

Chapter 1

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Overview

Purchasing Subsystem

About this Chapter . . .

This chapter introduces the basic terms and ideas that are discussed throughout the IFMS Purchasing Subsystem section. In this section, you will learn:

- # Introduction to the IFMS Purchasing Subsystem
- # Introduction to the Purchasing Transactions
- # Purchasing Processing
- # General Information About the Purchasing Subsystem
- # Purchasing Offline Processing

This documentation is current as of the 5.1E7 subrelease.

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Introduction

IFMS is divided into multiple subsystems. The Purchasing Subsystem is one of these. This volume of the IFMS Users Guide provides information on the Purchasing Subsystem. It covers only a portion of the budgetary spending chains, the commitment and obligation of funds for items other than labor and travel. The expenditure of funds for these obligations is not part of the IFMS Purchasing Subsystem. Expenditures are recorded in the Accounts Payable Subsystem, Volume IV of the *IFMS Users Manual*.

In this volume of the IFMS Users Manual we will explain and describe the flow of information through the IFMS Purchasing Subsystem, the processing of transactions, how this information relates to the rest of IFMS through tables, provide a thorough data entry tutorial for system users, and finally describe the available reports for this subsystem. In addition, we have included an appendix containing: (a) Glossary of Terms and (b) Acronym Conversion Chart.

Subsystem Transactions

IFMS uses two different types of transactions in the Purchasing Subsystem. These are the commitment and obligation transactions. These transactions represent the first two steps in the processing chain used by Purchasing. The fourth step, expenditures, is covered in the Accounts Payable Subsystem, Volume IV of the *IFMS User's Manual*.

Commitment

A **commitment** is the reservation of funds to be used to purchase goods and services in the future. A commitment transaction is usually initiated on an originating document such as EPA's Standard Requisition Form 1900-8 (Rev. 9-86). An example of this document is included in the tutorial chapter. The document entry screen used by IFMS to record this transaction is the Requisition (RQ) document entry screen.

The official EPA definition of a commitment is found in RMD 2500 Appendix 1500-1a. **COMMITMENT: To make sure funds will be available for obligation, before obligating them, program officials administratively reserve (or commit) them.**

IFMS uses the RQ document as a commitment transaction.

Example

You plan to buy a computer, and you set aside the funds to purchase the computer in the future. However, you haven't placed an order with a computer vendor, because you're not sure what model you want. The setting aside of funds is the commitment. The commitment is not legally binding because you haven't ordered the computer.

Obligation

An **obligation** in the Purchasing Subsystem is the recording of amounts of orders placed, contracts awarded, services received and similar transactions during a given period that will require payments during the same or future periods and under the specific conditions of the transaction. In most cases this entry is represented by a Purchase or Delivery order such as EPA's Form 1900-8.

[In most cases, the Contracts Division will generate the obligating document in the Contract Payment System at Research Triangle Park and provide a daily update to IFMS through an interface file.]

The official definition of an obligation as provided by RMD 2500 Appendix 1500-1b follows. **OBLIGATION: Amounts of orders placed, contracts awarded, services received, travel performed, and similar transactions during a given period that will require payments during the same or future periods and under the specific conditions of the transaction are obligations. The term "obligation" includes both obligations that have matured (legal liabilities) and those that are contingent upon some future performance, such as providing services or furnishing materials.**

IFMS uses the Miscellaneous Order (MO), the Contract Order (CO), the Construction Grant (CG), and the Grant Order (GO) as obligation transactions in the Purchasing Subsystem.

Example

You decide what model of computer you want, so you place an order for the computer with a vendor. The order with the vendor is the obligation. Because the vendor will provide the computer based on your order, you have a legal responsibility to pay once you receive the computer. When an order references a commitment, the commitment is liquidated and new accounting entries are created.

Expenditure

An **expenditure** is an authorization to pay (i.e., an account payable) for goods and services received. Expenditures may occur before, after, or simultaneously with the disbursement of funds.

