

Purchase Order (PO) Accruals at Sandia National Laboratories

What are PO Accruals?

PO Accruals is a financial process conducted annually to estimate costs that will be incurred on or before 9/30. A cost is incurred when goods are shipped or services are performed. PO Accruals applies to:

- POs with a Period of Performance (POP) end date **on or before 9/30** and a contract amount that has not been fully invoiced.
- POs with a POP end date **after 9/30** and costs anticipated to be incurred **on or before 9/30**.

Why are PO Accruals necessary?

- In accordance with Generally Accepted Accounting Principles (GAAP) and per government requirements for Sandia, costs should be recognized when incurred.
- Due to Sandia's fiscal year reporting deadline, Sandia cannot post costs to the fiscal year after 9/30 and must receive accrual confirmation by the deadline communicated in request.

How are PO Accruals recorded?

- Sandia contacts affected suppliers to request estimated incurred costs through 9/30 by PO (or by PO line).
- Estimated incurred costs include all invoiced and un-invoiced amounts. Sandia's system adjusts for invoices received after the accrual is entered. Requesting Life to Date (LTD) costs ensures Sandia captures all costs for the PO for the fiscal year.
- Suppliers provide estimated incurred costs to Sandia.
- Sandia processes the accrual based on the estimate the supplier provides.

When does this happen?

- Sandia emails affected suppliers in mid-to-late August and the beginning of September. Suppliers should respond by the deadline provided in the email request.
- Sandia processes accruals during the first two weeks of September.

What is the supplier's role?

The steps below apply to suppliers who receive an email from Sandia requesting estimated incurred costs. **If a supplier does not receive an email, no action is needed.**

- Accumulate the incurred costs (invoiced & estimated to be invoiced) through 9/30 for the PO and/or PO line requested.
- Specify the estimated ship-by date or estimated date the service will be completed (date cannot be after 9/30).
- Follow the instructions in the email request and return the information via the method specified. This assures Sandia the information is coming directly from the supplier.
- Respond to the email request by the deadline, even if there are no estimated costs to report.
- **IMPORTANT:** *Information provided for the accrual will **not** affect the PO balance or generate payment to the supplier.*