Internal Purchase Orders (IPOs)

Topic/Function: How IPOs will be managed in Workday

Audience:
- PCB

Descriptions:
At UNR, a number of departments provide services to other departments and “recharge” for those services. Some departments use the IPO form (internal purchase order) to fill out the items requested, the accounts to be charged, and sign to authorize the service. This type of IPO assures the service-providing department they can recover their costs after the service/good has been provided (the pay later model). Some departments require that the request be prepaid before the service/good is provided (the cash first model). We will cover both scenarios in our Workday guidance.

The IPO Form

Workday does not provide functionality to replace our current IPO paper process where one department requests goods/services from another department with a signed approval to pay for that good/service. That preapproval process will remain the same paper / signed approval method in the Workday environment. You can find the revised IPO form, which allows entry of Workday worktags, on the Campus Business Forms and Policies page.

What is my payment model / Who enters the Journal?
When you purchase from an external supplier, the payment terms are usually known in advance. The same should be true of internal suppliers/service providers. The internal supplier/service provider should make clear to the requesting departments whether they accept the IPO for payment later or whether they expect payment first.

“Pay Later” / Service Department Billing
Previously, in Advantage, the last step of the manual IPO process was a journal voucher that charged the requesting department and reimbursed the service/good provider after the goods or services were provided. In Workday, the last step of the manual IPO process is still a journal. This Workday accounting journal can be initiated through the “Create Journal” business process. The journal should have the following characteristics:

- Journal Source = “Recharge”
- Expenses will be debited to the department receiving the goods or services,

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The credit will be coded to the department receiving the funds with a ledger account = 6400 (Sales and Service Recharge) and an appropriate recharge spend category (To review the list of spend categories for recharge, please use the https://wdtools.unr.edu site.)

Where the service provider is given a signed purchase order and approval to charge, and does not receive payment until the transaction is completed, the expectation is that the supplier/service provider would be the initiation point for entering the journal entry. This would be the equivalent of issuing an invoice if they were an external supplier. Also, because the service provider has a standard recharge spend category and would usually use the same spend categories to charge the other departments, these journals lend themselves to standardization and may be appropriate as an upload (EIB).

“Cash First” / Customer Self-Billing

Where the service provider will not begin the process until they are reimbursed, they may require that the requesting departments enter the journal to “pay” them first. In this case, the service provider should give all requestors the standard Workday coding for their goods and services. For instance: (codes in italics not real – just for demo)

- Credit to: UNRxx/CC1234/PG123456 // Ledger Account 6400/Spend category “Recharge-Pay First Software”
- Debit to: Requestors Unit/Cost Center/Detail Worktag // Ledger Account 6027:Intangible Purchases / Spend Category: SC0668 - Computer Software - Subscription/Annual

We recommend that all service departments review their coding standards with the Controllers’ Office before providing these to all requesting departments since we are all new to the Workday coding. It would also be helpful for all service departments to post/publish their forms, payment standards and coding standards for all departments.

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