Example

Payment to the vendor is authorized for the total amount due on the invoice for the computer.

In IFMS, the Accounts Payable and the Automated Disbursements Subsystems record expenditures.

Overview of the Processing Cycle

A purchasing chain is the series of accounting transactions and the related documentation that you use when purchasing goods and services. Exhibit 1 shows how a purchasing chain is the combination of up to three different accounting steps: commitment, obligation, receiver and expenditure.

The Purchasing Chain

Commitment ===> Obligation ===>Expenditure

Exhibit 1

Using Purchasing Chains

All of these accounting steps do not have to be included in every purchasing chain; however, the relative sequence of the accounting events must be followed.

For example, your purchasing chain could begin by entering an obligation, and ignoring the commitment event, or by entering an expenditure, thus ignoring the commitment and obligation events. Your purchasing chain could not, however, begin with an obligation, followed by a commitment, because this chain does not follow the sequence of the accounting events. Exhibit 2 shows the purchasing chains that are valid in IFMS.

IFMS Purchasing Chains

**RQ 01 ==> MO 01 ==> Expenditure
Miscellaneous Order**

**RQ 01 ==> CO 01 ==> Expenditure
Contract Order**

**RQ 01 ==> GO 01 ==> Expenditure
Grant Order**

**RQ 01 ==> ==> Expenditure
CG 01 ==> Expenditure
Construction Grant**

Exhibit 2

When to Use Different Types of Purchasing Chains

In IFMS, you can use a different type of purchasing chain for each type of good or service that your agency purchases. For instance, suppose your agency purchases a good, such as a computer, and a service, such as telephone services. Because computers are a large expense, you probably want to carefully plan how the funds used to purchase the computers are spent. Thus, you use the commitment, obligation, and expenditure steps to track the funds spent for computers.

For the telephone services, it might be sufficient to use a less complex purchasing chain. Therefore, you specify that only the obligation and expenditure accounting events should be used when purchasing telephone services.

Using Documents to Create Purchasing Chains

You create purchasing chains in IFMS by entering purchasing transactions. Each purchasing transaction represents an accounting step in your purchasing chain. The type of purchasing transaction used for each step depends on the type of goods and services being purchased.

Exhibit 3 lists each type of purchasing transaction, the transaction's corresponding accounting step, and the appropriate uses for each of the transactions.

Purchasing Transaction Codes

Accounting Step	Purchasing Transaction	Transaction Code	What the Transaction Records
Commitment	Requisition	RQ	Non-commodity requisitions Other commitments
Obligation	Miscellaneous Purchase Order	MO	Miscellaneous Purchases Procurements Interagency Agreements (IAGs)
	Contract Order	CO	Contractual Agreements
	Construction Grant Order	CG	Construction Grants
	Grant Order	GO	Program Grants

Exhibit 3

General Information About the Subsystem

The following information describes issues and features of the Purchasing Subsystem.

Information Captured on Purchasing Transactions

As previously discussed in this section, for the commitment and obligation steps there are several types of purchasing transactions. Depending on the type of transaction, you enter a combination of accounting data, and/or descriptive information on the document entry screen.

! Accounting Data

Accounting data is entered on all purchasing transactions. Accounting data is the purchase's line of accounting (e.g., Appropriation, Organization, and Object Code) and the total dollar amount of the purchase. See Chapter 2 for more specific information on lines of accounting.

! Descriptive Information

In addition to accounting data, purchasing transactions may contain descriptive information such as the:

- # Name and phone number of the person requesting the item
- # Name, address, and phone number of the vendor
- # Name and phone number of your contact with a particular vendor
- # Delivery date and room of the building the items should be delivered to

Linking Transactions Together

Each transaction in your purchasing chain should be linked to the previous transaction by using referencing. Referencing enables the system to automatically liquidate a previous accounting event. All of the purchasing transactions (except commitment transactions, because they are first in the purchasing chain) include fields for referencing a prior transaction.

