

Guidelines

“Receiving” in KFS

Author: University Controller

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Contact: Bill Sibert

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Preface

Guideline documents are developed when system, policy, or form modifications are implemented that result in process changes. They result in efficiencies without compromising sound internal controls by describing a standard way of doing things that multiple organizations can use. These documents represent generally accepted, informally standardized techniques, methods, or processes, to accomplish given tasks. These practices are used where no specific formal methodology is in place - or the existing methodology does not sufficiently address the issue.

Guideline documents evolve to become better as other improvements are discovered or other changes are made. The idea behind them is that with proper processes, checks, and testing, a desired outcome can be delivered more effectively with fewer problems and unforeseen complications.

Guidelines are used to maintain quality as an alternative to mandatory, legislated standards. Although they are not required procedures, each unit is strongly encouraged to adopt the procedures - unless there is a compelling business or customer need that precludes their implementation.

Background and Objective

In the early production version of the Kuali Financial System (KFS) “Receiving” functionality required an action in KFS to acknowledge physical receipt of an item ordered via a Purchase Order (PO). The original parameter was set as a requirement for PO orders of \geq \$5K. In addition, users had (and still have) the option at their discretion of checking a box for positive pay on the requisition to require receiving for those orders $<$ \$5K or other review.

Confirmation of physical receipt for PO items $<$ \$5K was *not* required pre-KFS. However, physical receipt confirmation of ordered items \geq \$5K was required (pre- and post-KFS) – and is completed during the Payment Request (PREQ) process. For these reasons, an FTC/BSC Working Group suggested the system requirement of “Receiving” was a duplicate step and unnecessary. Further, the “Receiving” functionality, as delivered, required a manual search within KFS to find the e-docs on which “Receiving” was needed.

As a result, a “No Receiving” Beta Test was authorized on October, 15, 2012.

After much consideration and debate, it was determined that the redundant action of “receiving” in the KFS system added no value to the purchasing and payment processes. When KFS is upgraded to version 5.1 in the fall of 2014, we opted to suppress ALL receiving. This included the checkbox on the requisition, the receiving button on the PO, and the receiving link on the main menu in KFS.

In the fall of 2015, a working group was again formed to consider a consistent practice for receiving on all PREQs. It was noted in two audit reports that the practice was to perform receiving only on PREQs \geq \$5,000 associated with POs \geq \$5,000 rather than on all PREQs associated with POs $>$ \$5,000. In response to an internal audit, a recommendation was made for management to require transaction processors to obtain documented evidence that goods and/or services were received before processing payment. Further, it was determined that there should be a consistent process for documenting the receiving.

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Procedure – Detailed Steps

Unit Responsibilities – Order request and approval

1. Purchases must comply with the buying manual.
2. A business need for materials or equipment is identified.
3. An Authorized Requester approves order. (*Usually the PI for C&G funds.*)
 - a. This approval ensures the authorizer and/or unit is aware of the order; that the transaction is valid, has a reasonable business purpose, funding is available; and that the expense complies with all funding restrictions (*particularly for C&G funds*) and any additional unit approvals are received.
 - b. Individuals may request the assistance of their Unit Admin Manager or ASC/FTC/BSC support team with this step.
 - c. The “approval” can be informal – e.g., an e-mail, a handwritten “OK” on supporting documentation that is forwarded to the ASC/FTC/BSC, ad hoc routing, etc.
4. The order, including appropriate approval; the full and complete business purpose; and the account number to be charged; if known, is sent to the appropriate ASC/FTC/BSC for processing.
 - a. If the specific account number is not known, a description of the account (award) to be used may be sufficient. To be sufficient, the account description must be specific enough that, during any future review (audit), someone unfamiliar with the organization or individuals involved would be able to confirm the appropriate account (award) was used.

