

The Purchase Order Cycle

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As of July 12, 2021, this "Learn Veracross" site has been deprecated. It will remain live at least through October 1, 2021, but will no longer be updated. All knowledge content has moved to the new [Veracross Community](#). Please update your bookmarks.

[Here is the new version of this article in the Veracross Community.](#)

Overview

This article details the purchase order cycle from start to finish. These stages are:

- entering a purchase requisition
- approving a requisition/creating a purchase order
- posting a purchase order
- printing a purchase order
- entering receiving information
- applying vendor invoices to purchase orders

Enter a Purchase Requisition

A request to purchase goods or services is initiated by creating a purchase requisition. A purchase requisition can be generated directly by staff and faculty members or strictly by accounting department users. A purchase requisition is used to define who is making the request; what they would like to purchase; when they would like it delivered; and the quantity and price of items to be purchased.

Once all pertinent data is entered, the user sets a flag to indicate that their requisition is "complete". The completed requisition is then eligible to be reviewed by the purchasing agent or accounting staff (or whoever has the authority to approve purchase requisitions). The completed requisition will also appear in the "Requisitions Awaiting Approval" report on the Purchase Order homepage.

Approving a Requisition / Creating a Purchase Order

A certain group of users will be authorized to review and either approve or disapprove purchase requisitions. These users can reject the requisition entirely by setting a "Rejected" flag; they can approve the requisition as entered by the requester, or they can make modifications to alter

information that was erroneously entered or omitted by the requestor. If they make modifications; they may subsequently mark the requisition as “approved”.

When a requisition is “approved”, the system records the person who approved it and the date of the approval. In addition, the system automatically assigns a PO number and PO date to the requisition. At that point, the transaction is no longer a requisition but has been transformed into an official Purchase Order.

Posting a Purchase Order

The process of “posting” a purchase order is vital to maintaining good financial integrity in your purchasing data. The act of “posting” a purchase order and its item will disable those transactions from numerous types of updates. For instance, neither the quantity nor the unit price of posted items may be modified. This is done to ensure that a PO that has been printed and delivered to a vendor is not subsequently modified. Clearly, having information recorded in your system that does not match information present to a vendor will cause confusion and reconciliation problems.

In addition, posting purchase order items makes the eligible for subsequent processing steps; namely, the entry of receiving information and the entry of invoicing information. Until an item is posted, neither of these processing steps will be allowed by the system.

Printing a Purchase Order

A formatted template exists to allow printing purchase order forms that are appropriate for delivery to your vendors. The formatted PO forms can be printed individually or in batch.

Entering Receiving Information

When actual goods or services are delivered by vendors, you can record these receipts by applying them to appropriate PO item(s). Entry of receipt information allows for comprehensive tracking of order fulfillment. This fulfillment is important to both the accounting department and the personnel who originally requested the purchase. In addition to tracking fulfillment, the entry of receipts will aid the Accounts Payable personnel in determining whether invoices received from the vendor are legitimate.

Apply Vendor Invoices to Purchase Orders

When vendor invoices are processed by the accounts payable department, the invoice information can be matched to and recorded on original purchase order items. As these invoice amounts are reflected on PO items, the open commitment amount on the purchase orders is automatically

reduced. Tracking the open commitment is vital to the purchasing agent and staff so that they can monitor invoice commitments that can be expected from vendors.

Understanding How Encumbrance Works

- When a Purchase Requisition is Posted, it becomes a Purchase Order.
- When a Purchase Order is generated, the Open Commitment Amount (encumbered amount) increases.
- When a Budget Manager views a Budget Report, they would see an Encumbrance Amount associated with the GL Account used on the Purchase Order.
 - The Encumbrance Amount will reduce the Budget Remaining (before anything has been paid), in order for the Budget Manager to know they don't have those funds to spend any longer.
- When an AP Invoice is generated, linked to a PO and subsequently posted, this will 1
 - 1) Reduce the Open Commitment of the PO.
 - 2) Remove the Encumbrance Amount on the Budget Reports and show as a bona fide Expense on all Budget Reports.

Attaching Files to a Purchase Order

Business Office staff members may want to attach files to Purchase Orders, such as the physical copy of the invoice. To attach a file to a Purchase Order:

1. Navigate to the Purchase Order Record, Files Tab
2. Click Attach Files
3. Browse/Drop Files and choose the correct File Type from the Drop Down
4. It will now appear on the File Tab

To learn more about File Types and Security review [this documentation](#).
