

TSIS-CBS Interface Training

Script – Part IV: Contracts with Payment Bonds

Slide 1: TSIS-CBS Interface Part IV Contracts with Payment Bonds

Welcome to the BLM's Training Course, titled "TSIS-CBS Interface Part IV "Payment Bond Sales"

Slide 2: Welcome

I'm Shawwna Dao and I am currently a Forester in the Eugene District BLM in Oregon. I have been a Forester in Oregon for the last 6 years working on both the O&C and PD lands. My timber sale program experience includes working with lump sum and scale for payment sales, including timber sale contract administration, accounting, and TSIS testing aspects. I hope this training material is informative and useful for you.

Slide 3: Objectives

Objectives for this module are to demonstrate how the TSIS-CBS Interface functions with a timber sale contract with a payment bond payment system. The presentation will provide information from both the TSIS and CBS viewpoints. Critical elements of the Interface, specific to contracts using the payment bond payment system will be emphasized.

Slide 4: Topics

Here's what we will be discussing during this training session: The effect of bidding up the appraised price of the timber; How a bill is created in TSIS for a contract with a payment bond, and the importance of the bill date with payment bond sales; How a bid deposit is processed in CBS and how it shows up in TSIS.

We will also demonstrate how a TSIS user can redistribute, in other words transfer, funds from General Suspense to another suspense account in a timber sale contract.

Slide 5: Overview of Payment Bonds

Payment Bonds are another payment option for timber contracts. A Payment Bond provided by the Purchaser guarantees that the BLM will be paid for the timber to be cut.

Payment in advance of cutting is not required as under the Installment Payment option. The BLM sends the Purchaser a bill, generally monthly, for the value of timber cut and yarded and other charges such as road maintenance fees. Since the timber has already been yarded, this collection is 'earned' when received. Payment bonds may be for a single contract or may be a Blanket Payment Bond that includes several contracts on a single district.

For this training exercise we will only look at a single contract payment bond. From the TSIS-CBS Interface standpoint, there are no differences between a single sale and a blanket Payment Bond.

Slide 6: Sales Results – Prior to Entering High Bid

This training module also shows what happens when the contract bid price is higher than appraised price. This can occur on any competitive offering, whether it is a sealed bid or oral bid auction.

Shown here are the appraised prices per unit of measure and the total appraised price of \$178,983.40. The TSIS user has entered the apparent High Bidder – Lazy Loggers, but has not yet entered the bid price *per MBF* or thousand board feet.

Also note the installment amount of \$18,000, which at roughly 10 percent of the appraised sale value, is usually the amount required for a bid deposit.

Slide 7: Sales Results – High Bid

This screen shows the actual bid prices per thousand board feet by Lazy Loggers, which now total \$232,113.40 in sale value. The installment amount has also changed, reflecting the higher bid price. This Installment amount is now \$24,000.

Prior to the BLM's approval of this contract, the purchaser will have to pay this \$24,000 as the first installment payment.

Slide 8: Account Summary Screen with No Collections

At this point, the account summary screen in TSIS reflects no collections in CBS, but does show the new timber value of \$232,113.40.

Slide 9: Contract Approval Error Messages

If the TSIS user was to try to approve this contract at this point, with no collections made nor any performance bond information entered, this error message would appear.

Slide 10: Bond Information

Here, a Corporate Surety will be used for the performance bond and the purchaser has informed you that they intend to use the payment bond option as allowed in the timber sale contract. For this payment bond, they are going to also use a Corporate Surety.

The two red boxes in the lower right hand part of the screen also highlight two critical elements of the payment, the amount of the bond - \$24,000 - and also the Billing Day of the Month. The importance of both of those items will be discussed later in this presentation.

Slide 11: 2nd Attempt to Approve Contract

After adding the performance bond, the TSIS user attempts again to Approve the Contract.

Slide 12: Revised Contract Approval Error Message

One difference with the Interface is that Corporate Surety performance bonds can be entered in TSIS and placed in effect with no input from CBS. Recall in the previous training module, the purchaser had a cash performance bond, which needs to be processed in CBS as a collection before TSIS will accept it. As you can see with the corporate surety bond, that requirement is now met in TSIS. However, there are still no collections in CBS, hence 'zero' percent of the first installment collection has been met.

Slide 13: Bid Deposit Collection

The Interface process starts with the TSIS user notifying their CBS counterpart to deposit the \$18,000 bid deposit as a collection. This \$18,000 bid deposit is based on the appraised price. In a few slides we will show how the remaining \$6,000 needed to complete the 1st Installment is addressed.

Slide 14: Bid Deposit CSA Entry

This screen shows the appropriate CSA that would be entered in CBS for the bid deposit.

