

Changes to the Purchase Orders module in the Summer 2011 build

Overview of the Changes

- New Shortcut Key: F7 – **Find PO by PO Number**
- Credit PO now linked – **Credit** button on PO Screen
- Schedule Pickup / Delivery directly from PO Screen
- PO statuses standardized to the following order: open, received, complete, payable, paid
- Description now saves in order history when paying POs

Creating a credit PO is simple. Open the PO, then click the **Credit** button (if the button is grayed out, hit **Save**, then **OK**). A new screen will come up for the credit PO, where you can enter all the necessary information. To create a pick-up for the credit PO, save the credit PO and then click **Pickup**.

Because credit POs are now linked and the PO statuses have been standardized, there are perhaps a couple procedural changes in and around the PO process your yard may need to implement. Here's a basic summary/review of the entire PO process:

1. The workorder/PO gets created.
2. When the brokered part arrives, open the PO and mark it **Received** and **Complete**.¹ *Note: this point is a natural time to verify the vendor and cost match the vendor invoice. After this point in the process, there are a couple scenarios where the entire order must be credited and rebilled in order to correct vendor/cost information. See the following sections for more details. The vendor/cost reconciliation can also be done in Step 5 below.*
3. The order then gets invoiced and delivered to your customer.
4. If at some point the customer returns the part:
 - a. Create a RMA (if necessary) to pick up the part, then credit the invoice when the part comes in.
 - b. If the part then needs to be returned to the vendor, credit the PO and place the credit PO on a route to deliver back to the vendor.
5. Reconcile the PO with the vendor invoice and mark as payable.² *Note: this is the final step in the PO process and will make the PO un-editable.*
6. When the vendor statement arrives the following month, the statement can be reconciled using the **Find Purchase Order** screen or the **Pay PO** screen to verify which POs do and do not match the statement.
7. Once the statement is reconciled, mark the POs as paid in the **Pay PO** screen. At this point you can apply any outstanding vendor credits (i.e. credits from previously paid POs).³
8. Use the P10 alongside the S10 report to determine the profitability of the brokered sales for a given time period. A general list of POs can be generated by using **Find Purchase Orders** or the P3 report.

¹ Open the PO, click the **Receive** button, enter a date, click **OK**, and then **Save**. Complete the PO by checking the **Complete** box; click **Save**.

² This can be done from the **Find Purchase Orders** screen, bring up the PO, highlight it, and click **Mark PO Payable**

³ Highlight the credit PO and the PO you wish to pay and click the **Allocate** button.

Voiding versus Crediting POs. Voiding POs should only be done if the parts are not received. If the parts have been received (i.e. they arrived at your business), the PO should be credited, not voided.

If the part is has not come in yet and the customer cancels, the vendor cannot provide, or for any other reason, there are several options to void the PO:

1. Cancel the workorder using the **Kill** button in the order screen.
2. remove PO from workorder using the **Remove** button in the order screen
3. Use the **Search For Replacement Parts** under the **Items** menu in the order screen to replace the old PO.
4. Use the **Void** button in the PO screen.

Once the parts comes in but is bad, was en route to be delivered when the customer cancelled, or for any other reason, the PO should still be received in Pinnacle and then credited. There a couple scenarios that may play out from this point:

1. If replacing the part with one from another yard:
 - a. Receive and Complete the PO (you did receive it after all).
 - b. Credit the PO and place on a route to delivery back to vendor, if necessary.
 - c. Open the workorder and use **Search for Replacement Parts** to create a new PO for the replacement part.
2. If cancelling the order (i.e. a lost sale)
 - a. Receive and complete the PO (you did receive it after all).
 - b. Credit the PO and place on a route to delivery back to vendor, if necessary.

Standardized PO statuses. PO statuses are now standardized to occur in the following order: Unordered, Ordered, Received, Completed, Payable, and Paid.⁴ One of the effects of this change is a greater emphasis on marking POs payable, which is now a critical part of the PO process. As noted earlier marking POs payable makes the PO un-editable, **thus ASA highly recommends adding quality control steps within the PO process to verify POs are correct before they are marked as payable.**

Marking POs payable (and thus read-only) ensures reporting integrity when reporting profitability on POs (i.e. so the values do not keep changing), however users must manually make this indication. Thus ASA also has the following recommendations to help prevent abuses:

- Mark the POs payable as soon in the process as possible.
- Have someone other than sales staff mark as payable after verifying the vendor invoice
- Restrict access to the **Undo Complete** button in the PO screen
- Restrict access to the **Mark as Payable** button in the **Find Purchase Orders** screen
- Restrict access for creating miscellaneous POs

ASA also advises to *uncheck* the following preference: **Allow brokered parts to be invoiced if the parts have not been ordered or received.** If checked true, users can invoice an order without receiving and can then void the PO. This will cause two issues, the invoice no longer shows the PO number attached to the order and the PO will not show on the P10. POs that are received cannot be voided and will thus resolve the issue. You can also set security on the VOID button. In general, the void option should be used sparingly; credits POs should be written in most cases (see above).

⁴ Also, because of this change, after first receiving the build, you may incur situations where POs do not reflect this progression of statuses. In testing, these inconsistencies were benign, eventually working themselves out without issue.

