

Complex Procurement in Oracle EBS R12

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Director Solution Architecture

Procurement for Complex Services Description

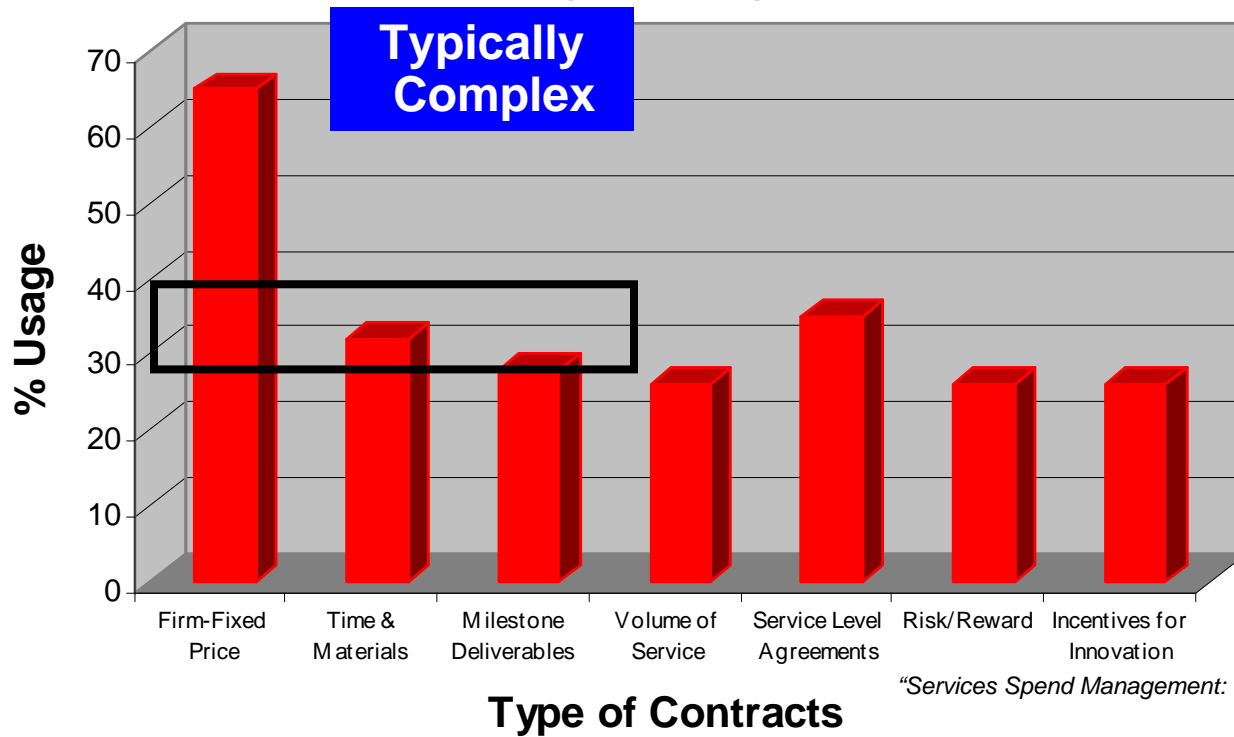
- **An integrated solution to automate acquisition of complex services**

- **Complex Services Procurement is characterized by:**
 - High dollar value projects
 - Long lead time delivery schedules
 - Progress payments based on work completion
 - Contract Financing

- **Commodities of Interest**
 - Professional Services
 - Engineering Services
 - Construction Services

Market Drivers

- Spend Volume on Services Contracts
Average % Usage



“Services Spend Management: Outsourcing/Offshoring Your Services Spend”

Source: CAPS Research, August 31st, 2006

Market Drivers

- Business Requirements
 - **Public Sector**
 - Customers (DoD, Veteran Affairs, Office of Naval Research)
 - Regulations (FAR)
 - **Engineering & Construction**
 - Customers (US-AGC, Bechtel, Black & Veatch, UK-Clive Allen, Jarvis)
 - **Aerospace & Defense**
 - Customers (Rafael)