IFMS Transactions and Tables

When transactions are processed in IFMS, they update tables. There are many transactions and tables in the Purchasing Subsystem. Exhibits 4 and 5 list all transactions and tables included in the IFMS Purchasing Subsystem.

Purchasing Transactions

Transaction Name	Transaction ID
Requisition	RQ
Miscellaneous Purchase Order	MO
Contract Order	CO
Construction Grant	CG
Grant Order	GO

Exhibit 4

Purchasing Tables

Table Name	Table ID
Blanket Agreement Summary Inquiry Table	BASI
Blanket Agreement Summary Table	BASM
Contract Requisition Freeze Action Screen	CFRA
Frozen Contract Requisition Inquiry Screen	CFRI
Orders Header Table	OBLH
Purchase Order Accounting Line Table	OBLL
Purchase Order Build Table	POBT
Receiver Accounting Line Inquiry Table	RCLA
Receiver Header Inquiry Table	RCHT
Receiver Commodity Line Inquiry Table	RCLT
Recurring Miscellaneous Order Table	REMO
Requisition Header Table	REQH
Requisition Accounting Line Table	REQL
Requisition Status Table	RQST
Requisition Status Code Table	RSTA
Requisition Status Code Update Table	URQS

Exhibit 5

Purchasing Transaction Processing Edits

IFMS makes certain edits before accepting a purchasing transaction. Besides the normal processing edits, for each transaction, IFMS checks that:

- # The transaction's line of accounting is valid
- # The transaction amount is within the budget for the specified line of accounting
- # Any transaction referencing another transaction is within tolerance limits
- # The transaction's vendor code is valid

Below, we describe in more detail the line of accounting, tolerance limits, vendor codes, and the purpose of line totals.

Line of Accounting Validation

A line of accounting is a combination of codes that:

- # Defines which budget a transaction should be processed against
- # Tracks transactions for reporting purposes

Each purchasing transaction must contain, at least, the following codes:

- # Budget Fiscal Years/Appropriation
- # Organization
- # Object Code
- # Program Element

In addition, the line of accounting for each transaction in a purchasing chain must be consistent. If you reference a prior transaction, the current transaction must contain at least the same line of accounting as the referenced transaction; however, the current transaction can contain more codes than the referenced transaction. This may occur if you want to use additional codes to further define your budget or to aid in reporting. For example, optional reporting codes, such as Site/Project Number and Reporting Category can be added to an obligation, even if these codes were not included on the referenced commitment.

Exploding 10 Character Account Numbers

Many transactions entered into IFMS contain a 10-digit account number on the EPA source document. This 10-digit account number must be broken out into IFMS data element codes in order to enter the source document into IFMS. This code can be broken out by IFMS when the source document entered into IFMS is the first transaction in a processing chain.

Freezing Requisitions

IFMS allows for RQs to be "frozen" so that the RQ cannot be canceled, or modified until it is "unfrozen". An RQ is marked

frozen or unfrozen on the Contract Requisition Freeze Action Screen (CFRA). Frozen RQs appear on the Frozen Contract Requisition Inquiry Screen (CFRI) until they are unfrozen. For more information on CFRA and CFRI, see Chapter 3 of this volume.

Tolerance Limit Checks

In addition to budget spending controls, when a transaction is referenced and the Partial/Final (P/F) flag on the referencing transaction is **F**, tolerance limit checks will be invoked. If a transaction is within tolerance limits and budget spending controls are passed, the transaction will be accepted.

