

The Governmental Accounting Standards Board (GASB) is a national organization charged with establishing and improving standards of government accounting. The GASB34 dictates that freight/delivery/shipping costs are to be included in the value of any asset being tracked in Asset Management. AOS, IDOA, and GMIS have determined that many are inconsistently and incorrectly applying these charges on requisitions, RFOs, POs, and AP vouchers.

The procedures outlined below are necessary to ensure that the State is compliant with GASB standards, while allowing AOS to maintain oversight of the process and identify agencies or vendors out of compliance with the requirements. They also help maintain the integrity of the procurement process by making certain all bidders are treated equally.

Agencies in the practice of including freight/delivery/shipping costs in the unit price of items purchased will notice no change. Those adding lines to vouchers for these charges without contacting vendors, however, will be impacted by changes in auditing.

These changes are effective beginning September 24, 2013.

- If an asset exists on a PO, the buyer is responsible for making sure that any freight/delivery/shipping costs are included in the line item unit price.
- If an asset exists on a PO and applicable freight/delivery/shipping costs are listed as a separate line item, the PO must be changed so that the costs are included in the line item unit price.
- All vouchers routed to AOS must reference a PO/Receipt line on each voucher line, or include no reference on any voucher line. If a vendor submits an invoice with a freight/delivery/shipping charge not listed on the PO and it is added as a separate voucher line, AOS will deny it.

Frequently Asked Questions

Q1. What happens if I receive a quote and the vendor happens to include a separate line for shipping instead of including it in the UOM cost?

A1. Contact the vendor to ask the following question. "May I have your permission to create the purchase order with freight in the UOM cost even though you quoted it separately?" The date, time, and contact name should be

documented in the procurement file for auditing purposes. This will help alleviate confusion when the vendor gets a purchase order that does not exactly match the quote and will be proof that the vendor granted permission when you have a SBOA audit.

Q2. We have a massive shipment of magazines to schools every fall. Historically, the vendors always pass the postage/shipping costs on to the State. We do not know the postage/shipping costs when we are creating the Req/RFQ. Should we add a separate postage/shipping line? If yes, then how should we add the line?

A2. Yes, as long as a good faith estimate of shipping is given during the quotation, it is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable.

Q3. Does this mean that all existing POs that have shipping/freight need to be corrected? If so, does IDOA or anyone else have a preference as to how that correction is made?

A3. Several asset related POs will need to be updated. We will be running a query to identify these FY14 purchase orders and will email the list to the Agency's head procurement agent. Beginning immediately, all asset related purchase orders will need to have the freight charges included in the Unit of Measure cost.

Q4. Is this for assets only or all our purchases?

A4. The best practice is for the vendor to include any and all freight charges in the unit of measure cost for all purchases. Beginning immediately, freight charges must be included in the unit cost for all asset related lines.

Q5. Our practice has been to put a shipping line in as a requisition and then putting it on the existing PO. Can we continue this practice?

A5. The best practice is for the vendor to include any and all freight charges in the unit of measure cost for all purchases. Beginning immediately, it must be included for all asset related lines. If an invoice comes in that includes freight and it is determined (through careful analysis by the Buyer) that it needs to be added to a purchase order, then a new line needs to be added to the PO. The new line will come from current year funding. If the line is over \$500, then a new requisition needs to be copied to the existing purchase order using current year funding. When working with assets, the quantity for the freight should be made to match the quantity of the item, and the Buyer or AP staff should work with their asset management staff to alert them of POs where this will occur. The

AM staff will be responsible for using the consolidation process to merge the freight costs into the total cost of the asset.

Q6. My agency doesn't currently use ePro through PeopleSoft, but we will be implementing it in the future. Would these instructions apply to us or would we do business as usual until we begin utilizing that portion of the software?

A6. For any agencies not currently using eProcurement, but planning on implementing it, should start using the process now of having the vendor include any freight related costs in the unit price of the item to make the transition to ePro easier.

Q7. What should we do about rolled purchase orders? If a vendor sends an invoice with a shipping line that isn't on the rolled PO, what should we do?

A7. If an invoice comes in that includes freight and it is determined (through careful analysis by the Buyer) that it needs to be added to an old year/rolled purchase order, then a new line needs to be added to the PO. The new line will come from current year funding. If over \$500, then a new-year requisition needs to be copied to the existing purchase order.

Q8. Are the Buyers to get corrected invoices showing the shipping removed or is the Buyer to alter the purchase order, roll shipping to line one and use the invoice that shows shipping on a separate line and just mark it off of the invoice?

A8. If the Buyer determines that shipping should not be included in the invoice, then the Buyer would need to contact the vendor for corrected invoicing. If an invoice comes in that includes freight and it is determined (through careful analysis by the Buyer) that it needs to be added to a purchase order, then a new line needs to be added to the PO. The new line will come from current year funding. If over \$500, then a new requisition needs to be copied to the existing purchase order. If it is a FY14 purchase order with an asset flag and the invoice includes a separate freight line, the PO will need to be adjusted to include the freight in the unit price.