Procurement for Complex Services

Terminology

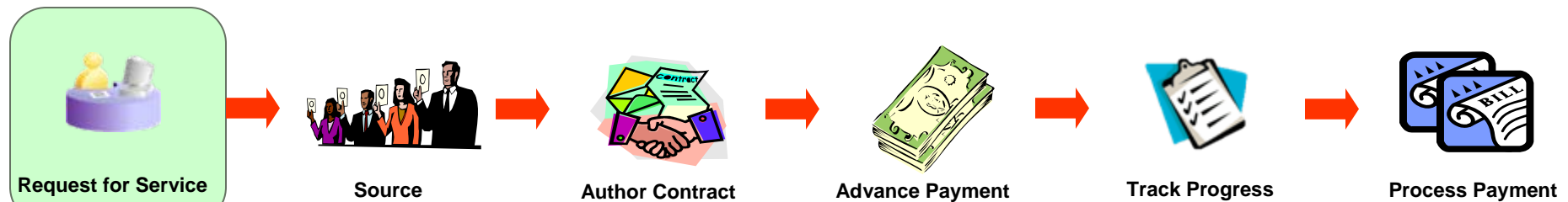
- **Progress Payment Schedule**
 - Represents a schedule of services and work with associated payments
- **Progress Payments**
 - Payments for progress made on a Progress Payment Schedule
- **Pay Item**
 - Refers to a specific work/service component of the Progress Payment Schedule, and its associated payment amount
- **Progress Payment Rate**
 - Used on Cost Reimbursement Contract. Represents the rate at which costs incurred by the Contractor are reimbursed
- **Contract Financing**
 - Typically used in Public Sector Contracts. Contract financing is paid based on work performed or cost to date. If the contractually specified performance or cost milestones are met, financing is given to aid in the completion of subsequent work

Procurement for Complex Services

Terminology - Continued

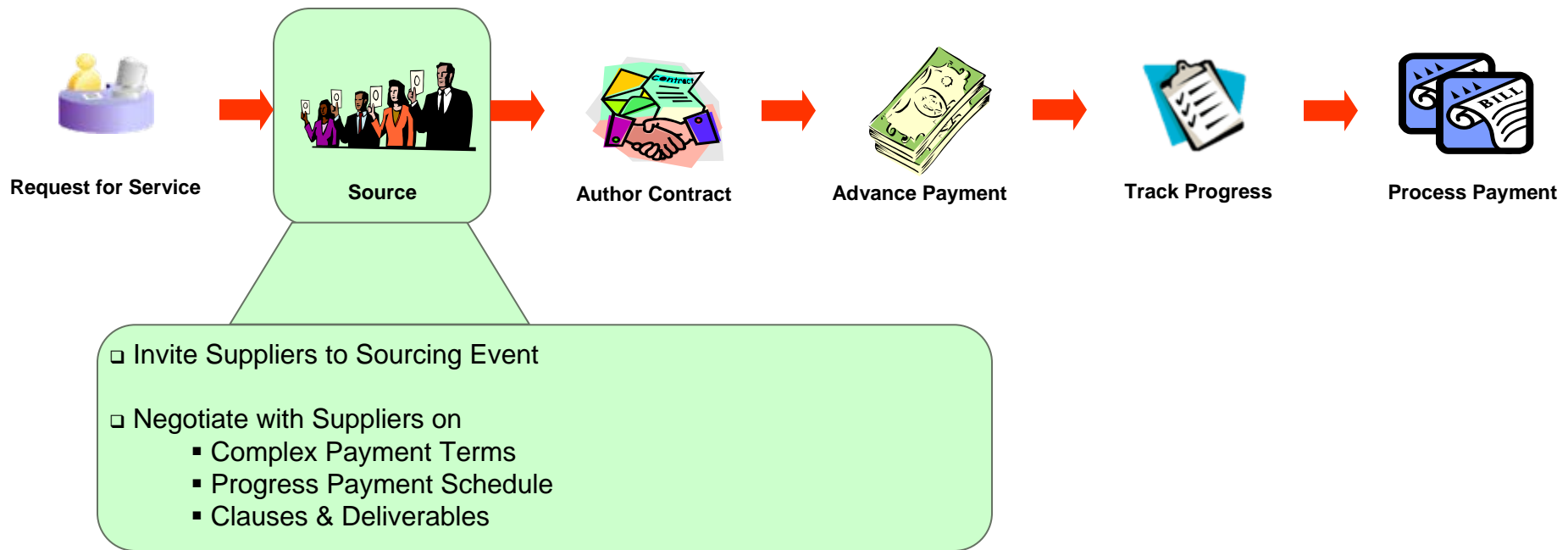
- **Advance**
 - A financing payment usually released before any work/service has been performed
- **Recoupment**
 - Liquidation of previous financing payments from payments made for the delivery of services
- **Recoupment Rate**
 - Rate applied to Invoices which determines the fraction of the Invoice amount used towards recoupment of previous financing payments
- **Retainage**
 - Retention from payments to ensure that the contractor completes the job
- **Retainage Rate**
 - Rate applied to Invoices, which determines the fraction of the Invoice amount that is withheld from payment

