# STANDARD OPERATING PROCEDURE

<table>
<thead>
<tr>
<th>SOP NO:</th>
<th>SOP-PURCH-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUBJECT:</td>
<td>BUY.IU Receiving</td>
</tr>
<tr>
<td>SOURCE:</td>
<td>University Procurement Services</td>
</tr>
<tr>
<td>ORIGINAL DATE OF ISSUE:</td>
<td>10/10/2019</td>
</tr>
<tr>
<td>DATE OF LAST REVISION:</td>
<td>05/20/2020</td>
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**DISCLAIMER:**
The information provided in this Standard Operating Procedure (SOP) is designed to provide helpful information on this procedure. Purchasing reserves the right, with approval from the Office of the Controller, to determine on a case by case basis if a SOP should be adjusted for a particular situation. This SOP is not intended to cover each and every situation nor can it anticipate specific circumstances.

**RATIONALE:**

## Use of Receiving functionality in BUY.IU

### Background
The Receiving functionality is used in BUY.IU to systemically verify receipt of goods or services. This functionality strengthens internal controls and improves efficiency by allowing users to electronically verify the goods or services with minimal data entry. In addition, the receipt information must be used when determining if invoices should be paid.

Users can track the receipt and return of goods/services to ensure appropriate use of IU funds in accordance with all IU Purchasing policies and standard operating procedures ([https://policies.iu.edu/categories/financial.html](https://policies.iu.edu/categories/financial.html)).

Receiving is required for all purchase orders totaling $5,000 and over and on all subawards.
PROCEDURES:

As items are received, returned or cancelled, users generate an electronic receipt document to track the activity. Receipts are automatically populated with purchase order (PO) data, to limit manual entry required for the shipping method, tracking number, quantity/cost received, or quantity/cost returned.

All active IU employees may create a receipt document in BUY.IU.

There are two types of receipts: **Quantity** receipts and **Cost** receipts.

- **Quantity Receipts:** These are mainly used when ordering goods from a supplier. BUY.IU maintains a running total of the quantity of goods received, returned or cancelled. The totals are automatically adjusted with each subsequent receipt created associated with the order. This helps reduce the risk of payment for under-received, damaged or over-shipped items.

- **Cost Receipts:** These are mainly used to track goods/services related to recurring orders and capital asset orders. Cost receipts allow users to receive a monetary amount rather than a quantity.

A receipt can also be used to indicate that an item(s) will NOT be received (cancelled) or have been returned to the supplier.

**Note:** Once quantities/amounts have been marked cancelled on a receipt, the PO no longer reflects those quantities/amounts as available for future receipts. If quantities/amounts previously cancelled are marked as received on future receipts, BUY.IU will consider the order over-received.
**Partial Receiving:**
A department may receive a partial shipment for a PO due to backordered or discontinued items. In this event, individual line items can be removed from the receipt specifying only the goods and services received. Each time goods and services are received for the PO, additional partial receipts can be created until the PO has been fully received.

**Over-Receiving:**
If the user enters a quantity on a line that is greater than what is on the PO, an over-received warning will display. The over-received warning is not an error. If the order is over received by mistake and the receipt cannot be deleted because the invoice has already moved to OK to Pay, a comment should be added noting the receipt was created in error.

**Returns:**
Indicate that goods/services were received and taken into possession but are now being returned. A field is available to enter a return authorization number along with reason for returning. These fields are available but are not required. The functionality for returning items is only available when using a quantity receipt. Returns associated with cost receipts will need to be noted in the comments section of the PO if it is anticipated that the items will be received in the future. Users should not select “Cancelled” on cost receipts in lieu of Returned.

**Cancelled Orders:**
Indicate that goods/services will not be received (i.e. if a product was discontinued) or were immediately returned upon shipment where IU did not take possession. The cancelled option should only be used if you do not anticipate receiving the goods/services in the future.

**Standard Purchase Order Receiving (Includes Capital Purchases):**
The PO amount determines if receiving is required prior to the supplier invoice moving to the OK to Pay status.

**PO amount is less than $5,000**
- Receiving is not required but may be completed by the department if desired.
- Matching:
  - PO on supplier-provided invoice matches PO in BUY.IU.
  - Invoice amount is within 10% or $250 (whichever is less) of PO amount, as approved by the University Controller.

  If both rules are met, the supplier invoice will automatically move to OK to Pay.

**Example:**
- A purchase order is placed for 15 items from a Purchasing approved supplier.
Each item cost $250 so the total amount of the purchase order = $3,750

Two invoices have been received:
- The first invoice is for 7 items = $1,750
- The second invoice is for the remaining 8 items = $2,000

Since the purchase order total is under $5,000 and both invoices were within the 10% or $250 tolerances, the invoices moved straight to OK to Pay without review. The department may choose to create receipts for both invoices in BUY.IU, but receipts are not required for payment to be released for these invoices.

**PO amount is greater than or equal to $5,000 or is a sub-award**
Receiving is required on all orders before a supplier invoice can move to the OK to Pay workflow step. The invoice will stay in the Hold for Receiving workflow step until a receipt is created, at which time the invoice will move forward to the OK to Pay workflow step.

**Note:** Purchase Orders containing capital asset purchases require cost receipts.
- Matching:
  - Item/service is marked as received by department.
  - PO on supplier-provided invoice matches PO in BUY.IU

  When both conditions are met, the supplier invoice will automatically move to OK to Pay.