Q9. In accounts payable, what do I do when I see an invoice that has a shipping charge?

A9. If the invoice/PO only contains non-assets, then the shipping charges should only be paid on an invoice if they were included in the vendor's quote and appear on the PO. If an asset is being purchased, then a stand-alone shipping/freight/delivery charges should not appear on an invoice/PO. The Buyer should contact the vendor if new invoicing is needed.

Q10. In accounts payable, what do I do if I see an invoice that has a shipping charge, but doesn't have an asset?

A10. Shipping charges should only be paid on an invoice if they were included in the vendor's quote. If the shipping charges were not on the original PO, you should contact the PO's Buyer, and the Buyer should contact the vendor.

Q11. How does this new policy affect rolled POs with separate shipping lines?

A11. As long as freight is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable to leave it as is.

Q12. Who contacts the vendor to get a new invoice?

A12. If the Buyer determines that shipping should not be included in the invoice, then the Buyer would need to contact the vendor for corrected invoicing, since he/she obtained the quote and has the relationship with the vendor.

Q13. What if the vendor won't give us a new invoice?

A13. The Buyer will need to explain the situation to the vendor who should be able to produce an adjusted invoice. If the vendor will not comply, complete a Vendor Performance Form and submit it to IDOA Procurement. It can be found at <http://www.in.gov/idoa/2865.htm>.

Q14. Why can't we pay out the remaining PO payments the way the PO currently is?

A14. On rolled POs that have a separate shipping line - as long as freight is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable to leave it as is. FY14 purchase orders that have an asset flag and include a separate freight line will need to be adjusted. On FY14 non-asset purchases as long as shipping was quoted, it is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable.

Q15. Why does AOS pay some PO Vouchers with Freight and not others?

A15. On rolled POs that have a separate shipping line - as long as freight is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable to leave it as is. FY14 purchase orders that have an asset flag and include a separate freight line will need to be adjusted. On FY14 non-asset purchases as long shipping was quoted, it is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable.

Q16. Should an agency pay shipping on QPAs? In what circumstances would this be acceptable?

A16. As of August 29, 2013 ONLY the following QPA contracts include either an eProcurement catalog line item for shipping/freight/delivery or have the information included in the QPA header comments. The shipping/freight/delivery will need to be included on the purchase order. IDOA will work toward eliminating those as new QPAs are put in place.

12865 Vehicles – Ford Advantage Ford L-M Sales Service – This QPA includes assets with a separate ePro line item for delivery. The delivery will have to be addressed on the AM side.

10809 Disposable Kitchen Products - Acorn Distributors, Inc.

11144 Laundry Service/Uniform Rental - Aramark Uniform Services, Inc.

11085 Laundry Rental Service - Unifirst Corporation

13007 Remanufactured Toner Cartridge - Hopewell Center Inc.

11179 MRO/Maint/Repair/Operations - Fastenal – Special shipping requests only

12943 Vehicle Parts & Accessories - NAPA Auto Parts – Special shipping requests only

10367 Corrugated Boxes - Carey Services Inc.

9992 Dust Rags, Cotton Blends - Evansville Goodwill Industries, Inc.

11191 Self Heater Meals - Heater Meals Zestotherm

10788 Wood Chips - Rays Trash Service, Inc.

12652 Media Buy Services - Asher Agency Inc.

12487 Qiagen Products - Qiagen Inc

11192 Self Heater Meals - Ameriqua Group LLC

13031 Scriptographic Books - Channing Bete Co Inc.

10717A Serological Assays - Johnson and Johnson Health Care Systems

Q17. Does this change affect only assets?

A17. No, this change will affect all POs with shipping/delivery/freight charges. The recommended best practice is for freight charges to be included in the unit

of measure cost for all items. It must be included for all asset related lines going forward.

Q18. I got this impression from our discussion, but the guidance does not state this specifically and makes it sound like this is a more general change to all purchase orders. Should invoices be rejected for having a shipping line in order to match the PO and voucher?

A18. No, as long as freight is included on the purchase order, it is on the resulting receipt and the receipt is tied to the voucher it is acceptable.

Q19. Is there an easy way for the AP entry person or Buyer to determine if the PO is for an asset versus a non-asset?

A19. GMIS is working to add a warning message "ASSET LINES HIGHLIGHTED RED" to the top of any purchase order that has an asset line and will highlight the asset line description(s) in red. Buyers MUST pay attention and make sure the PO is correct at this point in the process or they may cause additional work for themselves and others later. Depending on the response from the Buyers, we can look at expanding this message onto vouchers and requisitions. This review will depend on feedback that AOS/GMIS/IDOA receives from the users.

Q20. Will AP be using the freight box on the introductory page of the voucher or will the freight always be absorbed into the line items?

A20. The freight box on the introductory page of the voucher should only be used on vouchers not tied to eProcurement purchase orders.