Procurement for Complex Services High Level Business Flow

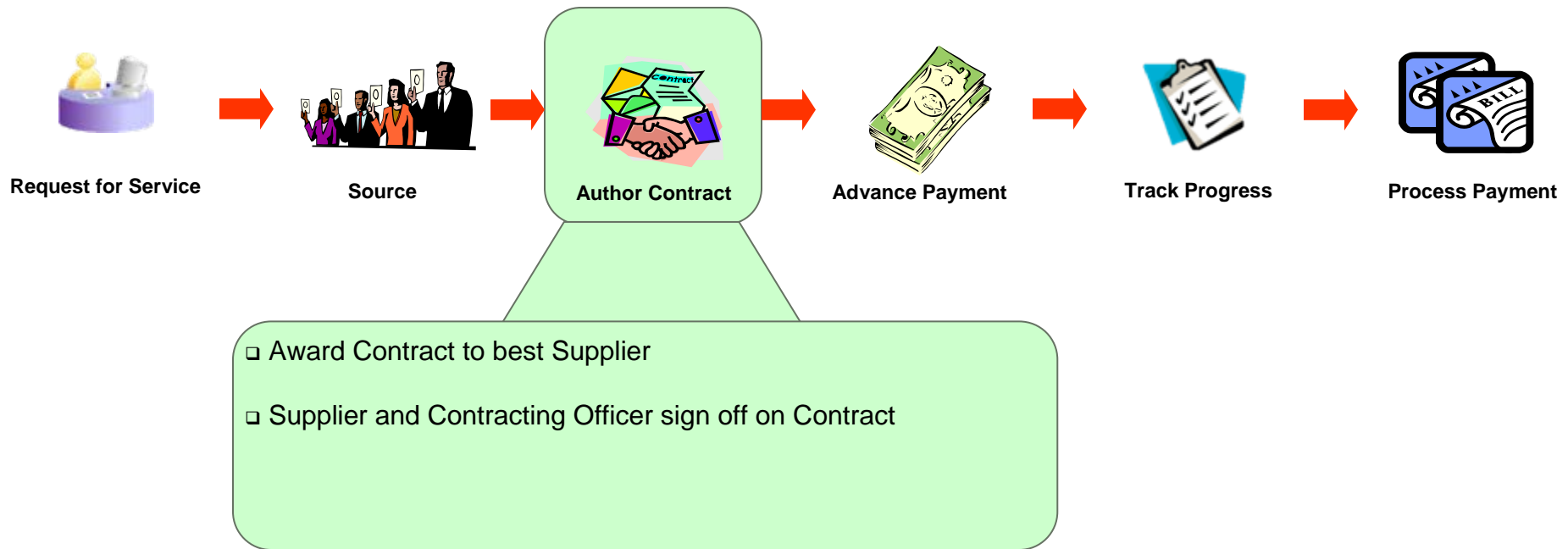


- Requests for Services can originate from multiple sources
 - Facilities Manager
 - Project Manager
 - Field Engineer
 - Architect