**Example:**
- A purchase order is placed for 520 items from a Purchasing approved supplier
- Each item costs $20 so the total amount of the purchase order = $10,400
- The first invoice received is for 150 items = $3,000
- Because the purchase order total is over $5,000, a receipt has to be created for the quantity of items received or the $3,000 invoice will not move to OK to Pay in BUY.IU.
- If the department only receives 120 of the 150 items invoiced, the invoice will remain in the “Hold for Receiving” workflow step until a receipt is created for the remaining 30 items. The quantity/cost invoiced has to match or be within the 10% or $250 tolerance of the quantity/cost received before the invoice will move to OK to Pay.
Receiving Lead Time

- Ten days before an invoice’s due date (alternatively, 20 days after invoice date), the members of the Fiscal Approval workflow stop will receive an email notification stating that the item has not been marked as received. At the same time, the invoice will move out of the Hold for Receiving workflow stop into the Match Exceptions workflow stop.
- Fiscal Approval members are responsible for following up with REQ initiator to instruct them (or whomever received the good/service) to create a Receipt in BUY.IU.
- Once the supplier invoice has been approved in the Matching Exceptions workflow stop, it will move to OK to Pay.
**Note:** While the Hold for Receiving workflow stop reflects a Completed status, a receipt is still required to be entered before the Fiscal Approver approves the invoice in the Matching Exceptions workflow stop.

**Recurring Order Receiving:**
Recurring Payment Orders are used to establish a single Purchase Order that will be used for a designated period of time. Examples of such orders: 1) Recurring purchases as needed for goods; 2) Scheduled payment orders for leases; 3) Services with multiple milestones or invoices.

Recurring orders require receiving on invoices greater than or equal to $5,000.

**Note:** A Fiscal Approver workflow step was added for invoices greater than or equal to $5,000, as approved by the University Controller, that maintains adequate internal controls and prevents the invoice from moving to OK to Pay prior to approval. It is the Fiscal Approver’s responsibility to ensure the appropriate receipt has been created in BUY.IU before the invoice is approved for payment.
Example:
- A recurring purchase order is placed for a total encumbrance of $25,000 from a Purchasing approved supplier
- The first invoice received is for $6,000
- Since the invoice total is over $5,000, a cost receipt has to be created for the value of the items received before the fiscal approver can approve the invoice. If items referenced on the invoice are received in increments, i.e. $2,000 worth of goods is received in the current week and $4,000 worth of goods are received the following week, two receipts should be created before the invoice is approved to go OK to Pay. Note: Partial payments cannot be made against BUY.IU invoices so fiscal approvers should not approve invoices out of the Recurring Payment Review workflow stop until all goods have been received and the appropriate receipts are created.

Receiving Requirements Summary:

<table>
<thead>
<tr>
<th>Order Type</th>
<th>Receiving Required?</th>
<th>Receiving Forced by Buy.IU?</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time Order ≤ $4,999.99</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>One-time Order ≥ $5,000.00</td>
<td>Yes, regardless of invoice value</td>
<td>Yes</td>
</tr>
<tr>
<td>Recurring Order</td>
<td>Yes, if invoice value is ≥ $5,000.00</td>
<td>Yes</td>
</tr>
<tr>
<td>Subawards</td>
<td>Yes, regardless of invoice value</td>
<td>Yes</td>
</tr>
<tr>
<td>Check Requests</td>
<td>No, unless using Purchases for Resale ≥ $5,000.00</td>
<td>Dependent</td>
</tr>
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</table>

When to use Quantity versus Cost Receipts:
As Purchase Order types vary, so do the corresponding Receipt types. Here is a guide for when to create Quantity versus Cost Receipts.

<table>
<thead>
<tr>
<th>Order Type</th>
<th>Receipt Type</th>
<th>Fiscal Approval Required</th>
</tr>
</thead>
</table>
### BUY.IU Receiving Requirement Exceptions:
Exceptions to this standard operating procedure require the approval of the Office of Procurement Services and the Controller’s Office.

### CROSS REFERENCE:
- University Policies: [https://policies.iu.edu/categories/financial.html](https://policies.iu.edu/categories/financial.html)
- BUY.IU Training Handouts [https://www.indiana.edu/~purchase/training/handouts.php](https://www.indiana.edu/~purchase/training/handouts.php)

<table>
<thead>
<tr>
<th>Order Type</th>
<th>Quantity</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Order (Non-Capital)</td>
<td>Quantity</td>
<td>No, will move to OK to Pay upon receipt creation</td>
</tr>
<tr>
<td>Standard Order (Capital)</td>
<td>Cost</td>
<td>No, will move to OK to Pay upon receipt creation</td>
</tr>
<tr>
<td>Recurring Order</td>
<td>Cost</td>
<td>Yes, Fiscal Approver ensures receipt is created prior to approving invoice to OK to Pay</td>
</tr>
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Receiving Lead Time – See Appendix A
Appendix A

Receiving Lead Time Example

3/1/2019
Invoice is entered into Buy.IU

3/1/2019 - 3/18/2019
Hold for Receiving Invoice Workflow Stop
Inv is held until receipt is created in Buy.IU

3/19/2019
Receiving Lead Time = 10 days

3/19/2019 - 3/29/2019
Exception – Requires Fiscal Approval Prior to moving to OK to Pay

3/29/2019
Invoice Due Date if Net 30 Terms

3/19/2019
Invoice moves from "Hold for Receiving" to "Exception" if receipt has not been created

3/30/2019