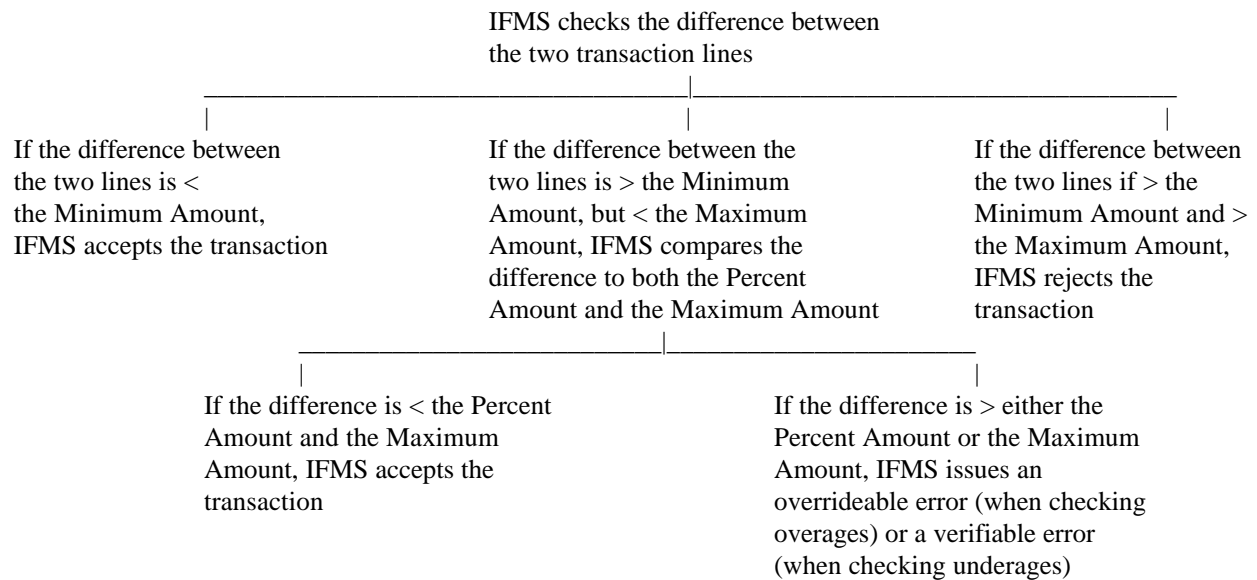
There are two types of tolerance limits: overage tolerance limits and underage tolerance limits. Each type defines the dollar or percentage difference that IFMS permits between two transactions (i.e., a transaction and the transaction that it is referencing).

Overage tolerance limits define the maximum dollar or percent difference for transactions on which the referencing transaction line amount exceeds the referenced transaction line amount.

Underage tolerance limits define the maximum dollar or percent difference for transactions on which the referencing transaction line amount is less than the referenced transaction line amount.

Both types of tolerance limits are set on the Transaction Category Table (TCAT) as a percentage, a maximum amount, and a minimum amount. When a tolerance limit is set to zero, that transaction line amount must equal the amount of the referenced transaction line.

Exhibit 6 shows how IFMS determines if a transaction should be accepted based on tolerance limits. This chart relates to both overage and underage tolerance limits.

How IFMS determines if a transaction should be accepted based on tolerance limits***Exhibit 6***

The following example illustrates how IFMS determines if a transaction should be processed based on tolerance limits. When reading the example, you might find it helpful to refer to the chart on the preceding page.

Tolerance Limits Example

Suppose that your tolerance settings on the TCAT Table look like Exhibit 7.

Example TCAT Settings

Overage Tolerance		Underage Tolerance	
Percent:	10%	Percent:	20%
Max Amt:	500.00	Max Amt:	15.00
Min Amt:	50.00	Min Amt:	5.00

Exhibit 7

You enter an obligation line for \$100. Next, you enter an expenditure line referencing the obligation for \$88 with a P/F flag of **F**.

First, IFMS calculates the difference between the two lines. In this example, the difference between the two lines is \$12.

The actual expenditure is less than the obligation so the underage tolerance will be checked.

Because \$12 is greater than the minimum amount, but less than the maximum amount, IFMS compares the difference to both the underage percent amount and the maximum amount. In this case, the maximum amount is \$15, and the percent amount is \$20 (20% of \$100).

Because the difference, \$12, is less than both the maximum amount (\$15) and the percent amount (\$20), the transaction passes the tolerance limit checks.