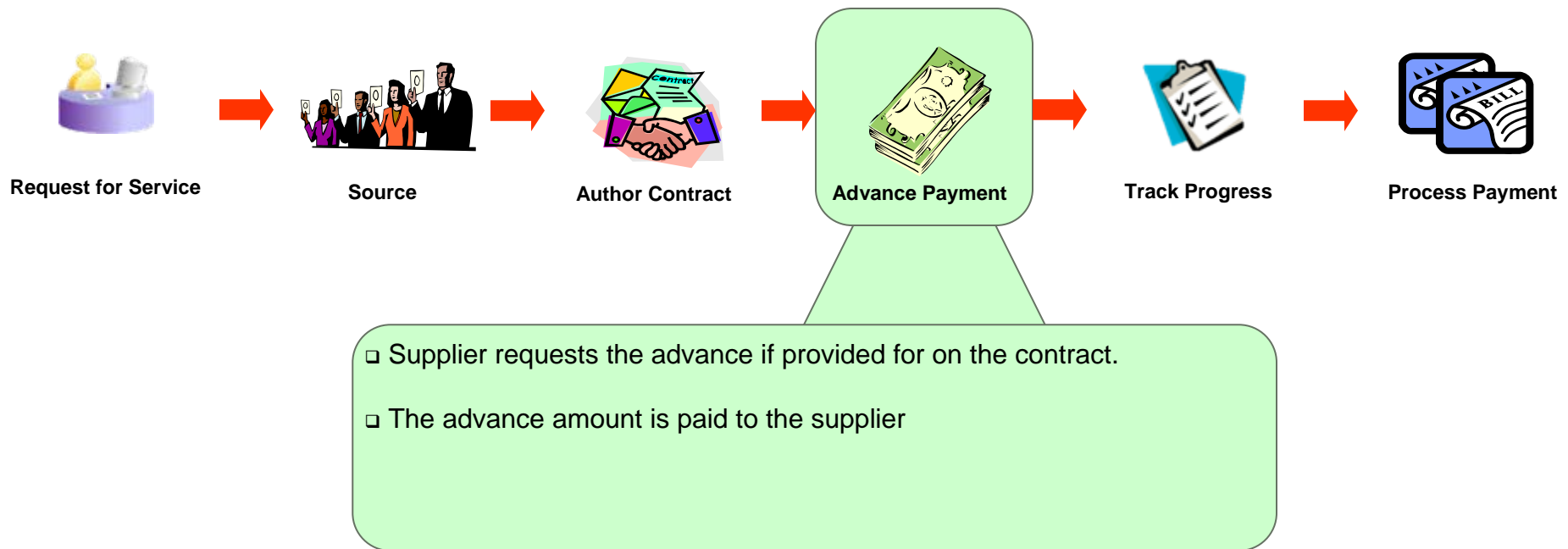
Procurement for Complex Services High Level Business Flow



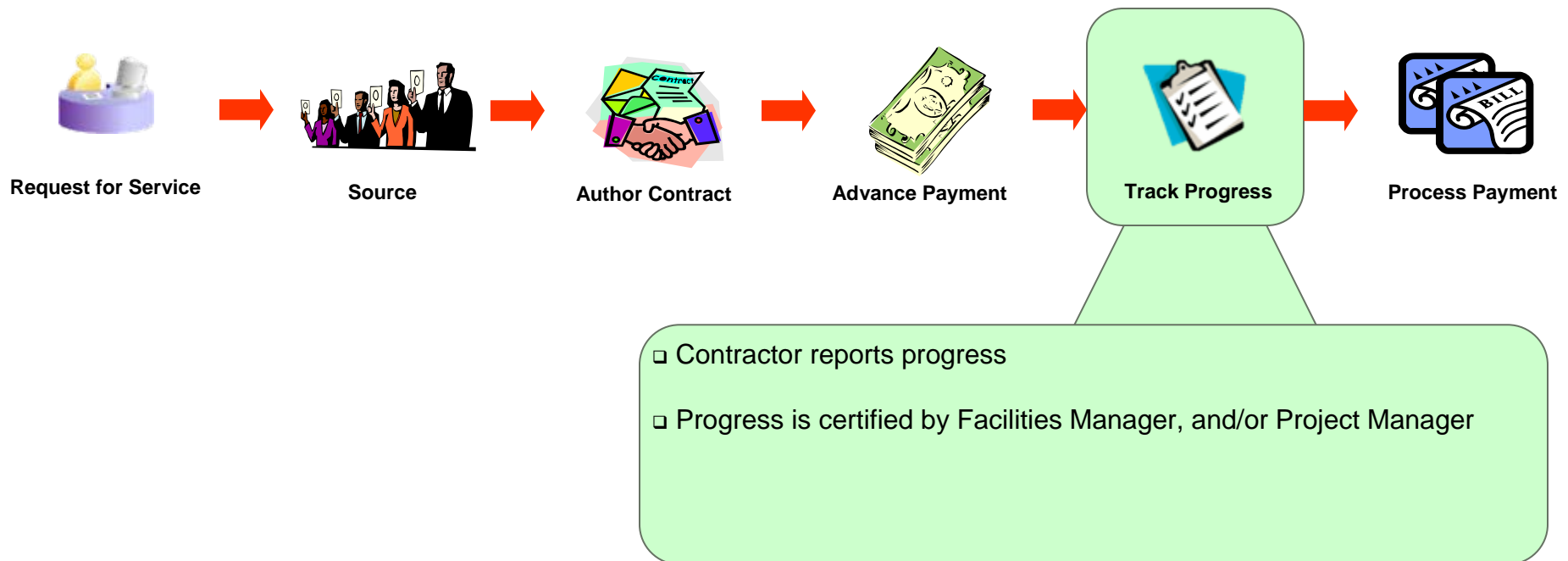
Procurement for Complex Services High Level Business Flow



