

Goods or Services Received Pending Acceptance

- What** These guidelines define the methodology to account for Goods Received or Services performed have been accepted.
- Why** It is important for accounting and EVMS purposes to defer earned value recognition of performance (BCWP), release of invoice for payment, and recording of actual costs (ACWP) until the Goods Received or Services Performed have been accepted per the terms of the Purchase Order requirements.

1 Background

Sometimes components or services received for project use are subject to QA testing or other validations and acceptance prior to recognition of the actual costs, releasing the invoice for payment and recognition of performance for earned value purposes.

2 Procedure

Two Issues with “normal” Goods Received (GR) or Services Rendered purchase order lines:

- I. Vendors may be paid before goods/materials are accepted
- II. Projects receive costs for materials or services before the acceptance testing or other validation is completed and value is “earned”; Occurs when
 - Goods or services are received during the month but not yet QC’ed or validated;
 - Goods or services are invoiced but not received and QC’d or validated ; or
 - Goods or services are received and invoiced but not yet QC’ed or validated.

Four Requirements before authorizing payment and earning value:

1. Purchase Order line with QA or other Validation Acceptance requirement
2. Vendor Invoice
3. Receipt of goods or services
4. QC or Validation Acceptance successfully completed

Recognizing Material or Services Costs Appropriately for EVMS

It is preferable for payment & material or services cost recognition for EVMS to be held until acceptance testing or validation is completed. For each PO line subject to QA testing or other validation, Procurement can require QA Acceptance or other validation before payment is authorized.

Benefits:

- Invoices are paid after acceptance testing or validation is completed
- Costs are recognized for EVMS purposes when materials or services are received, accepted and available for use
- Prevents artificial, temporary cost variances in EVMS reporting

Procedure requires manual steps to defer cost recognition in EVMS reporting.

Manual steps to defer cost recognition

1. Project FFM will create one or more “holding” chargeable task codes (CTCs)..
2. These CTCs will be assigned to PO lines for materials or services that require acceptance testing or validation.
3. A separate CTC must be created for each funding type, (e.g., construction, PED, OPC).
4. The balances in these CTCs are excluded from the Cobra actual costs upload for EVMS reporting. Monthly reconciliation of ACWP to controls totals from eBS TSR report will show reconciling items composed of balances in the holding CTCs at month end.
5. The project Field Financial Manager (FFM) will initiate a cost transfer upon acceptance testing or validation completion, transferring costs from the holding CTC to the appropriate “EVMS” CTCs assigned to the activities in P6 and Cobra.
 - Cost transfers should be from/to same funding type.
 - Prior to project closeout, FFM ensures that all costs in holding accounts have been transferred to EVMS CTCs, ensuring inclusion in Cobra Inception to Date costs.
6. The FFM will provide a monthly reconciliation of the balance in the holding CTCs, including
 - Outstanding balance per holding CTC by Vender and PO#
 - Estimated dates, amounts, and final CTCs of pending cost transfers for balances in the holding CTCs

Summary

Four requirements prior to payment being released, EVMS value earned and EVMS cost recognized:

- PO Line specifies QA requirement or validation, Vendor Invoice, Receipt of Goods, QA or validation Acceptance

Holding CTCs created in project, POs lines charged to holding CTC

- Costs are temporarily excluded from EVMS reporting.
- Payment not released until QA acceptance is complete.
- Costs transferred to final CTCs as QA acceptance is completed.
- Artificial cost variances do not distort project EVMS reporting.

All costs are accounted for in the same Oracle eBS project.

FFMs ensure that all costs are transferred out of holding CTC’s prior to project closeout.

3 Training

PMs should communicate the Goods or Services Received Pending Acceptance policy to Control Account Managers (CAM) and ensure that it is covered in the CAM training.

4 Document Revision History

Date	Version	Author	Description
9/19/2019	1.0	Suzanne Saxer	Initial release of this document.
12/3/2019	2.0	Suzanne Saxer	Added reconciliation to CTC
1/30/2020	3.0	Suzanne Saxer	Removed draft watermark
11/3/2020	4.0	Suzanne Saxer	Updated to include services