## Contents

SECTION 1 – INTRODUCTION	1
Chapter 1: About This Toolkit	3
Index of AP Tools	5
SECTION 2 – THE NEW AP DEPARTMENT	9
Chapter 2: The New AP Department	11
Introduction Case Study: Journey to Excellence Focus on Corporate Productivity Accounts Payable and Procure-to-Pay (P2P) Process Improvements AP Tool 1: AP Process Improvement and Automation Checklist P2P Reporting, Understanding, and Perspective AP Tool 2: Procurement Spend Analysis Strategic Sourcing Other Procure-to-Pay Best Practices AP Process Improvement Impacts on Working Capital Average Payable Period Measuring Average Payable Period When to Take a Trade Discount Negotiating Payment Terms Overview of the Requirements of the Sarbanes-Oxley Act of 2002 Accounts Payable, Risk, and Fraud Fraud Statistics Introduction to Internal Controls Standards of Internal Control AP Tool 3: Types of Internal Controls Defining Control Activities The Three Critical Corporate Controls AP Tool 4: The Benefits of Segregation of Duties (SoD) Controls	111 112 133 144 155 166 177 177 188 188 199 200 233 255 266 288 299 311 322 344

AP Tool 5: Mitigating Risk with Internal Controls	35
AP Tool 6: Compensating Controls to Mitigate Risk	38
AP Tool 7: Your Roadmap for Implementing an Internal Controls	
Program	40
AP Tool 8: The Top Twenty Controls for the AP Process	43
Benefits of a Payment Audit Process	45
AP Tool 9: Internal Controls Checklist	47
AP Tool 10: Sample Internal Controls Program for Accounts Payabl	le
for Companies Using the SAP ERP	47
AP Tool 11: Metrics to Drive Process Improvements	52
Chapter 3: Automating the AP Process	55
Introduction	55
Benefits of AP Automation	57
A Summary of AP Automation Functionality Considerations	57
Examples of AP Automation Solutions	59
Other Types of AP Automation	61
Imaging and Workflow Automation (IWA)	64
Different Flavors of Imaging and Workflow Automation	67
Electronic Invoicing	69
Different Flavors of Electronic Invoicing	72
Convergence of Electronic Invoicing and IWA	73
Implementation of Your P2P Automation Solution	74
Developing the Business Case	75
Software Solutions, Software-as-a-Service, or Outsourcing?	75
SECTION 3 – DISSECTING THE P2P PROCESS	79
Chapter 4: What Is the P2P Process?	81
Introduction	81
P2P Business Partnerships, Dependencies, and Interdependencies	
for Success	83
AP Tool 12: Dependencies and Interdependencies	
Within the P2P Process	83
Chapter 5: Transforming the P2P Process	85
Introduction	85
AP Tool 13: Current State Analysis	86
Visioning and Transformation Roadmap	87
AP Tool 14: P2P Transformation Roadmap	88
AP Tool 15: Other Recommendations for P2P Transformation	88
AP Tool 16: Managing Change	89

Contents	vii
AP Tool 17: P2P Transformation Metrics AP Tool 18: Streamlining Your P2P Process Without Automation AP Tool 19: How to Begin Your P2P Automation Journey	90 92 96
Chapter 6: Structuring the AP Organization	99
Introduction The Finance and Accounting Organization The Finance and Accounting Organizational Chart (Example) Organizational Chart for an AP Department (Example) History of the Transition About Shared Services Organizational Chart for a Shared Services Structure (Example) Shared Services and Service-Level Agreements (SLAs)	99 100 100 101 101 102 103 103
SECTION 4 – HOW PROCUREMENT AND RECEIVING IMPACT AP	105
Chapter 7: Supplier Selection and Management	107
Introduction Supplier Selection and Management Process Insights	107 109
AP Tool 20: The Top Ten Best Practices in the Supplier Management Lifecycle AP Tool 21: Five Steps to Use When	109
"Fine-Tuning" Your Supplier Master File Another Look at Supplier Master File Management Best Practices AP Tool 22: Supplier Diversity AP Tool 23: Eight Critical Supplier Master Practices AP Tool 24: Managing the Supplier Master File Standards of Internal Control: Supplier Selection and Management	115 120 124 128 130 131
Chapter 8: Contract Management	135
Introduction Contract Management Process Insights AP Tool 25: Defining the Types of Contracts AP Tool 26: Ten Recommendations for Establishing Contracts Standards of Internal Control: Contract Management	135 138 138 142 147
Chapter 9: Purchasing and Ordering	151
Introduction AP Tool 27: Five Steps in an Electronic Procurement Process Purchasing and Ordering Process Insights AP Tool 28: Four Best Practices to Consider for the Purchase	151 152 155
Requisition Process	157