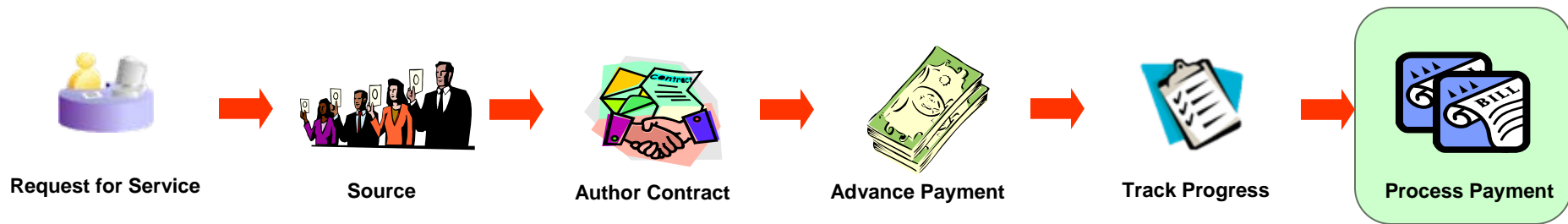
Procurement for Complex Services High Level Business Flow



Procurement for Complex Services High Level Business Flow



Procurement for Complex Services High Level Business Flow



- Contractor submits Invoice for Progress Payments and Contract Financing
- Retainage is applied
- Financing is recouped
- Payment is released

Procurement for Complex Services

Major Features

- **Source and Negotiate Payment Terms & Progress Payment Schedule**
- **Incorporate Payment Terms & Progress Payment Schedule into Contract**
- **Track & Report Progress based on Schedule**
- **Track commitment costs against the Project**
- **Release Progress Payments**
- **Release and Recoup Advances**
- **Apply Retainage on Invoices**
- **Release Retained Funds**

Procurement for Complex Services

Benefits

- **Streamline and Automate Procurement of the Complex Services Spend Category**
- **Ensure Compliance with 360° Visibility to all aspects of the Contract Lifecycle**
- **Reduce Acquisition Costs through Seamless Collaboration with Key Stakeholders**
- **Minimize Acquisition Risks by using Negotiated Payment Terms**
- **Ensure Fiscal Compliance**

