSupplier Portal

Purchasing Setups – Complex PO

Document Styles

- Document styles are a setup option in Purchasing
  - Styles control the look and feel of the application related to the type of purchases being executed.
  - The style can hide or show various components of the purchase order features.
  - Name your purchasing document in a manner that represents your business process.

Document Styles

- Navigate to the Document Styles in the Purchase Setups

Document Styles

- Create your own name
- Select the line types
- Enable complex payment concepts

Other Setups

- Profiles needed
  - PO: Enable Services Procurement
    - Set to yes to enable service line types
  - POR: Amount Based Services Line Type
    - Defines the line type for amount-based non-catalog requests
  - POR: Rate Based Services Line Type
    - Defines the line type for rate-based non-catalog requests

Procure to Pay Example

Business Scenario

- Consulting Services for a highly engineered product are needed.
- Terms are:
  - Total Cost = $40,000.00
    - Startup Payment = $5,000 (advance)
    - 1st Milestone Design = $10,000.00
    - 2nd Milestone Build = $10,000.00
    - 3rd Lump sum Payment Deliver = $20,000.00
    - Buyer will Recoup 20% of advance for each payment, until it is completed.
    - Less Retainage of 10% to be released at the end of the project

Purchase Requisition

- Create an amount based purchase requisition in iProcurement.
  - Gain approvals and provide any additional information needed.

Purchase Requisition

Generate Purchase Order

- Process the requisition in the Buyers Work Center
  - Select the line
  - Add to the document builder

Generate Purchase Order

- Update the document style during the creation of the PO – Important Step
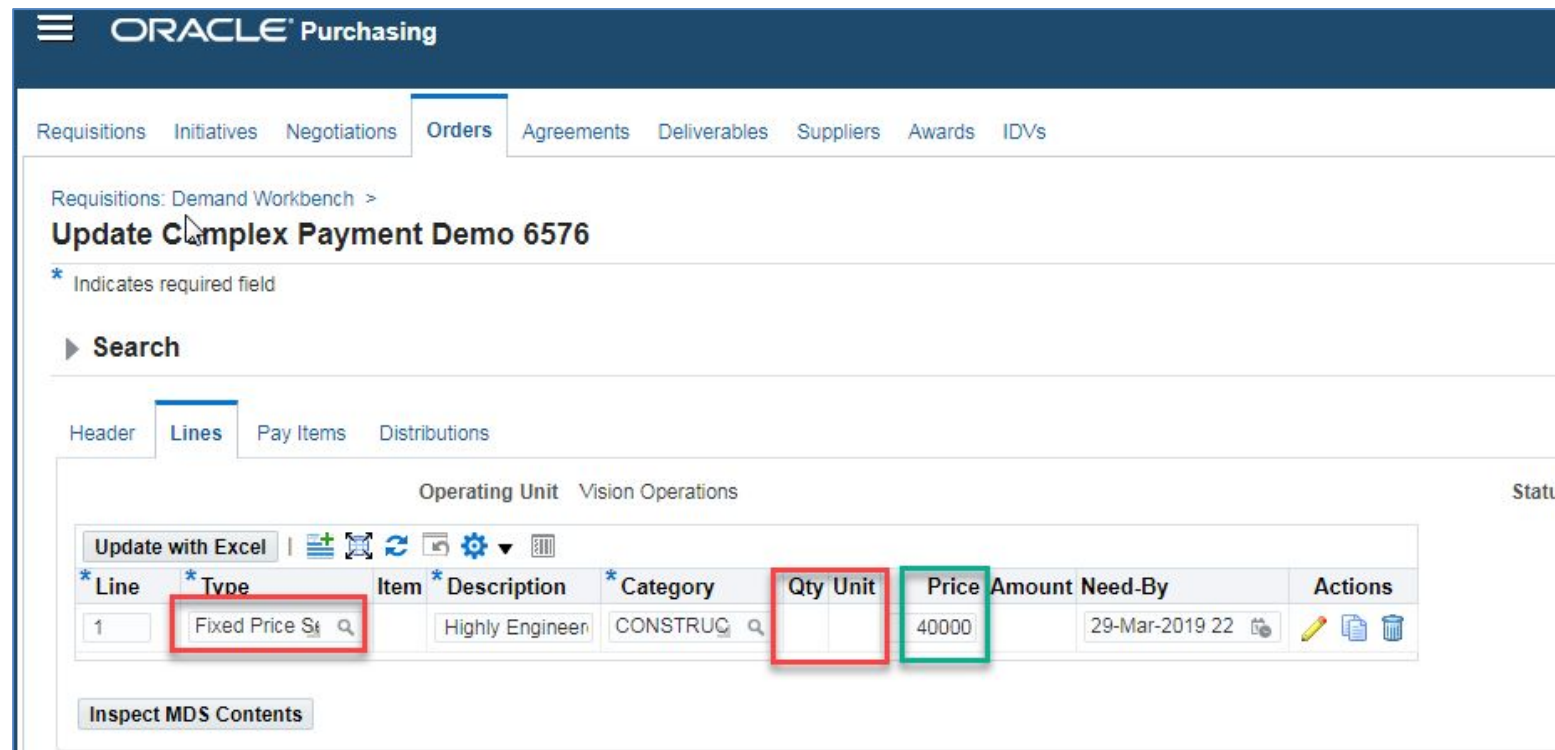
Generate Purchase Order