Slide 15: CBS Transaction Near Completion

This slide shows that the Bid Deposit CSA has been selected and the appropriate timber sale contract number has been validated. After the payment is applied, the transaction will be complete.

Slide 16: Bid Deposit Receipt Email to TSIS User

As we have mentioned earlier, although not required, it is highly recommended that the CBS user and the TSIS user use email to keep each other informed of billing and collections status. Here is the notification that the bid deposit has been processed as a collection.

Slide 17: Bid Deposit Receipt

The CBS user can also email an electronic copy of the receipt for the bid deposit collection. It is also highly recommended that the TSIS user electronically store these receipts in addition to printing them out and including them in the official timber sale contract file. Also, as we have discussed in earlier parts of this training, these receipts often contain personally identifiable information, so any hard copies or electronic versions of these receipts must have the appropriate safeguards.

Slide 18: Account Summary Screen Showing Bid Deposit as First Installment

The Account Summary screen in TSIS now shows the \$18,000, but labels it as a First Installment, not a bid deposit. Since the Bid Deposit may be credited towards the First Installment Payment, TSIS considers “Bid Deposit” to be synonymous with “First Installment”, and you won’t see the term “bid deposit” used in TSIS. Also this \$18,000 does not fulfill the entire First Installment requirement for the purchaser. The red arrow points to the amount required to meet the First Installment, which is \$24,000.

As we have mentioned in earlier presentations, if the collections are not shown, the TSIS user should select the “Refresh Data” button to get the latest information from CBS, because there may be up to a 2 hour delay before a CBS entry is automatically reflected in TSIS.

Slide 19: Contract Summary Screen Showing Bid Deposit as First Installment

The contract summary screen also shows the bid deposit as a part of the First Installment Payment. The screen also shows specifically that the First Installment Payment requirement has not been fully met yet, that only 75 percent of the amount has been received.

Slide 20: NO!

Because there is still an outstanding \$6,000 needed to meet the first installment payment requirement for contract approval, one might think that the logical next thing to do is to create a bill and send it to the purchaser.

Do **not** do this! As we have already said in previous training modules, all bills must first be created in TSIS. Normal BLM timber sale contract award process would have this amount included in the contract award letter to the high bidder with instructions on how to make the payment. Bills are usually sent as self-explanatory, with no letter included.

Slide 21: First Installment Payment CBS Entry

After the remaining \$6,000 for the installment is received from the purchaser, it can be receipted and deposited in CBS as a First Installment Payment collection.

Slide 22: First Installment Receipt

Here is a copy of the receipt that the CBS user sends to their TSIS counterpart.

Slide 23: Account Summary Screen without First Installment Payment

The Account Summary screen in TSIS does not yet reflect that additional \$6,000 collection. So the TSIS user should select the “Refresh Data” button.

Slide 24: Account Summary Screen with First Installment Payment

The Account Summary screen does reflect both the bid deposit and the remaining First Installment payment collections, showing a total of \$24,000 in suspense. Remember that in CBS, Bid Deposit and First Installment payment are separate CSAs, but TSIS credits the Bid Deposit toward the total First Installment payment, and it is all shown here as the “First Install” amount.

Slide 25: 3rd Attempt to Approve Contract

The TSIS user can now approve the contract by selecting the “Approve Contract” button on the Sale Summary screen.

Slide 26: Certifying Contract Approval

Both the performance bond and the First Installment payment messages are blue text, indicating no problems. After entering the contract approval date, the TSIS user selects the “Save and Certify Approval” button.

Slide 27: Contract Status - Approved

The contract status has changed to “Approved”.

Slide 28: Start of Activity Report #1

Because this is a payment bond payment system, the purchaser can start harvesting activities prior to paying for the timber.

We are going to process one Activity Report through certification to see how the Interface functions. Note the observation date of April 3rd, 2014 for this activity.

Also note the 109.7 MBF of timber that was cut and yarded.

Slide 29: Adding Road Maintenance Fee Charge

The 109.7 MBF of yarded timber is used to determine the appropriate charge for road maintenance fees.

Slide 30: Initiation of Certification Process

The next step is certification of this Activity Report.

Slide 31: Calculations Screen

The calculations screen which pops up next in the certification process is the same as before the Interface. Note that the bottom lines provide the TSIS user with the values that are still available for cutting and yarding as well as how much cutting and yarding has been placed against the payment bond.

Slide 32: Instructions Screen Notice Bill Date

The Instructions screen is also the same as before the Interface, however, with payment bonds, there is a very important item that requires the TSIS user's specific attention. Earlier we had mentioned the default billing date on the payment bond, which was set at the 1st of the month. We also brought your attention to the observation date of this Activity Report, which was April 3rd. Therefore, the next billing date set in TSIS is May 1st, with a payment due date of May 16th. With a nearly 6 week time period between when the timber was harvested and the receipt of the payment, a problem could arise where the purchaser is harvesting more timber than the value of the payment bond covers.

