# **Buying and Managing Complex Work in Oracle Procurement Release 12**

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## Introduction

This presentation highlights the key improvements Oracle has made to streamline the procurement and management of complex services that delivers a more comprehensive solution. Executing complex procurement services such as construction and maintenance have always been a challenge for procurement Organizations. R12 Oracle Services Procurement will take the management of these tasks to a new level of transactional excellence through deeper integration of Purchasing, iSupplier Portal, Sourcing, and Contracts.

#### **Problem Statement**

Many companies struggle with managing complex service transactions such as construction or highly engineered items. The complexity is in managing those items outside of price and delivery. Typically that includes retainage, financing, and progress payments. Previous versions of Oracle left these pieces of the transaction to be managed manually and typically at the payment end of the process rather than including it from the sourcing event all the way through to project closure.

#### What is new in Procurement for Release 12?

Oracle has introduced the concept of managing complex work into the procurement suite of applications. This has been accomplished by increasing the applications capabilities to negotiate contracts with financing and progress payments embedded, default or define progress schedules on a purchase order, collaborate with the supplier by tracking work progress, deliverables, and processing payment requests with less effort because retainage, financing, and approvals are defaulted and calculated automatically in the payables modules.

The primary applications involved in enabling the procurement of complex work include: iProcurement, Purchasing, Sourcing, iSupplier Portal, and Procurement Contracts.

The business flow that is now supported allows for a services request to be created in iProcurement. The requisition can then be fulfilled by creating a sourcing activity to negotiate price and agree to terms by authoring a contract. Once the award is made and work begins and a purchase order created, the supplier then reports progress via the iSupplier Portal. If the work is accepted by the buyer, then an evaluated receipt settlement can be issued or an approved invoice can be matched against the purchase order and the work confirmation information.

#### iProcurement

iProcurement remains the initiating point for demand with complex work requests. Utilizing a non-catalog request or even better, a smart form, requesters can document their needs and send them through to be approved and sourced. Since the introduction of the Approvals Management Engine approvals of requisitions have become more robust. In a situation such as demand for construction services, requisitions can be sent to specific approvers or groups without customizing workflow. This kind of flexibility allows the appropriate people on the project to get notification such as the project manager or an engineering group. The rules and requirements of your organization are more easily implemented allowing the requisitions to be routed as needed for approvals. We will revisit iProcurement in more detail further into this paper.

#### Sourcing

Once a request has been approved and is ready to be fulfilled, the next step can be to create a sourcing document such as a Request for Quotation (RFQ). By choosing an outcome of a complex document style the RFQ process has now been bolstered with the ability to manage information such as pay items, advancement, recoupment, and retainage. The Buyer also has the option to make these items negotiable or not by setting each attribute to the desired state:

Requisitio	ACLE <sup>®</sup> Sourcing	nistration			-		Home Logout Pi	references Help Diagnos	stics
Header Lines Controls Contract Terms Suppliers	Create RFQ 34653: Lines Display Rank As Ranking	1,2,3 • Price Only •				Cost Facto	Cancel Online Discus	sions Save as Draft Pay Items	t Review
Sabbuers	Financing				Retainage				
	Financing Attributes		Neg	otiable	Retainage Attributes			Nego	otiable
	Advance Amount				Maximum Retainage Amo	ount			
	Recoupment Rate (%)			Γ	Retainage Rate (%)				
	Actions Create Line 💌 Go								
	Select Line	Item, Rev	Category	Unit	Quantity	Add Line	Requisition	Update	Delete
	No results found.								
							Cancel Online Discu	ussions Save as Dra	ft Review

FIGURE 1 – Manage negotiation strategy within sourcing

The introduction of pay items during the sourcing process allows both the buyer and the supplier to list out what they think the best set of paid deliverables is for a particular project. They can also be thought of as a schedule of services. By allowing those pay items to be negotiated, the buyer can rely on the participating supplier's expertise in their field to adjust the pay items accordingly and without losing site of the original intent of the demand line. Additionally since some attributes can be set to be modified and others to remain "non-negotiable" the buying organization has more control over the direction of the request for quotation.