Validating Vendor Codes

IFMS uses **Vendor Codes** to identify the vendors that provide goods and services to EPA. The use of this code makes it possible to enter all the information for a vendor, (name, address, phone number, etc.) on the Document Entry Screen by entering a 1 to 10 digit alpha/numeric code. This coding system also makes it possible to cut a single check to a vendor. See the Automated Disbursements subsystem for additional information on this feature. EPA employees are identified by their Social Security Number. Vendors are assigned 1 to 10 digit codes in the Vendor Table (VEND). Regional offices may begin the code with their 2 position regional code.

Vendor codes consist of up to 11 characters. The first 10 characters specify a unique code for a particular vendor. This code may be less than 10 characters. When used, the 11th character identifies alternate addresses for the vendor. For a given vendor code, IFMS may maintain multiple vendor codes with an equal value in the first 10 positions and varying values in the 11th position to denote, for example, the ordering address or shipping address.

Types of Vendor Codes

There are two types of vendor codes used in IFMS: regular codes and miscellaneous codes. **Regular vendor codes** specify vendors that your agency uses on a regular basis. **Miscellaneous vendor codes** are used for trial suppliers, or occasional vendors, or in other circumstances for which a regular vendor code is not required.

Depending on the type of vendor code you specify, IFMS checks that the vendor code on a purchasing transaction and the vendor code on a payment transaction match. Payment transactions authorize payments to be made to a particular vendor, and are part of the Accounts Payable subsystem. The checks IFMS makes on vendor codes are described in Exhibit 8.

IFMS Vendor Code Validation

Types of Transactions	Required Match between Vendor Codes in the Current Transaction and the Referenced Transaction
Any Transaction Referencing a Commitment Transaction	No match is required. Commitments only suggest a possible vendor to use.
Payments Referencing a Purchasing Transaction with a Miscellaneous Vendor Code (except commitments)	Payments can use a regular (different) vendor code, or the same miscellaneous vendor code (all 11 characters).
Payments Referencing a Purchasing Transaction with a Regular Vendor Code (except commitments)	The first 10 characters of the vendor code must match, the 11th character may differ, because the check may be sent to an address different from the address from which the goods were ordered.

Exhibit 8

Canceling Unliquidated Purchasing Transactions

To ensure that your financial records are accurate, you should cancel any unliquidated commitments and obligations when you realize that you are not going to make the purchase. By canceling a transaction, you:

- # Reduce the transaction's outstanding balance to zero.
- # Liquidate all relevant commitments and obligations.
- # Delete all information associated with the transaction from all relevant inquiry tables. Canceling a transaction does not, however, delete the transaction from the Document Cross-Reference tables.
- # Free funds for other uses.

There is one exception to these rules:

- # Canceling an obligation that has liquidated a commitment does not reinstate the commitment. In this case, only the obligation is affected, and you must manually reopen the commitment.

Reopening Closed Obligations

IFMS records purchase order (obligation) lines on the Purchase Order Accounting Line Table (OBLL), which maintains the following amounts for each line:

- # **Obligation Amount.** The amount of the obligation line.
- # **Closed Amount.** The amount of the obligation line which is closed.
- # **Accrued Amount.** The amount of accrued expenditures against the obligation. IFMS does not calculate accrued amounts.
- # **Expended Amount.** The amount of expenditures against the obligation.
- # **Outstanding Amount.** The obligation amount minus the closed amount.

An obligation line is considered "closed" when the closed amount equals the obligation amount (i.e., the outstanding amount is zero). IFMS allows the expended amount to exceed the obligation amount as long as the difference is within the tolerance limits specified on the TCAT Table (see Tolerance Limit Checks, this chapter). In such cases, the closed amount is set to equal the obligation amount, thus closing the obligation.

You may reopen a closed obligation line by simply processing a modification to the obligation transaction. If the expended amount on the Purchase Order Accounting Line table is less than or equal to the obligation amount, IFMS adds the incremental amount of the modification transaction to the original obligation amount.