Demonstration Scenario

Procurement of Construction Services

Objective

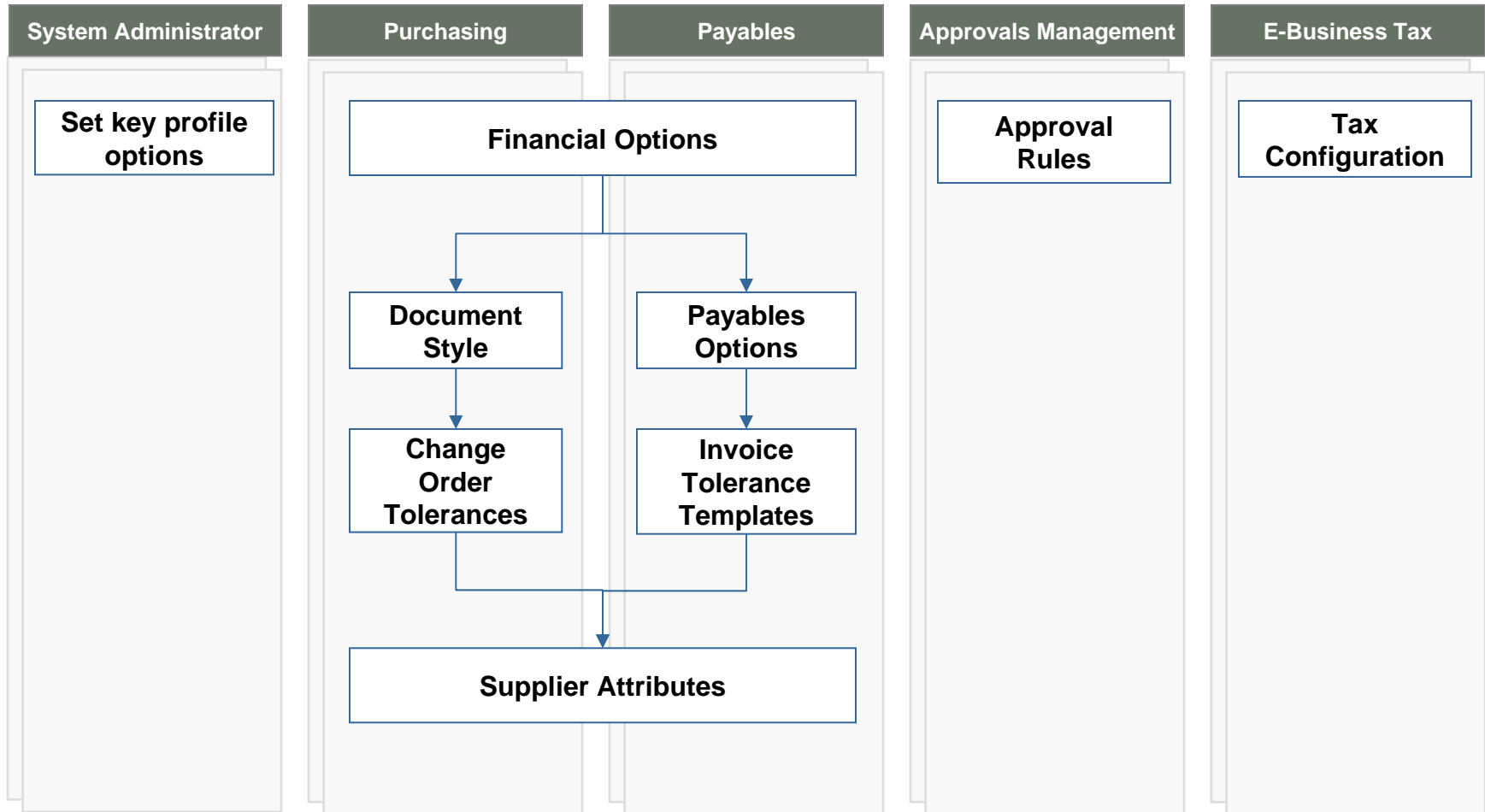
- Create a request for Construction Services.
- Source the Project.
 - Contract for Fixed Price Services with Provisions for Progress Payments
 - Flexible Progress Tracking Options with use of Rate, Lumpsum and Milestone Pay Items
- Creation of Construction Purchase Order
- Supplier Self-Service in Reporting Progress and Submitting Payment Requests
 - Online Certification and Approval of Work and Payment Requests
- Automated Self-Billing Options based on Confirmed/Certified Work
 - Retainage and Retainage Release

Looking at Complex Procurement

Demo

Implementation Considerations

Setup Overview



Procurement for Complex Services Setup – Set Key Profile Options

- **POR: Amount Based Services Line Type**
 - Defines how the services are to be quantified and ordered on the transaction document.
 - Value should be set to 'Fixed Price Services' at the desired levels.

Profile Value	Description
Fixed Price Services	Services will be ordered as a lump sum amount.
Amount Based	Services will be ordered as a quantity with a unit price (=1)

Procurement for Complex Services Setup – Financial Options

Financials Options (Purchasing, Vision Operations (USA))

Operating Unit

Accounting | **Supplier - Purchasing** | Encumbrance | Tax | Human Resources

Future Periods

GL Accounts

Liability	01-600-2210-0000-000
Prepayment	01-000-1340-0000-000
Future Dated Payment	01-600-2580-0000-000
Discount Taken	01-740-7825-0000-000
PO Rate Variance Gain	01-600-7842-0000-000
PO Rate Variance Loss	01-740-7844-0000-000
Expenses Clearing	01-000-2220-0000-000
Miscellaneous	
Retainage	01-000-1110-0000-000

Define Retainage Account

Procurement for Complex Services Setup – Define Document Style

ORACLE Purchasing

Diagnostics Home Logout Preferences

Document Styles >

Update Document Style

* Indicates required field

Cancel Apply

* Name: Facilities Renovation Contract
Description: Purchase Order Style for Maintenance, Repair, and Renovation of Facilities
Status: Active

Document Types

Enable Type

Standard Purchase Order
 Contract Purchase Agreement
 Blanket Purchase Agreement

Display Name: Facilities Renovation Contract

Commodities

Purchase Bases: Goods, Services, Temp Labor
Line Types: All

Pricing

Price Differentials

Complex Payments

Advances
 Retainage
 Progress Payments

Pay Items: Milestone, Rate, Lump Sum

Treat Progress Payments as Contract Financing

Cancel Apply

Diagnostics Home Logout Preferences

Document Style Name, Description

Display Name on Document

Setup Purchase Commodities

Allow Advances, Retainage, Progress Payments

Payment Schedule as Financing

Specify Pay Item Types

Procurement for Complex Services Setup – Invoice Tolerances

Invoice Tolerances Template (Payables, Vision Operations (USA))