Requisitions Negotiations Intellige	nce Administration		Hon	ne Logout Preferer	nces Help Diagnost	ics
Lines: Create Line 1 (RFQ 34653)						
* Indicates required field				Cance	el Save as Drat	ft Apply
Line Type Services Tem Rev Services * Description Complex Work 1 * Category CONSTRUCT.SP Unit of Measure EA * Quantity * Ship-To Address V1- New York C Default Owner	Go Currency Price Precision Start Price ECIALTY ECIALTY Need-By From Need-By To	USD Any decimal places 10000 Display To Suppliers 13000 28-Aug-2007 12:47:21 28-Aug-2007 12:47:21				
			12.25			
Advance Am Recoupment Rate	ount 0 (%) 0		Keramage Maximum Retainage Amount Retainage Rate (%)	3000 15		
Default Project Information						
	Project Task Expenditure Type	4 4 4 4 4	Expenditure Organization Expenditure Item Date		<b>Q</b>	
Pay Items						
*Pay Item Type	*Description		Target Price Need-By Date		Update	Delete
1 Milesto	ne Design		2000 28-Aug-2007 12:47		1	Û
2 Milesto	ne Execution		5000 28-Aug-2007 12:47 🕅		1	1
3 Milesto	ne Clean Up		3000 28-Aug-2007 12:47		2	Û
Add Another Row						

FIGURE 2 – Negotiate pay items and financing during the RFQ

Pay Items can be created in the following ways: Milestone, Lump Sum, and Rate of Work. Milestone pay items need to be fully completed before payment is release (recurring and non-recurring). Lump Sum pay items allow partial payments against a particular item such as a construction task. Rate of work pay items give the organization a way to make payment on units completed (install x number of items).

The integration of procurement contracts into sourcing is an integral part of the sourcing process. Procurement Contracts provides the core library of standard clauses and contract templates that can be utilized during the sourcing event.

Requisition	ns Neg	otiatio	ons	Intelligence Administration	1-3-2						Home L	ogout Preference:	s Help Diagnos	tics
Header	Create	RFQ 34	4653:	Define Contract Terms										
Lines										Cano	cel Online	e Discussions	Save as Draft	t Review
Contract	Contra	act Te	rms											
Suppliers	Con Claus Select Select	tract A Les I Term All S	idminis egal C Delive is: 7 Select I	strator ortiatt rables Add Clause Add Section Mov None Expand All Collapse All	e   Renumber	Use Contract	Expert	Contract So Contract Tem	plate Vision O	red Terms Iperations RFQ '	Terms	Actions Validad	te	60
	Select	Focus	Title						Non- Standard	Mandatory	Contract Expert	Select Alternate	Update	Delete
	Е		0	Contract Terms									2	1
	Г	\$	Ŧ	1. Bidding Instructions									1	Û
	Г	\$	Đ	2. Bidder's Qualifications & Award									1	Û
	Е	\$	ŧ	3. Contract Definitions									1	Î
	Г	\$	Ð	4. Deliverables									1	Û
										Car	ncel Onli	ne Discussions	Save as Dra	ft Review

FIGURE 3 – Apply clauses from a template

In addition to a library of terms and conditions, the buyer can apply deliverables to the agreement. These deliverables are non-payment items that need to be accomplished as the project or service is in progress. There are several ways to define a deliverable and it can be recurring or one time. It is a very robust feature to help make sure that all of your contract deliverables are being met.

#### Purchasing

Once the award is made after the sourcing event is over, if you chose an outcome of Purchase Order, the information from the RFQ defaults onto it. At this time the buyer can make additional updates to the pay items, deliverables, and financing information, but hopefully that will not be necessary.

Requisition	s Orders	Agreements	Deliverables	Negotiations	Suppliers				
Orders >									
Update Co	mplex Servic	es Purchase O	rder 5423						
* Indicates	required field						Cancel Actions Delete	GO	Save Approval Options Submit
E Search	1								
Header	Lines Pay	Items Distri	ibutions						
	Op	erating Unit <b>Vis</b>	ion Operations			Status Inc	omplete	Total 9,200.00 USD	
Line *Pay	Item *Type	*Description	Qty Unit	Value (%) *	Price Amount Need-By Date	Actions			
1 1	Milestor	Design	1 EA	20.652	1900 1,900.00 28-Aug-2007	I 🧷 🛱 🗍			
1 2	Milestor	e Execution	1 EA	48.913	4500 4,500.00 28-Aug-2007	i 🧷 🕫 T			
1 3	Milestor	e Clean Up	1 EA	30.434	2800 2,800.00 28-Aug-2007	I 🧷 🛱 🗍			
							Cancel Actions Delete	Go	Save Approval Options Submit

FIGURE 4 - Pay items

Sometimes it is necessary to create a complex purchase order from scratch and without a Sourcing document to default the information from. In those cases all of the necessary information can be entered right on the PO to support complex work. Enter retainage, financing, and manage contract terms & deliverables right from the purchase order creation screen.