- PO will default to a Fixed Price line type
  - Amount based, no quantity or unit

Generate Purchase Order

- Populate the Financing and Retainage information in the details of the line
- These defaults will apply to the Pay Items in the next step

Generate Purchase Order

- The Pay Items tab will initially default to be exactly what the line is.
- Think of it as a delivery schedule for service items.
- The line is currently defaulted to a Lump Sum, but we need to split it into three!

Generate Purchase Order

ORACLE Purchasing

- Split under actions
- Update type of pay item
- Total must be equal to the line total

Update Complex Payment Demo 6576

* Indicates required field

▶ **Search**

Header | Lines | **Pay Items** | Distributions

Operating Unit   Vision Operations

Status   Incomplete

Update with Excel

Line	* Pay Item	* Type	* Description	Qty	Unit	Value (%)	* Price	Amount	Need-By Date	Actions
1	1	Milestone ▼	Design			25	10000		04-Feb-2019 2	✏ 🔀 🗑
1	2	Milestone ▼	Build			25	10000		07-Mar-2019 2	✏ 🔀 🗑
1	3	Lump Sum ▼	Delivery				20000		12-Mar-2019 2	✏ 🔀 🗑

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Generate Purchase Order

- Confirm that the Advance line gets automatically created in the distributions

- Submit the PO for approval

Payables - Invoice & Payment

- Generate the Prepayment Invoice in Payables
- Match to the PO for the Advance

P2P Status

- Sequence of events:

Step	Step Description/Calculation	Invoice Amount	Recoup	Retainage	Net Invoice
PO Advance	PO Advance Distribution for 12.5% of $40,000.00	$5,000.00	$0	$0	$5,000.00

Supplier Completes Work

- Work confirmations are utilized for the Supplier to let the Buying company know that work is complete.

- This can be accomplished via iSupplier Portal

Work Confirmations

- From the PO the supplier can Create a Work Confirmation

Work Confirmations

- Select the pay item in question and click next

Work Confirmations

- Enter the Work Confirmation Number, Add attachments and submit

Work Confirmations

- After submitting, the status will indicate processing or pending approval

Approver Work Confirmation

- The Buyer will need to approve the Work Confirmation.
- Work Confirmations utilize Approvals Management Engine

Approver Work Confirmation

- Upon approving the Work Confirmation, the Receiving Transaction Processor is automatically submitted.
- If the Supplier is set of for pay on receipt, the Pay on Receipt program and Payables Open Interface will automatically submit.