Fixing POs. As we all know, mistakes will happen despite the best of quality control measures. If something on the PO needs to be corrected, there are a different means of fixing depending on the current status of the PO:

- *if the PO has not been completed*, all information can be edited.
- *if the PO has been completed and NOT credited or marked as payable*, you can use the **Undo Complete** button to make changes to the PO.
- *if the PO has been credited or marked as payable*, no more changes can be made. However, there are a couple options, depending on what exactly needs to be fixed:
 - **Fixing PO that has been marked as payable or credited**
 - *If the net cost on the PO is too high*, simply credit the PO further to adjust the net cost appropriately.
 - *If the net cost on the PO is too low or if you need to change the vendor*, credit and re-bill the entire order, including the invoice, the PO (created correctly!), any credit invoices, and any credit POs.
 - **Fixing a credit PO if credit PO written incorrectly**
 - *If the credit PO gave too little credit*, simply credit the PO again for the additional amount you need to credit.
 - *If the credit PO gave too much credit*, credit and re-bill the entire order, including the invoice, the PO, any credit invoices, and any credit POs (created correctly!).

Paying POs. The process of paying POs is essentially unchanged. However, one change is that POs can only be marked as payable from the **Find Purchase Orders** screen. Once a PO is marked as payable, it will appear in the **Pay PO** screen, where the PO can then be marked as paid. Single POs can be paid using the **Receive** and **Allocate** buttons (similar to paying invoices, receive the payment, highlight the desired orders, and click **Allocate**). You can pay a group of POs using the **Block Payment** option. Highlight the group of POs you wish to pay then click **Block Payment**. The dialog box will show you the dollar amount of what has been selected. In either case, enter your check number and any other notes in the *Description* field and these notes will be added automatically to the PO order history.

Tracking credits for paid POs can now be done through the **Pay PO** screen. If a credit PO is created for an *unpaid* PO, the credit will simply reduce the amount owed in the **Pay PO** screen (i.e. the **Amount Outstanding** column). If a credit PO is written for a paid PO, then the credit PO will show in **Payments** portion of the **Pay PO** screen to be allocated to another PO.

If a PO is paid in error, at present, the only way to fix the issue is to create a **PO Adjustment**.

Using PO Adjustments and Payment Adjustments in the Pay PO screen. Use these options to create miscellaneous adjustments in cases when you owe additional money (a PO Adjustment) or have additional credits (a Payment Adjustment). However, these adjustments are NOT included in the P10 report or the Jim Counts Sales by Screen Suggestion and Payroll report and should NOT be considered as a means for correcting POs. These adjustments should only be used in situations where profitability or commissions on brokered sales are not involved. For example, if receiving cash back for a credit on a paid PO, the credit PO in Pay PO can be removed from the Pay PO screen via a PO Adjustment.

Purchase Order Profitability. There is a new report for determining profitability on brokered sales—the **P10 Purchase Order Profit Report (Purchase Orders > Reports)**. This report is purpose-built and meant to be run alongside the S10 report when determining profitability on POs. The report is quite simple, showing PO by PO what the profit and mark up is, then totaling the net profit and averaging the profit and mark up percentages. When matching to the S10, the report must be run by user. The **Net Invoice Sales** on the P10 will match the **Brokered Sales** column of the S10. The totals line of the P10 lists the **Act. Profit** for each sales person.

P10 Purchase Order Profitability												
All Sites												
View By: Sales Person												
For Date Range Previous Month 7/1/11 to 7/31/11												
Sales Rep	Invoice Date	PO num	Vendor	Cost	Credit PO	Invoice Number	Customer	Inv Amnt	Cred Amnt	Act Profit	% Profit	% Markup
admin	07/22/11	7223	ASA Sales Demo	0.00	0.00	187470	Diamond Auto Parts	0.00	0.00	0.00		
Total for admin				0.00	0.00			0.00	0.00	0.00		
				Net PO Cost	0.00	Net Invoice Sales		0.00				
amber	02/14/11	6800	Stoystown Auto Wreckers	0.00	50.00	186664	AMBER Davis	0.00	0.00	50.00		
amber	06/22/11	7084		0.00	50.00	187243	AMBER Davis	0.00	100.00	-50.00		
Total for amber				0.00	100.00			0.00	100.00	0.00		
				Net PO Cost	-100.00	Net Invoice Sales		-100.00				
allan	06/20/11	7126	Bridgville Auto Center	0.00	150.00	187229	ERIKS Automotive	0.00	0.00	150.00		

One thing to keep in mind with this report is that POs show on this report based on the *invoice* date. This is necessary to be able to match the report to the S10. Thus, for a given date range, the report will show all POs that have been invoiced (this means that misc POs will NOT show on the P10 report). Additionally, credit POs created inside the date range of the report, but the invoice or credit invoice occurred before the date range of the report are also included (this will often show up as a PO with a \$0 cost and only a credit amount). Also note the **Credit PO** and **Credit Amnt** columns reports the subtotal of all credits for the date range, as an order/PO can have multiple credits. The site for each PO is based on the invoice site (again, matching to the S10), so if an invoice/PO is written in Site 1 but the credit PO was written in Site 2, when running the P10, the credit will show for Site 1 because that is the site of the invoice. The **% Profit** is derived by dividing actual profit by cost: $(Act. Profit)/(Cost - Credit PO)$. The **% Mark Up** is strictly the amount the part was marked up from the cost at the time of invoicing (does not consider PO or invoice credits): $(Invoice Amt. - Cost)/Cost$.

Additional notes on the P10

- The **Jim Counts Sales by Screen Suggestion and Payroll** report has been adjusted to consider profitability on brokered sales in the same manner as the P10.
- Please note that when running the P10, the report is subject to change until all the POs attached to the invoices in the date range have either been marked as payable or credited. *Because of this, ASA strongly advises developing a process in which all POs are marked as payable (if not credited) before the report is ran to calculate profitability for any commission checks.*
- The P10 or the Counts payroll report will not report correctly backwards. They will only report the profitability correctly from the point you receive the new build (the point at which credit POs link to the original PO). The P3 report can still be used to calculate profitability when the date range includes invoices previous to the date you received the build.