

# EFFICIENT WORKFLOW AND INTERNAL CONTROLS

*For Processing  
Accounts Payable*

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## INTRODUCTION

Processing accounts payable is a critical function in maintaining the fiscal health of any organization and maintaining supplier relations. This quick reference guide is designed to help finance staff understand the workflow and internal controls necessary to efficiently process accounts payable.

## WORKFLOW

### *For Processing Accounts Payable*

#### **1 RECEIVING THE INVOICE**

- **Receive and Date-Stamp:** When an invoice is received, date-stamp it to record the date it was received.
- **Initial Review:** Check the invoice for accuracy, ensuring it matches the purchase order (PO) and goods/services received.

#### **2 INVOICE VERIFICATION**

- **Match with Purchase Order:** Verify that the invoice details (quantity, price, etc.) match the PO and delivery receipt.
- **Check for Approval:** Ensure the invoice has the necessary approval from the relevant department head or project manager.

#### **3 DATA ENTRY**

- **Enter Invoice Details:** Input the invoice details into the accounting system, including vendor information, invoice amount, and due date.
- **Assign Account Codes:** Assign the correct account codes to the invoice to ensure it is recorded in the appropriate expense account.

#### **4 APPROVAL PROCESS**

- **Forward for Approval:** Submit the invoice to the finance manager or authorized personnel for final approval.
- **Documentation:** Attach supporting documents (PO, delivery receipt) to the invoice before approval.

#### **5 PAYMENT PROCESSING**

- **Schedule Payment:** Based on the invoice terms, schedule the payment in the accounting system.
- **Payment Methods:** Choose the appropriate payment method (cheque, EFT, etc.) and prepare the payment.

#### **6 PAYMENT EXECUTION**

- **Execute Payment:** Execute the payment on the scheduled date and ensure the transaction is recorded in the accounting system.
- **Send Remittance Advice:** Send remittance advice to the vendor, confirming the payment has been made.

#### **7 RECORD KEEPING**

- **File Documents:** File the invoice and supporting documents in the appropriate vendor file.



## INTERNAL CONTROLS

*For Accounts Payable*

### 1 SEGREGATION OF DUTIES

- **Separate Roles:** Ensure different staff members handle different stages of the accounts payable process to reduce the risk of errors or fraud.
- **Example:** Received by a receptionist, documented and noted, handed to AP clerk, documented and noted, etc. shows a chain of custody.

### 2 AUTHORIZATION AND APPROVAL

- **Approval Hierarchy:** Implement an approval hierarchy where invoices require sign-off from authorized personnel before payment.
- **Pre-Approval:** Require pre-approval for purchase orders to control spending.

### 3 VERIFICATION AND RECONCILIATION

- **Three-Way Match:** Always perform a three-way match between the invoice, PO, and delivery receipt to verify the accuracy (if no PO—confirm the department ordered, etc.)
- **Regular Reconciliation:** Reconcile accounts payable balances with vendor statements and the general ledger regularly.

### 4 ACCESS CONTROLS

- **Restrict Access:** Limit access to the accounts payable system to authorized personnel only.
- **Password Protection:** Ensure systems are password-protected and regularly update passwords.

### 5 DOCUMENTATION AND RECORD KEEPING

- **Maintain Documentation:** Keep thorough documentation of all transactions, approvals, and reconciliations.
- **Audit Trail:** Maintain an audit trail that documents every step of the accounts payable process for accountability and review.

### 6 VENDOR MANAGEMENT

- **Vendor Verification:** Verify the legitimacy of new vendors before adding them to the system (including bank account updates—call the vendor to confirm!)
- **Regular Review:** Regularly review vendor lists and transactions to identify any unusual activity.



## TIPS

### *For Efficiency*

- **Automate Where Possible:** Utilize accounting software to automate repetitive tasks like data entry and payment scheduling.
- **Stay Organized:** Keep a well-organized filing system to quickly locate invoices and supporting documents.
- **Communicate:** Maintain clear communication with vendors to avoid misunderstandings and delays.
- **Train Regularly:** Regularly train staff on best practices and updates in the accounts payable process.

### CONCLUSION

Efficient workflow and strong internal controls are essential for managing accounts payable effectively. By following the steps and controls outlined in this guide, finance staff can contribute to maintaining the financial integrity and smooth operation of their organization's fiscal management.



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