Payables - Invoice & Payment

ORACLE Payables

- Invoice is imported and available in Payables
- Retainage and Recoupment is Defaulted

P2P Status

- Sequence of events:

Step	Step Description/Calculation	Invoice Amount	Recoup	Retainage	Net Invoice
PO Advance	PO Advance Distribution for 12.5% of $40,000.00	$5,000.00	$0	$0	$5,000.00
Payment of Design Deliverable	Design phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00

Work Confirmations

- Review the PO and submit the work confirmation for the next milestone

Invoice/Payment Review

- Supplier can see status of invoices and payments in iSupplier Portal

View Invoices

Simple Search

Invoice Number		Payment Status	
PO Number	6576	Invoice Amount From	To
	(example : 1234)	Amount Due From	To
Release Number		Invoice Date From	To
	(example : 1234-2)	Due Date From	(28-Feb-2019, To
Payment Number			
Invoice Status			

Go   Clear

Invoice △	Invoice Date ▼	Type	Currency	Amount △	Due	Status	On Hold	Payment Status	Remit-to Supplier	Remit-to Supplier Site	Due Date	Payment	PO Number	Receipt	Attachments
ERS-9073-230564	28-Feb-2019	Standard	USD	10,000.00	1,000.00	Approved		Partially Paid			13-APR-2019 22:00:00	19317	6576	9073	
6576_1	28-Feb-2019	Prepayment	USD	5,000.00	0.00	Approved		Paid			27-FEB-2019 22:00:00	19316	6576		

Approver Work Confirmation

- Approve the second milestone

Payables - Invoice & Payment

- Again the Invoice is imported and available in Payables
- Retainage and Recoupment is Defaulted

P2P Status

- Sequence of events:

Step	Step Description/Calculation	Invoice Amount	Recoup	Retainage	Net Invoice
PO Advance	PO Advance Distribution for 12.5% of $40,000.00	$5,000.00	$0	$0	$5,000.00
Payment of Design Deliverable	Design phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00
Payment of Build Deliverable	Build phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00

Create and Approver Work Confirmation

- The Buyer can process work confirmations on behalf of the supplier.
- For the last PO payment item we will process from the Buyer Work Center

Create and Approver Work Confirmation

- For lump sum pay items, the buyer or supplier can request a partial payment.

Create and Approver Work Confirmation

- Approval of the work confirmation is still required

Payables - Invoice & Payment

- Again the Invoice is imported and available in Payables
- Retainage and Recoupment is Defaulted

P2P Status

- Sequence of events: Current total is $37,000.00

Step	Step Description/Calculation	Invoice Amount	Recoup	Retainage	Net Invoice
PO Advance	PO Advance Distribution for 12.5% of $40,000.00	$5,000.00	$0	$0	$5,000.00
Payment of Design Deliverable	Design phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00
Payment of Build Deliverable	Build phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00
Payment of Final Delivery	Final phase Milestone Payment of $20,000. Less 10% retainage (up to $3K total) apply prepayment of 20%	$20,000.00	$1,000.00	$1,000.00	$18,0000

Payables - Invoice & Payment

- Release the Retained Amount

Payables - Invoice & Payment

- Release the Retained Amount

iSupplier Portal

- Supplier can see PO is fully paid and closed

P2P Status

- Sequence of events check: Current total is $40,000.00!

Step	Step Description/Calculation	Invoice Amount	Recoup	Retainage	Net Invoice
PO Advance	PO Advance Distribution for 12.5% of $40,000.00	$5,000.00	$0	$0	$5,000.00
Payment of Design Deliverable	Design phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00
Payment of Build Deliverable	Build phase Milestone Payment of $10,000. Less 10% retainage apply prepayment of 20%	$10,000.00	$2,000.00	$1,000.00	$7,000.00
Payment of Final Delivery	Final phase Milestone Payment of $10,000. Less 10% retainage (up to $3K total) apply prepayment of 20%	$20,000.00	$1,000.00	$1,000.00	$18,0000
Retainage Release	Retainage is the final payment	$3000.00	$0	$0	$3,000.00
Total:					$40,000.00

Key Takeaways

- Oracle Procurement provides a method to capture the intent of Advances, Recoupments, and Retainage on the Complex PO.
- Complex PO concepts are integrated into several modules we utilized in this presentation
  - iProcurement
  - Purchasing
  - Payables
  - iSupplier Portal
- Oracle Sourcing also offers integration with Complex Work
  - Negotiate ALL of your terms and conditions prior to creating and committing a purchase order

Q&A

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