Requisitions Orders Agr	reements Delive	erables Negotiations	Suppliers								
Orders > Create Complex S	Services Purchase O	Irder >									
Update Line 1											
	Operating Unit Vi	ision Operations			[	Cancel Actions Add	d Another Line 💌 USD	Go Previo	us Line	Next Line	Apply
* Indicates required field											
	Line Type G	ioods 🗾				* Category			Q		
	Item	Q	S			* Quantity	0				
	* Description		A			* Unit	Q.				
			<b>W</b>			* Price					
	Supplier Item					Negotisted	No				
						Amount	0.00				
				00002		Tinidant	0100				
Shipping				Deli	very						
	Location M Organization M Need-By Date	11- Seattle Mfg 11 xample: 19-Feb-2008 19:45:00)	<b>Q</b>			Destination Type Requester Deliver-To Location			9		
	Promised Date										
Financing				Reta	ainage						-
		Advance	e Amount		N	naximum ketainage Amol	unt		1		
		Recoupment	Rate (%)			Retainage Rate (	%)				
Billing											

FIGURE 5 – Details of a purchase order line

## iSupplier Portal

When a purchase order has been approved, iSupplier Portal becomes a major source of communication and collaboration for the supplier. Within the portal the supplier can: View the purchase order, submit a work confirmation request to get progress approved, view approved work so that invoicing can occur, and see what is left to complete.

Within the orders tab of the portal, the supplier can view their purchase order and manage work confirmations:

				Home Log	your ricic	icitics rich blugi	1001100
Home Orders Shipments Planning Finance Product Intelligence Admin							
Purchase Orders Work Orders Agreements Purchase History <u>Work Confirmations</u> RFQ D	Deliverables   Timecards						
Purchase Orders							
						Multiple PO Ch	ange Export
Views						N	
View All Purchase Orders Go						Ad	lvanced Search
Select Order: Acknowledge Request Cancellation Request Changes View Change History							
Select PO Number Rev Operating Unit Document Type Description	Order Date 🔻	Buyer	Currency	Amount	Status	Acknowledge By	Attachments
C 5423 0 Vision Operations Standard PO	05-Aug-2007 14:30:40	<u>Baker, Catherine</u>	USD	9,200.00	Open		٥

FIGURE 6 – View PO and manage work confirmations

After drilling into the PO from the search results screen above, the supplier will be able to view the progress payment items and create work confirmations from this screen. Additionally, a summary of the PO transactions will be available:

ODACI CI	Second second second second second second															
ORACLE	iSupplier Portal											Lines Local D		11515		
												Home Logout Pr	eterences	нер ц	lagnostic	:5
Home Orders Shipmen	ts Planning Finan	ce Product	Intellige	ence Admi	n											
Purchase Orders Work	Orders   Agreemen	s Purchase	History	Work Confi	rmations	RFQ	Deliver	ables   Time	cards							
Orders: Purchase Orders >																
Complex Services Purchas	e Order: 5423, 0 (Tol	al USD 9,200.0	0)												20 80	50 1/1 C
Currency=USD												Actions Request Request	Changes Changes		• G	e Export
Order Information								-				Request	Cancellati	on	1	
General		Te	erms and	Conditions				Summ	ary To	tal 0 200 00		View PD Manage	E Deliverabl	es		
Total	9,200.00		Paymen	t Terms 45	Net (ter	ms date	+		Annrov	red 0.00		Create V	Vork Confi	rmation		
Supplier	Border States Elect	ric		45)					Bill	led 0.00		View Wo	rk Confirn	nations		
Supplier Site	SAN FRANCISCO			Carrier					Advance Bill	led 0.00		View Inv	oices			
Address	1007 Muir Woods		Fuelals	FOB NO	1E			Pro	gress Payme	ent 0.00		View Pa	ments			
	San Francisco, CA		Chinning	Control	2							View Sh	pments			
Buver	Baker, Catherine		Shipping	control				4								
Order Date	05-Aug-2007 14:30	:40 W	ork Locat	tion												
Description			Address	90 Fifth Av	enue											
Status	Open			New York,	NY 1002	2-3422										
Note to Supplier																
Operating Unit	Vision Operations	Bi	I-To Loca	tion												
Sourcing Document	34653		Address	90 Fifth Av	enue											
Supplier Order Number				New York,	NY 1002	2-3422										
Attachments	View															
PO Details																
Show All Details Hide All Details	etails															
Details Line 🔺 Type	Item/Job	Supplier Item	Descr	iption	UOM	Qt	y Price	Amount	Billed	Advance Amo	int Adv	ance Billed Status	1	Attachm	ents	Reason
Hide 1 Services	1		Compl	ex Work Job	EA		1 9200	9,200.00				Open				
Progress Payment																
		The second se		-	-	/	Amount	. j								
Pay Item Type Desc	ription Work Locatio	n Owner L	IOM Qty	Value (%)	Price C	ordered	Approved	<b>Billed</b> Promise	ed Date	Need-By Da	ite	Payment Status	Status	Split Re	eason /	Attachments
1 Milestone Desig	n <u>V1- New York</u>	City E	A 1	21	1900 1	1,900.00		09-Aug-2	2007 13:31:0	09 28-Aug-200	14:47:21		Open			
2 Milestone Execu	tion V1- New York	City E	A 1	49	4500 4	,500.00		15-Aug-2	2007 13:35:5	53 28-Aug-200	14:47:21		Open			
3 Milestone Clean	Up <u>V1- New York</u>	City E	A 1	30	2800 2	2,800.00		30-Aug-2	2007 13:36:	56 28-Aug-200	14:47:21		Open			