If, however, the expended amount is greater than the obligation amount, IFMS requires that the incremental modification amount be sufficient to make the total obligation amount greater than the sum of the accrued and expended amounts. In addition, the closed amount is adjusted to equal the sum of the accrued and expended amounts. This results in a reduction to available funds as follows in Exhibit 9.

Reduction to Available Funds Equation

Reduction to Available Funds	=	Amount of Modification Transaction	-	[Expended - Amount	-	Original Obligation Amount]
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Exhibit 9

Reopening Closed Obligations Example

Suppose you establish an obligation for \$100 and an expenditure of \$110 is processed against that obligation. In this case, the OBLL Table appears as follows in Exhibit 10.

OBLL Table After an Expenditure Greater Than the Obligation

Obligation Amount:	100.00
Closed Amount:	100.00
Expended Amount:	110.00
Outstanding Amount:	0.00

Exhibit 10

Now suppose you wish to reopen the obligation and increase the total obligation amount to \$125. To do this, you process a modification transaction for the obligation in the amount of \$25.

After processing the modification transaction, the Purchase Order Accounting Line table appears as in Exhibit 11.

OBL Table After Reopening and Increasing a Closed Obligation

Obligation Amount:	125.00
Closed Amount:	110.00
Expended Amount:	110.00
Outstanding Amount:	15.00

Exhibit 11

Notice that the following updates to the table occurred:

- # The obligation amount was increased by the amount of the modification transaction (\$25).
- # The closed amount was increased to cover the total expended amounts (\$110).
- # The outstanding amount is computed as $\$125 - \$110 = \$15$.
- # The available amount on the budget line (not shown above) is reduced by \$15 using the following equation in Exhibit 12.

Reduction to Available Funds Equation Example

Reduction to Available Funds	=	Amount of Modification Transaction	-	[Expended Amount	-	Original Obligation Amount]
Reduction to Available Funds	=	\$25	-	[\$110	-	\$100]
Reduction to Available Funds	=	\$15						

Exhibit 12

Also note that a modification transaction for less than \$10 would be rejected, because the increase would be insufficient to cover the amount by which the expenditure amount exceeds the obligation amount.

Recording Blanket Agreements

A **blanket agreement** is a contract between an agency and a vendor to purchase items at a predefined price, usually less than retail. Often there are restrictions attached to the blanket agreement. For instance, there could be a maximum amount of items that you could purchase at the agreed upon price, or you may have to purchase the items within a certain time.

You establish blanket agreements in IFMS using the Blanket Agreement Table (BASM). To specify when a purchase is related to a blanket agreement, reference the blanket agreement on the following transactions: RQ, MO, and CO.

Because the agreement is between your agency and a specific vendor, IFMS checks that the vendor entered on the transaction matches the vendor with whom you have the agreement. IFMS also enforces other terms of your contract and keeps track of summary information on Blanket Agreement Table and the Blanket Agreement Summary Table (BASI). The BASI and BASM tables are described in Chapter 3.

Establishing Recurring Miscellaneous Orders

By entering information into the Recurring Miscellaneous Order Table (REMO), you can automatically create Miscellaneous Orders (MOs) on a regular, recurring basis. Examples of when you would want to use recurring orders include any obligations that you make regularly on a certain date, such as an obligation for rent payments or an obligation for utility payments.

You can generate recurring MOs for any of the following intervals:

- # Monthly
- # Every other month (bi-monthly)
- # Quarterly
- # Annually
- # At one time in the future

To set up a recurring MO, enter the following information **once** on the REMO Table:

- # Enter all MO information.
- # Enter the start date and the end date of the time frame that you want to generate the MO.
- # Enter the frequency with which you want IFMS to create the MO (e.g., monthly, quarterly).
- # Enter the amount of the MO line.