Slide 33: Changed Billing Date

To address this issue, TSIS has the ability to change the billing date. We have changed this date to April 3rd, the same date as the observation date. The Bill Due Date automatically changes to April 18th, the standard 15 day bill payment requirement.

Slide 34: Completion of Activity Report Certification

After changing the Billing Date, the TSIS user determines how the bill is to be sent, fills in any other instructions to the accountant and then selects "Certify and Print".

Slide 35: Adjudication and Billing Information

The completion of the Activity Report certification process results in the messages related to adjudication and bill.

There are two items to note: The top message states that there is nothing to adjudicate. While we know what timber was harvested by the Activity Report, no funds have been received yet, so no funds can be adjudicated at this time.

CBS Bill No. 2014000545 was created for the harvested timber. The cross-reference to the TSIS bill is also provided. As we discussed in the previous training exercise, TSIS bills can easily be identified, because they start with the letter "T". CBS bills start with the Fiscal Year in which the bill was created.

Slide 36: Email with Billing Information

A message referencing this bill number should now be sent to the CBS person requesting that the bill be printed and sent to the purchaser.

Slide 37: Message from CBS Person

The bill is printed from CBS and mailed to the purchaser. A copy may be sent to the Contract Administrator.

Slide 38: Bill for Collection

A copy of the bill is shown here. Note the same bill number as was shown earlier in TSIS. Also the Date Due is 15 days after the date the bill was created. This follows BLM Collections Rules.

Slide 39: Contract Clause – Section 3.e

The 15 days required for payment is also reflected in the timber sale contract, Section 3 e. Notice how the payment bond billing process differs from the installment payments process. While the purchaser has harvested timber they have not yet paid for, the payment bond provides the security that keeps the purchaser from a contract violation.

Slide 40: Recording the Bill Payment

Once the funds have been received from the purchaser, the CBS user pays the bill by referencing the bill number.

Slide 41: Email Message with Receipt

After depositing those funds, the CBS user may email the receipt to the TSIS user.

Slide 42: Receipt from Bill for Collection

The Receipt references the specific bill this payment was applied to.

Slide 43: Payment Not Yet Shown in Contract Summary

Back in TSIS, the collection does not yet show on the Contract Summary screen.

Slide 44: Payment Not Yet Shown in Account Summary

Nor is it shown on the Account Summary screen. However, if the TSIS user selects the “Refresh Data” button ...

Slide 45: Payment Reflected in Account Summary

The payment shows up as “Earned Balance”. In the Account Details section displayed lower on the screen, the TSIS user can view the CSA accounts that received these Earned Funds.

Slide 46: Contract Summary Reflecting Payment

Going to the Sale Summary screen, this payment is also now shown. However, just as in the previous exercise with installment payments, only the Timber account funds are shown on this screen, and not any funds in contract charges such as road maintenance.

Slide 47: Payments Shown in Account Summary

However, in the Account Summary screen both the Timber payment and the road maintenance payment are shown.

Slide 48: CBS Subject Selection

We are now going to demonstrate the one transfer of funds that a TSIS user can perform. This transfer is within a specific contract, but can move money from a General Suspense account to a more specific suspense account.

The scenario starts with the purchaser coming into the office and making a \$15,000 payment. The CBS user does not know which Suspense accounts in which to deposit the money, so the funds are deposited in a known contract – unknown suspense account. The CBS user records this deposit by first selecting the ‘Timber Suspense with Known Contract *Number (No.)*’ in the Subject line for the CSA, as highlighted in blue on the screen.

If the CBS user does not know the contract number, they would record the deposit as “Timber Suspense with Unknown Contract Number”, which is the Subject option below the one highlighted in blue. If funds are deposited in the unknown contract subject line, any further transfers require additional work by the CBS user and will not be covered in this exercise.

Slide 49: CBS Action Selection

The Action line for the CSA has several choices. Because the CBS user does not know which Action line to use, they select the ‘Installment Payment – Unknown Suspense’ as highlighted here in blue.

Slide 50: CBS Authorization Check

The CBS user would then proceed to enter the Authorization Number, which will tie the collection to a specific contract.

Slide 51: Authorization Number Validation

The CBS User would go through the Authorization Number validation process to ensure that the contract is in TSIS.

Slide 52: Unknown Suspense in Description

During the process, CBS will default the Description to “Installment Payment Unknown Suspense”, as shown here in the red box.

Slide 53: Payment Receipt

Note the Transaction number in the receipt for this collection. Also the ‘Unknown Suspense’ in the description.