FIGURE 7 – PO details from within iSupplier portal

To communicate work progress, the supplier will create a work confirmation. Depending on the type of pay item, the supplier will have the option to enter a percentage complete. Other available fields will be a period of performance start and end, a work confirmation number, and an attachment. The attachment can be any document type that the buying company has the ability to open. After previewing and submitting the work confirmation, the supplier can check the status of the request from the work confirmations function in the portal.

Home	Orders	Shipments	Planning Finance	e Product 1	ntelligence	Admin								
Purcha	ase Orders	Work Order	s Agreements	Purchase Histo	ry Work	Confirmatio	IS   RFQ	Deliverables	Time	cards				
Order	s: Purchase	Orders > Vie	ew Order Details >											
Creat	e Work Co	nfirmation (Co	mplex Work Prg Pa	ymt: 5423)										
* Indi Curre	cates Requir ncy=USD	ed Field									Ca	nceļ Bac <u>k</u>	<u>Save</u> Preview	Submit
			Ordered 9,200.0	0						Description				
Wor	k Confirma	* Work Cr tion Details	Approved <b>0.00</b> onfirmation Mile1							Period of Performance	05-Aug-200 🔲 T (example: 21-Jul-2007)	o 05-Aug-200 🗐		
Ad	d Pay Item													
Line	Pay Item	Description	Need-By Date	UOI	M Ordere	d I	Previously Rec	quested/Delin	vered	Requested/Delivered	Material Store	d Progress	(%) Attachmen	ts Delete
1	1	Design	28-Aug-2007 14:	47:21 EA		1			0	1			100 💠	Û
											Са	nceļ Bac <u>k</u>	Save Preview	Sub <u>m</u> it

FIGURE 8 – Create a work confirmation

#### iProcurement

After the Supplier has begun to complete the work, the communication cycle makes its way back to the buying organization. iProcurement can be a primary method to manage that communication. The first item is to receive a notification of work. This is the work confirmation that was submitted by the supplier via iSupplier Portal. The work confirmation works much like a goods receipt and can even be found on the receiving tab. The main difference is that a work confirmation is can be considered reactive rather than the proactive nature of a standard goods receipt.

Shop	Requisitions R	eceiving Contract	tors										
Receivi	ng   Work Confi	rmations											
Work	Confirmations												
													Export
													Control of C
View	S												
													Advanced Search
View	Work Confirmatio	ng To Approva	60										
VIEW			00										
Select	Work Confirmation:	Respond											
Select	Work Confirmation	Request Date 🔻	Operating Unit	PO Number	Supplier	Supplier Site	Currency	v Ordered	Previously Requested	Previously Delivered	Requested	Delivered	Progress (%) Status
С	number2	11-Apr-2007 07:35:43	Vision Operations	<u>5380</u>	Staffing Services Inc.	STAF SERV MAIN	USD	1,000.00	200.00	0.00	200.00	0.00	40 Pending Approval
¢	Week 15	02-Apr-2007 15:17:13	Vision Operations	<u>5380</u>	Staffing Services Inc.	STAF SERV MAIN	USD	1,000.00	100.00	0.00	100.00	0.00	20 Pending Approval
													Export

FIGURE 9 – View work confirmations from iProcurement receiving tab.

After receiving a work confirmation notice the responsible party can respond and choose to respond by approving and rejecting the work confirmation. A bonus of the work confirmation process is that the Approvals Management Engine can be utilized to update the work confirmation workflow to go to whoever the correct person is in your organization. Many organizations choose not to send the work confirmation to the requester of the goods or services, but will send it to a project manager or a responsible party out in the field.