If you do not know the amount, leave the amount field blank. IFMS will substitute the words ****FILL-IN**** in the amount field to remind you that you still have to enter an amount. When you determine what the amount is, you can enter the amount before processing or wait until IFMS adds the transaction to the Document Suspense File (SUSF) and change it there.

How IFMS Selects Recurring Miscellaneous Orders

IFMS selects recurring MOs from the REMO Table when the following events occur:

- # The offline Recurring Miscellaneous Order process date is equal to or between the transaction's start and end dates.
- # The latest date on the table is blank or great enough to meet the frequency with which you want to create the MO.

Example

Suppose the start date is January 1, 1999, and the end date is December 31, 1999, and you want IFMS to generate the transaction on a monthly basis.

If the offline process is first run on January 1, 1999, IFMS creates the recurring MO for the first time, and sets the latest date to January 1, 1999.

IFMS will not select the MO again until the offline process date is greater than or equal to February 1, 1999 (the next account month).

IFMS will delete the information on the REMO Table when the end date is less than or equal to the offline process date, or if the frequency is for one time only.

In the previous example, IFMS would delete the MO entry in the REMO Table on December 31, 1999. See the *IFMS Operations Guide* for more information on how IFMS creates Recurring Miscellaneous Orders.

How IFMS Creates the Recurring Miscellaneous Order Transaction ID

When IFMS creates a recurring MO from the REMO Table, it assigns a Transaction ID to the MO. This ID consists of:

- # The transaction code **MO**.
- # The submitting SFO from the REMO Table.
- # The MO transaction number from the REMO Table entry (9 digits) followed by the current month from the document's Date Table (DATE) entry. Any blanks are replaced by zeros.

Creating a Purchase Order from a Requisition

You can create a purchase order by bringing relevant data from a requisition forward to a new purchase order. To create the purchase order, enter in the Purchase Order Build Table (POBT):

- # The Transaction ID of a processed RQ
- # The Transaction ID of the purchase order that you want to create

Then, process the table with an action of **A**. IFMS leads you to the created purchase order, where you can modify or process the new transaction.

▼ **Note**

The purchase orders generated by the POBT Table are based on original requisitions. The purchase orders created do not reflect any changes or modifications to the original RQ transaction.

Entering Discount Terms

An arrangement between an agency and a vendor, by which the vendor offers a discount to the agency if the agency pays the vendor earlier than expected, is referred to as **discount terms**. In IFMS, all discount policies are defined in terms of a percentage of the payment amount or a discount amount (flat rate), to be used if the payment is made within a specified number of days. For example, a vendor may specify that if your agency pays their bill in 10 days, your agency will receive a 2% discount on the goods purchased, or a vendor may specify that your agency will receive a \$25 discount if the invoice is paid in 10 days.

Discount terms are entered on the payment and/or the referenced obligation. You can enter up to three discount terms on each document. Only one discount term will be selected per line. When calculating discounts, IFMS will always use the terms in this order:

Terms on the referenced obligation

Terms on the payment

If the discount is appropriate, IFMS will schedule the payment to take advantage of the discount.

There are, however, situations in which an agency would be financially better off if it did not take the discount. For example, the agency may earn more money from interest paid on money in the bank than from the discount percentage they would receive by paying the bill early. In this case, the discount will not be taken.

For more information on discounts, see the Accounts Payable Volume IV, Chapter 1, of the *IFMS User's Guide*.

Offline Procedures

All purchasing updates occur online with the exception of the general ledger tables. The GLDB, GLBL, and MSGL tables are updated during the nightly cycle for all transactions processed since the last nightly cycle.

For more information on offline processing, see Chapter 4.

Summary

The IFMS Purchasing Subsystem records and monitors all activities in the procurement process. These activities include requesting goods and services (commitments) and ordering goods and services (obligations).

Purchasing chains are the series of accounting procedures and source documents that you use to purchase items. Using IFMS, you can use a different purchasing chain for each type of good or service you purchase. You create purchasing chains by entering transactions and linking them together in your purchasing chain by using referencing.