FTC/BSC Responsibilities - Order and Payment

Order

1. The approved order, IWANT request is received in the ASC/FTC/BSC; and the requisition is initiated and approved within KFS by ASC/FTC/BSC.
2. When an invoice is received from the vendor by Cornell’s Accounts Payable department, it is entered into KFS against the PO or for electronic invoices associated with the PO, and a PREQ is created.

Payment and Receiving

1. If the invoice <\$5K and...
 - a. “Positive Pay” was required:
 - Invoice becomes a PREQ in the status of “Awaiting FO Approval”
 - PREQ routes automatically to the Fiscal Officer (FO)/Delegate’s Cynergy In-Box (Action List).
 - An action by the FO/Delegate is necessary to approve payment.
 - Receiving should be noted as below, if required by the unit.
 - b. “Positive Pay” was not required:
 - Invoice becomes a PREQ in the status of “Awaiting FO Approval.”
 - PREQ routes automatically to the FO/Delegate’s Action List.

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- Invoice will “auto-pay” – without an action by the FO/Delegate – based on the vendor’s terms.
2. If the invoice is \geq \$5K:
- a. “Positive Pay” – i.e., an action by a FO/Delegate - is required for payment to be made.
 - b. PREQs \geq \$5k are not eligible for autopay.
 - c. The ASC/FTC/BSC *must* confirm physical receipt of goods and/or services with unit before payment is processed. This can be done in multiple ways (as long as it is documented within the e-doc in the notes and attachment section). Some examples:
 - **Email:** Attach the response from the email in the note section of the PREQ with the note “Rec’d per attached email.”
 - **Packing slip:** A scanned version of the signed packing slip should be attached in the “Notes and Attachments” section of the e-doc with a note “Rec’d per attached packing slip.”
 - **Ad Hoc Approver:** Route the e-doc for ad-hoc approval or acknowledge. Note, “Rec’d as per Ad Hoc Approver” in the “Notes and Attachments” section.
 - d. Regardless of how receiving was confirmed, the ASC/FTC/BSC will document in the note field. Language can be truncated or abbreviated, i.e., Received, RCVD, Rec’d, etc.
 - e. To be sufficient, the receiving note must be specific enough that, during any future review (audit), someone unfamiliar with the organization, individuals involved or unit routing process would be able to confirm the goods and/or services were received.
 - f. The FO approves PREQ.
 - The FO *must* ensure confirmation of physical receipt is captured in the e-doc and that an “OK to pay” confirmation has been received from customer unit prior to approving the payment.

Post-Transaction Monitoring and Confirmation

A critical and important component of the internal controls is the *post-transaction* review of expenses that have posted to general ledger (KFS) accounts.

Although all general ledger (KFS) accounts should be reviewed on a regular basis consistent with DFA Account Monitoring Guidelines (<https://www.dfa.cornell.edu/accounting/topics/reconciliation/monitoring>), the monitoring requirements for sponsored (C&G) accounts as required – and outlined in - University Policy 3.20, Cost Transfers on Sponsored Agreements. Among other objectives, all post transaction reviews reconfirm goods have been received and they are charged to the correct account (award).

The completion of this monitoring needs to be documented in some manner for sponsored (C&G) accounts and be able to be produced for future audit-related reviews.

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All ASC/FTC/BSC directors are responsible for monthly reviewing PREQs \geq \$5k and sampling for compliance with the procedures noted above.

REMINDER! It is the responsibility of acquiring units and principal investigators to have sufficient controls to ensure in a timely fashion that goods and services charged to accounts and sponsored awards have been received and are for use in the activities of the account or award to which they are charged.

Override and Other Compliance

“Positive Pay”

Some units may have additional procedures due to external compliance requirements and/or for high risk purchases.

To ensure ASC/FTC/BSC review, or to obviate the “auto-pay” function, units have the ability to check or request to have checked the “Payment Request Positive Approval Required” box at the requisition (order) stage (see the “Document Overview” tab below).

Explanation:	
Total Amount:	
* Funding Source:	INSTITUTION ACCOUNT
Payment Request Positive Approval Required:	<input checked="" type="checkbox"/>