Shop Ked	uisiuons keo	eiving   contra	ctors												
Receiving	Work Confirm	ations													
Receiving: W	lork Confirmation	s > Work Con	firmation: num	ber2 (Complex	Work Prg Paymt: 5380) >										
Respond to	Work Confirma	tion: number2	(Complex Wo	ork Prg Paymt	: 5380)										
Currency=US	5D	10 A												Cancol	Submit
Work Cont	firmation Detail	Ordered Approved Total Status Comments	1,000.00 100.00 200.00 <u>Pending App</u>	<u>roval</u>				Supp Supplier Descrip Period Fi Period	olier Staffing Site STAF SE tion rom 03-Apr- d To 10-Apr-	Services In RV MAIN 2007 2007	с.			Cancer	Submit
Approve	All Reject Al	I													
Pay	and and	-			Previously		Material		Balance	Progress		24	(A 1942)		
Line Item	Description	Need-By Date	e UOM Pri	ce Ordered	Requested/Delivered	Requested/Delivered	Stored	Total	Remaining	(%)	Attach	ments	Actions	Comments	
1 1	Bull Dozer Action	27-Apr-2007 00:00:00	Hour 10.	00 100	20	20		200.00	600.00	40			<b></b>		
													Approve Reject	Cancel	Submit

FIGURE 10 – Respond to work confirmation from iProcurement

# Invoicing - iSupplier Portal

The supplier will receive notification that the work confirmation has been approved. Ideally, after the approval, an evaluated receipt settlement would be generated, an invoice created, and payment set to be due. If the evaluated receipt is not implemented with this supplier, then the iSupplier portal is a great way to get an invoice into the system. The invoices entered through the portal will automatically calculate retainage and finance information as it was presented on the purchase order. Ideally the entry of the invoice by the supplier and automatic calculation of finance details will reduce the workload on the accounts payable group and allow them to focus on exceptions instead of bulk transactions.

Summary Ta	ax Line	e Number T	ax Regime Cod	e Tax	Tax Status Code Tax Juris	sdiction Code	Tax Rate Code Tax	Rate Tax Amou	int Line Stat	us	
No results fou	und.										
Items											
PO Number	Line	Shipment	Item Descrip	tion	Supplier Item Number	Ship To	Available Qty	Quantity To Ir	nvoice UOM	Unit Price	Amount
110	1	2	Pole Foundatio	ns		Headquarters	0				1250.00
110	1	1	Pole Foundatio	ns		Headquarters	0				3750.00
C <b>harge Typ</b> Freight	e			1.0	Items		5000.00	ion			
Invoice Su	mmary	Y		Le	ss Retainage		-300.00				
					Freight		200.00				
				ſ	Miscellaneous		0.00		Ite	ms 5	5000.00
				_	Tax		0.00		Less Retaina Frei Miscellaneo	ige - ght ous	200.00 200.00 0.00
					Total (USD)		4700.00	ilculate Total	Total (US	「ax SD) <sup>∠</sup>	0.00 \$700.00

FIGURE 11 – Retainage calculated on iSupplier Portal invoice

Amoun	Unit Price	UOM	Quantity To Invoice
300.0	10.00	Hour	30.00
200.00			
300.00	Items		
0.00	Items s Retainage	Les	
0.00	Items s Retainage Freight	Les	
0.00	Items s Retainage Freight scellaneous	Les	
0.00 0.00 0.00 0.00	Items s Retainage Freight scellaneous Tax	Les	
0.00 0.00 0.00 0.00 300.00	Items s Retainage Freight scellaneous Tax Subtotal	Les M	
0.00 0.00 0.00 0.00 300.00 0.00	Items s Retainage Freight scellaneous Tax Subtotal d Financing	Les M dvances ar	Less A



# Key Set Up

To fully utilize the integration of services procurement there are several items that need to be taken into consideration:

- Set the Enable Services Procurement Profile Option to "yes"
- Work confirmations requite the receiving transaction processor to run: set a schedule
- Document Styles are required to enable the necessary features of a complex document:

Create Document Style		
* Indic	ates required field	
		* Name
		Description
		Status Active
Docu	ment Types	
	-	
Enable	Туре	Display Name
~	Standard Purchase Order	1
	Contract Purchase Agreement	
	Blanket Purchase Agreement	
Comn	nodities	
	Purchase I	ases 🔽 Goods
Temp Labor		
Line Types All		
Complex Payments Specified		
		Advances
		Process Payments
		og. coo r oyments

## Summary

Oracle has introduced a truly integrated set of functionality that allows organizations to negotiation needs up front and by doing so will free up the sourcing team to control more of the company's spend. The concept of a complex work document significantly automates down stream transactions and allows the associated departments to focus on strategic transaction needs rather than bulk. Collaboration with suppliers is increased by giving both parties a 360 degree view and communication path.