Name: Service Operations Tolerance

Description: Service Tolerance Policy for New Construction

Type: Services

	Tolerance	Hold Name	
Ordered	%	Amt Ord	<input type="checkbox"/>
Maximum Ordered	100	Max Amt Ord	<input checked="" type="checkbox"/>
Received	10.0 %	Amt Rec	<input checked="" type="checkbox"/>
Maximum Received		Max Amt Rec	<input type="checkbox"/>
Exchange Rate Amount	10	Max Rate Amount	<input checked="" type="checkbox"/>
Total Amount	100	Max Total Amount	<input checked="" type="checkbox"/>

Define Invoice Tolerance Policies for both Services and Goods

Enable desired tolerances, provide amounts or a % allowance.

Procurement for Complex Services Setup - Supplier Site

ORACLE Supply Base

Home Logout Preferences Diagnostics

Suppliers

Suppliers >

Confirmation
Changes to Invoice Management have been saved

Update Allied Construction - 2000194: Invoice Management

Invoice Currency: Euro
 Invoice Amount Limit:
 Invoice Match Option:

Hold from Payment: All Invoices
 Unmatched Invoices
 Unvalidated Invoices

Invoice Payment Terms

Payment Currency: Euro
 Payment Priority: 99
 Terms: Immediate
 Terms Date Basis: Invoice
 Pay Date Basis: Due

Pay Group: Standard Supplier Pay
 Always Take Discount
 Exclude Freight From Discount
 Create Interest Invoice

Supplier Sites

Site Status: Active Site Name: Operating Unit:

Invoicing Payment **Terms** Supplier Preferences

Create

Site Name	Operating Unit	Terms	Terms Date Basis	Pay Date Basis	Retainage Rate (%)	Always Take Discount	Exclude Freight From Discount
DALLAS	Vision Operations	Immediate	Invoice	Due	10	<input type="checkbox"/>	<input type="checkbox"/>

Cancel Save

Suppliers Home Logout Preferences Diagnostics

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Payables Accounting

Purchasing Default Invoice Match Option

Invoice Management: Invoicing: Services Tolerance

Invoice Management: Invoicing: Retainage Rate

Procurement for Complex Services Setup – Supplier Change Order Tolerance

ORACLE Purchasing

Diagnostics Home Logout Preferences

Supplier Change Order Operating Unit: Vision Operations

Buyer Auto-Acceptance Tolerances				
Attribute	Measure	Maximum Increment	Maximum Decrement	
Document Amount	%	<input type="text" value="0"/>	<input type="text" value="0"/>	
Document Amount	USD	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	
Unit Price	%	<input type="text" value="0"/>	<input type="text" value="0"/>	
Line Amount	%	<input type="text" value="0"/>	<input type="text" value="0"/>	
Line Amount	USD	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	
Schedule Quantity	%	<input type="text" value="0"/>	<input type="text" value="0"/>	
Schedule Amount	%	<input type="text" value="0"/>	<input type="text" value="0"/>	
Schedule Amount	USD	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	
Pay Item Quantity	%	<input type="text" value="10"/>	<input type="text" value="0"/>	
Pay Item Amount	%	<input type="text" value="100"/>	<input type="text" value="0"/>	
Pay Item Amount	USD	<input type="text" value="500.00"/>	<input type="text" value="0.00"/>	
Promised Date	Days	<input type="text" value="0"/>	<input type="text" value="0"/>	

Specify Auto-Approval Tolerances for Pay Item Changes

Routing
Select any of the following attributes for which supplier change request should be routed to requester for approval.

