Department Administrative Policy and Procedure (DAPP)

Subject: Purchase Order and Invoice Tolerance Rules
Revised: November 23rd, 2020

I. PURPOSE

To provide an overview of how invoice matching on purchase orders (POs) are handled by Payment Services and what the tolerance limits are in processing payments for matching discrepancies for overages.

Invoice tolerance limits are being placed into the system as they present a low financial risk and a great time-savings for campus. For example, in FY20, UW processed 15,474 purchase orders. Of those purchase orders, 4,050 purchase orders had change orders completed on them, almost 1/3 of purchase orders. As purchase orders can have multiple change orders, the total number of change orders in FY20 was 5,077. With an estimated completion time of 15 minutes per change order, this created an additional 1,269 hours of work across campus, equating to 8 months of one FTE. While this policy will not address all the change orders as the invoice tolerance has a limit, it will reduce workload across campus.

II. DEFINITIONS

Purchase Requisition – Document used to request procurement of supplies, equipment, and services. Once approved, the requisition becomes a purchase order.
Purchase Order (PO) – Document issued by the University to a seller indicating types, quantities, and agreed prices for products or services.
Invoice Matching – Matching a supplier invoice to other documents such as a purchase order or receipt.
Matching Discrepancies – Differences between documents such as supplier invoice, purchase order, or receipt.

III. POLICY

After the goods/services have been receipted in WyoCloud Financial Management and the department has received a supplier invoice, if the invoiced amount exceeds the original amount of a line item on a PO, the overage of the discrepancy will be reviewed by the department. If the matching discrepancy is within the tolerance of 10% or up to $100, whichever is lower, the department shall forward the invoice to Payment Services who will then process payment according to the payment terms. The system will

automatically override the purchase order amount without the need for a change order or approval from the requesting department as long as the goods/services are receipted. There is no action required on the department for matching discrepancies within the tolerance as long as the goods/services have been receipted.

The full amount of the invoice will be allocated to the original distribution line(s) on the PO Line. [In the event the invoice exceeds the budget for the specific item and the check funds process fails, Payment Services will contact the requestor from the original purchase requisition for further guidance.]

The tolerance levels are applied on a line-by-line basis, not on an invoice total basis. There is no overage tolerance for quantity.

When the invoiced amount is less than the original amount of the PO line item and all goods/services have been received, a change order must be completed on the PO to fully close out the remainder of the PO and release the funds from being encumbered.

Example of the tolerance ($100 or 10%, whichever is less) is outlined in the table below:

Purchase Order Line Amount	Invoice Amount	Overage Dollar Amount	Percent of Overage	Action
$1,000	$1,025	$25	2.5%	Payment Services releases payment for $1,025 automatically
$2,000	$2,125	$125	6.25%	Change order must be completed for payment to process. Overage is > $100
$250	$275	$25	10%	Payment Services releases payment for $275 automatically

IV. ROLES AND RESPONSIBILITIES

Campus End-User
- Submits a purchase requisition in WyoCloud for goods/services and after approval by all required approvers, a purchase order is automatically dispatched to the supplier.
- After goods/services are physically received/completed, the campus end-user must receipt the goods/services within WyoCloud.
  - The department should only receive quantity or amount invoiced. Do not receive the full amount encumbered unless the invoice is for the full amount. Multiple receipts can be created against one line on a purchase order.
  - There is no action required on the department for matching discrepancies within the tolerance as long as the goods/services have been receipted; therefore, do not receive over the encumbrance amount for invoices within the 10% or $100, whichever is lower, tolerance level outlined above.

- Complete any change orders for discounted prices or a lesser amount invoiced.
  - Change orders must also be completed for any other changes to the PO that do not fall within the tolerance levels mentioned in the policy above.
- Forward any supplier invoices received to Payment Services (after assuring a change order is not required) with the corresponding PO number denoted on the invoice.

Procurement Services
- Organizes and administers a purchasing service and provides guidance to campus end-users on procuring goods or services.
- Audits purchase requisitions.

Payment Services
- Receives and audits invoices and matches invoices to the PO to process payment.

Supplier
- Provides goods/services requested and invoices department for payment.

Responsible Division/Unit: Procurement and Payment Services
Source: N/A
Links: N/A
Associated Regulations, Policies, and Forms: N/A
Approved: 10/27/2020