Foreign Currency Payment Changes

Financial Training & Communications

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Overview
What are we talking about?

- Order and payment processing for suppliers who have requested payment in a non-US currency.
  - Moving forward, these suppliers will be classified as “Foreign Currency Suppliers” in BUY.IU (more on this later).

- These process changes **do not** impact suppliers who are international but elect to be paid in US currency.
What are the benefits of this change?

• Consistency across order setup and invoicing.
  – Purchase orders sent to suppliers will be stated in foreign currency.
  – Invoices must be submitted in the same currency stated on the PO.

• (More) accurate encumbrances.
  – Foreign currency orders will be converted to their US Dollar equivalents. This USD amount will be encumbered.
  – E.g., PO for 1,000 MXN reflected as $48.78 USD instead of $1,000 USD
When is this changing?

- Monday, January 31.
  - Starting Monday, new orders placed with Foreign Currency Suppliers must be entered in the supplier’s preferred currency.
  - Established orders do not need to be re-entered using the new method.
How does this impact existing orders?

• Payments against established orders will continue to be processed using the traditional method.
  – Treasury may contact department via the Comments when processing invoice payments for clarification.

• Traditional method orders needed after July 1 should be closed and re-established using the new method prior to July 1.
What about Pending orders?

- Non-catalog requisitions or change requests involving Foreign Currency Suppliers must reach Final status before January 31.
  - If documents are still Pending, they will error out due to this process change.
  - Documents must be resubmitted using the new process we’re discussing today.
Recognize this?

- This field is being retired!
- After January 31, the wire transfer/foreign draft stated in field will be Read Only.
Currency conversion

• Prices may need to be converted to the supplier’s preferred currency prior to order entry.
  – E.g.: Contract was negotiated in USD but supplier expects payment in EUR.

• Review the supplier’s profile to locate their preferred currency. Depending on the situation, you may need to:
  – Contact supplier and confirm the converted amount.
  – Use an online currency conversion tool.
Suppliers, order entry, and receipts
First things first: search!

- Always search for the supplier before starting order entry.
- Checking for three things:
  1. Is the supplier part of the Jaggaer network?
  2. Is the supplier record active?
  3. Does the supplier record have a registration status of “Approved”?
• Currency marker = must follow foreign currency payment instructions
• Check mark = active
• Approved = reviewed by SDM

Not in BUY.IU or Jaggaer?
New supplier request form.

Not active and approved?
Supplier Edit Request form.
Locate preferred currency in the General section.
Green check mark = preferred currency

Error message can be ignored.
My supplier used to be active. What happened?

- Supplier record will be inactivated if it has not:
  - Received multiple payments within the past year.
  - Been created recently (within the past year).
  - Been used on a recurring purchase order.

- Remember: if your supplier is inactive, submit a Supplier Edit Request form. SDM will review and advise with next steps.
**Fulfillment Address**

Fulfillment Center 1 - 123 Colombiana, Bogota, Bogota, D.C. 110111 Colombia

**Item**

<table>
<thead>
<tr>
<th>Description</th>
<th>Catalog No.</th>
<th>Quantity</th>
<th>Price</th>
<th>Packaging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spanish translation of <em>Uncommon Grounds: A</em></td>
<td></td>
<td>40</td>
<td>514.45</td>
<td>MXN</td>
</tr>
</tbody>
</table>
Cost is converted to USD on BUY.IU documents.
Split funding and routing

• Orders involving Foreign Currency Suppliers may only be split funded using the “% of Price” method. Cannot split by “Amount.”
  – This impacts Foreign Currency Supplier orders only.

• There are no new workflow stops associated with this process change.
  – BUY.IU’s rules will use the USD equivalent of the order to determine if review by Purchasing etc. is required.
Receipts

• Receipts must be logged for all new foreign currency non-catalog orders, regardless of dollar amount of order or invoice.
  – This does not impact check requests.

• Quantity receipts function the same. Cost receipts must be logged in the supplier’s preferred currency.
  – I.e., services paid for in Euros must be receipted in Euros.

• PO Owner will receive email reminder about receipts.
**Enter the value of services performed or invoiced in preferred currency.**

<table>
<thead>
<tr>
<th>Line</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Catering and room rental for meet and greet opportunities for IU study abroad students at...</td>
</tr>
</tbody>
</table>

Cost: 5,000.00 MXN

Cost Received: 2500.00 MXN
Receipts section of PO reflects receipted amount in USD.
Change requests, encumbrances, and invoices
Change requests

• Change requests cannot be initiated on orders setup using traditional method.
  – Instead, close the existing PO and establish a new one using the new method.

• If the supplier has been inactivated, submit a supplier edit request form to request SDM review the supplier profile. This should be rare!
  – Submit new order once supplier is approved.
Encumbrances

• General Ledger encumbrances will be created for the PO amount converted to USD.
  – Uses the exchange rate at time of PO creation for conversion.
  – Converted amounts are static. Entries will not change as exchange rates fluctuate.

• This results in more accurate encumbrances across all order types! 😊
Supplier invoice requirements

- Supplier invoices must be stated in the same currency as the corresponding PO.
- Mismatched currencies will result in invoice rejection by Digital Mailroom (DMR).
- Accounts Payable staff will contact the invoice submitter and request a corrected invoice.
Review and approval

**AP Review**
- Invoices marked for review by DMR are reviewed by AP before they route to department.
- AP staff do not review all invoices.

**Department Review**
- PO Owner receives receipt notification.
- Approvers should:
  - Ensure receipts are logged.
  - Verify accuracy of invoice.

**Treasury Review**
- Treasury converts invoiced amount to USD using current exchange rate.
- BUY.IU invoice amount updated to reflect payable amount.
Treasury notes when the payment was initiated and amount sent in the Notes/Attachments section of invoice.
Check the Payment Information section of the invoice for conversion rate.
Let’s wrap this up!
Takeaways

1. On **January 31**, foreign currency payment processing is changing to accommodate preferred currencies.

2. Inactive supplier? Contact SDM using a Supplier Edit Request form.

3. Receipts will be required for all foreign currency payments.

4. Suppliers **must** invoice in the same currency that is stated on the purchase order.

5. Pending requisitions and change requests must reach Final status before January 31 to avoid order re-entry.
Resource recap

Online Currency Converter

Completing the Tax Information Section guide

How to Log a Receipt guide

When is Receiving Required?

Foreign Currency Payment Processing training recording

Logging Comments guide

Help contacts:

Purchasing, AP, P-Card, and SDM Support Form

Wire Transfer Processing questions: moneymov@iu.edu.

Training Team email: estc@iu.edu
Thank you! Any questions?