- Promised Date
- Schedule Quantity
- Price (for lines from a non-catalog requisition)

Procurement for Complex Services Setup – Change Order Tolerances

ORACLE Purchasing Diagnostics Home Logout Preferences

Change Order Operating Unit:

Auto-Approval Tolerances for Agreements				Auto-Approval Tolerances for Orders			
Attribute	Measure	Maximum	Increment	Attribute	Measure	Maximum	Increment
Header Amount Agreed	%		0	PO Amount	%		100
Header Amount Limit	%		0	Header Amount Limit	%		100
Unit Price	%		0	Unit Price	%		10
Price Limit	%		0	Line Quantity	%		100
Line Quantity Agreed	%		0	Line Amount	%		100
Line Amount Agreed	%		0	Schedule Quantity	%		100
Price break - Quantity	%		0	Schedule Amount	%		100
Price break - Price	%		0	Pay Item Price	%		100
				Pay Item Quantity	%		100
				Pay Item Amount	%		100

Auto-Approval Tolerances for Releases			
Attribute	Measure	Maximum	Increment
Schedule Price	%		0
Schedule Quantity	%		0
Schedule Amount	%		0
Distribution Quantity	%		0
Distribution Amount	%		0
Need-By Date	Days		0
Promised Date	Days		0

Specify Auto-Approval Tolerances for Pay Item Changes



Procurement for Complex Services Setup - Approval Rules

ORACLE Approvals Management
 Diagnostics Home Logout Preferences Personalize Page

Business Analyst Dashboard

This table displays the transaction types in the order you accessed them.

Transaction Types					
Name	Application	Rules	Test	Setup	
Work Confirmation	Purchasing				
Payables Holds Resolution	Oracle Payables				
Payables Invoice Approval	Oracle Payables				

Recently Updated Rules

This table displays the rules whose definition and usages has changed.

Since number of days

Name	Rule Type	Transaction Type	Action	Date	User	Update
Project Manager - 8876	List Creation	Work Confirmation	Updated	04-Aug-2006	OPERATIONS	
Project Owner - Vision	List Creation	Work Confirmation	Updated	04-Aug-2006	OPERATIONS	
Cost Center 520	List Creation	Payables Invoice Appr	Created	07-Aug-2006	OPERATIONS	
Cost Center 740	List Creation	Payables Invoice Appr	Created	07-Aug-2006	OPERATIONS	
Over 1000	List Creation	Payables Holds Reso	Created	07-Aug-2006	OPERATIONS	

Approval Process Setup

- Select the transaction type**
- New/Changed Transaction Types in AME**
- Define attributes to fetch business facts for a specific transaction.**
[Conditions](#)
 Define conditions to evaluate attributes within rules. If all conditions in a rule are true then the rule is active for the transaction.
[Action Types](#)
 Enable action types to specify the action to take if a rule is active for a transaction.
[Approver Groups](#)
 Define approver groups to contain approvers who are usually members of peer groups such as payroll or expenses department.
- Define the approval rules**
 Approval Rules determine the approvers or FYI notification recipients required for a business transaction.
[Rules](#)
- Test Workbench**
 Define test cases or test real transactions

Implementation Considerations

– Available Line Types:

- 'Goods'
 - Only Milestone Pay Items supported
- Fixed Price Services
 - Rate, Lumpsum and Milestone Pay Items supported
- Fixed Price Temp Labor
 - Rate, Lumpsum and Milestone Pay Items supported
- Rate Based Temp Labor is not supported
- Amount-Based Services is not supported

– Destination Types

- Only Expense Destination Types are allowed (not Inventory, Shop Floor)
- Inventorized Items are supported with Expense Destination Types only

Implementation Considerations

– Advances

- Available only with Progress Payments
- Paid with 'Prepayment' Invoices only
- Can be recouped on 'Standard' Invoices only if 'Prepayment' Invoice is paid (not billed!)

– Retainage

- Available only with Progress Payments
- Retainage withheld on Standard Invoices only
- Released using a 'Retainage Release' Invoice only

Implementation Considerations

- Non-Financed PO's
 - Pay Items need to sum up to the Line
 - Recoupment Rate should be high enough to liquidate the Advance (if any)
- Financed PO's
 - Line has its own Delivery Shipment
 - Pay Items are financed, can be billed only using 'Prepayment' Invoices
 - Pay Items + Advances need to be less than the Line Amount
 - Recoupment Rate should be high enough to liquidate Advances + Pay Items amount
 - Accrue at Receipt not supported for Financed Pay Items

Summary

- **Maximize Preferred Supplier Savings:**
 - Create and enforce better agreements, enforce preferred supplier use in every requisition, and set policies for services spend approval
- **Eliminate Over-Billing and Overruns:**
 - Eliminate over-billing with comprehensive invoice matching and reconciliation, lower processing costs through supplier collaboration, and ensure service delivery and compliance with deliverable tracking
- **Create Visibility into Services Spending:**
 - Oversee the entire services procurement cycle, measure supplier and contingent labor performance, and achieve a complete view of services and goods spending
- **Greatly simplified process for procuring and managing services of all kinds.**

Thank you !