Slide 54: Updated Account Summary

Now in TSIS the \$15,000 shows up in the “Account Summary” as a General Suspense. The term General Suspense is used in TSIS for the account called Unknown Suspense in CBS.

Slide 55: Contract Summary No Reflection of Payment

We are now going to demonstrate what happens when a TSIS user attempts to enter an Activity Report in TSIS while there are funds in General Suspense.

Slide 56: Attempt to Enter an Activity Report

Creating a new activity report is the same process as shown earlier. The TSIS user would select the “Activity Info” tab in the Contract Summary page. They would then select “New Activity Report”.

Slide 57: Error Message

However, now a red texted message appears informing the TSIS user that there are dollars in General Suspense that need to be transferred into specific Suspense accounts. The TSIS user is unable to go any further in entering Activity Report information until the General suspense dollars are transferred.

Slide 58: Error Message Different Format

Additionally if the TSIS user wanted to certify a previously entered Activity Report, the same message would appear.

Slide 59: Initiating the Distribution from General Suspense

The transfer process is very similar to the “Creation of Instructions” process shown in the previous training session on installment payments. The TSIS user goes to Account Tracking and then to the New Transaction tab.

Slide 60: Transaction Selection

The Transaction Type is “Distribute General Suspense”, which is highlighted in blue on the screen.

Slide 61: General Description of Transfer

First the amount of funds to be transferred is identified, in this case \$15,000. It will be transferred from General Suspense to Timber and Road Maintenance Suspense. The Description entered here is just an abbreviation of this transfer action. The TSIS user then selects “Continue”.

Slide 62: Entering the Dollar Value of the Transfer

The TSIS user would enter the total dollar value involved with this transfer.

Slide 63: Check for Remaining Funds in General Suspense

Before proceeding, the TSIS user should check to see if there are any remaining funds in General Suspense that need to be transferred. In this example, the red arrows points to “zero”.

Slide 64: Providing the Distribution of Where the Funds Should Go

The TSIS user then enters the information into which accounts the transferred money should be distributed. Please note that this distribution can only occur within the same timber sale contract. The TSIS user has no option of selecting another contract. If the collection was entered to the wrong contract, or if it is desired to move it to another contract, that would require action by a CBS accounts person.

Slide 65: Completion of the Transfer to Timber Suspense

The TSIS user enters an amount of \$14,500 that should be distributed into Timber Suspense. Then they should select the “Add Distribution” button.

Slide 66: Results of that Transfer Action

The portion of the transfer to Timber Suspense is now shown. There still remains \$500 that needs to be distributed.

Slide 67: Completing the Road Maintenance Part of the Transfer

This \$500 will be distributed in Road Maintenance Suspense. The appropriate information is entered. The TSIS user then selects the “Add Distribution” button.

Slide 68: Saving the Transfer Distribution

There are no funds remaining for transfer. Once all the data fields are filled in, the TSIS user would select “Save Distribution”.

Slide 69: Adjudication Success Message

A message will appear informing the TSIS user that the distribution of the \$15,000 transfer from General Suspense was successful.

Slide 70: Final Transfer Reflected in Account Summary

The Account Summary screen also shows \$0 in General Suspense.

Slide 71: Initiating a New Activity Report

The TSIS user can now enter an Activity Report.

Slide 72: Amount of New Harvesting

An additional 4 acres of cut and yarded timber will be entered.

Slide 73: Road Maintenance Charge

The volume cut and yarded is reflected in the Charges input.

Slide 74: Start of Certification Process

Then the TSIS user proceeds with certifying the activity report.

Slide 75: No Bill Generated

The Instructions screen in the certification process shows that no bill will be generated. That is because there are already adequate funds in Timber and Road Maintenance Suspense to cover this amount of harvesting. The TSIS user would select the “Certify and Print” button.

Slide 76: Certification Messages

At the completion of the certification process a message displays that the adjudication was successful and that there is no bill created.

Slide 77: Summary

In summary for Part IV, we demonstrated how a payment bond works with the Interface. We emphasized the critical importance of the payment date with payment bonds in Interfaced contracts. And we demonstrated an Account Transfer from General Suspense done by the TSIS user.

Slide 78: For Additional Assistance

If you have any questions about the material presented here or are interested in more information about some of the topics discussed, please contact your State or District Forestry lead. A list of contacts are available from the FRIS launchpad under TSIS User Support and the State Leads tab.

Slide 79: The End – Part IV

This completes the fourth part of the TSIS – CBS Interface Training, the demonstration of a Payment Bond payment system contract.
Thank you very much for listening.
Next up - Part Five will demonstrate the flow of a Scale for Payment contract in the Interface.