The Catalog Procurement Model Standards of Internal Control: Purchasing and Ordering Process	158 163
Standards of Internal Control. Furchasing and Ordering Process	103
Chapter 10: Receiving	179
Introduction	179
Receiving Process Insights	181
Standards of Internal Controls: Receiving Process	184
SECTION 5 – A LASER FOCUS ON AP	193
Chapter 11: The Supplier Master File	195
Introduction	195
AP Tool 29: Supplier Master File Process Best Practices	196
AP Tool 30: Supplier Master File Coding Standards	214
Standards of Internal Control: Supplier Master	218
Chapter 12: Invoice Processing	231
Introduction	231
Invoice Processing Insights	233
Types of Matching Processes	235
Automating the Matching Process	236
AP Tool 31: Establishing Tolerances	237
AP Tool 32: Five Factors Driving the Automation of Invoice	
Processing	239
The Benefits of Sending and Receiving Electronic Invoices	240
AP Tool 33: The Most Common Forms of Invoice Automation	241
AP Tool 34: Six Best Practices for Invoice Processing	244
AP Tool 35: Three Components of Imaging and Workflow AP Tool 36: Nine Performance Indicators for	248
Invoice Processing	249
AP Tool 37: The Twenty-Five Top Reasons for Problem Invoices	251
Standards of Internal Controls: Invoice Processing	254
Chapter 13: P-Cards	261
Introduction	261
Types of Payment Cards	262
P-Card Definitions	266
AP Tool 38: P-Card Program Best Practices	269
AP Tool 39: P-Card Program Implementation Best Practices	275
AP Tool 40: The P-Card Holder Agreement	276

AP Tool 41: The P-Card Scorecard Standards of Internal Controls: P-Card Process	278 284
Chapter 14: Travel and Entertainment	289
Introduction AP Tool 42: Red Flags for the T&E Process Standards of Internal Control: T&E Process	289 293 297
Chapter 15: The Payment Process	303
Introduction AP Tool 43: Effectively Managing Your Payment Process AP Tool 44: Five ACH Controls AP Tool 45: Preventing Duplicate Payments AP Tool 46: Eight Best Payment Practices AP Tool 47: Tackling Payments Fraud Standards of Internal Control: Payment Process	303 306 307 308 313 317
Chapter 16: Accounting, Reconciliation Processes, Self-Audit Tools, and Internal Controls	325
Introduction AP Tool 48: The Financial Close Checklist for Accounts Payable Standards of Internal Controls: Accounting, Reconciliation Processes, Self-Audits, and Internal Control	
Chapter 17: Customer Service	343
Introduction	343
Standards of Internal Controls: Customer Service Process	347
Chapter 18: Reporting, Analytics, and Benchmarking	351
Introduction AP Tool 49: How to Implement a Successful Metrics Process Standards of Internal Control: Reporting, Analytics,	351 353
and Benchmarking Process	361
SECTION 6 – OTHER AP BUSINESS PROCESSES	365
Chapter 19: Supply Chain Financing (SCF)	367
Introduction	367
Unlocking Supply Chain Value	368
AP Tool 50: Defining Who Benefits from an SCE Solution	349

Contents

ix

Chapter 20: Escheatment	371
Introduction	371
Uniform Unclaimed Property Act (the 2016 Act)	372
Trends in Unclaimed Property Audit and Compliance Issues	372
The Three Objectives of Unclaimed Property Laws	374
AP Tool 51: Action Plan for the Holder of Unclaimed Property AP Tool 52: Basic Procedures for Managing Your Company's	376
Escheatment Obligations	377
AP Tool 53: Unclaimed Property Checklist	379
Chapter 21: Sales and Use Tax	381
Introduction	381
What the Wayfair Decision Means for Out-of-State Sellers	382
Chapter 22: Independent Contractors and the	
1099 Process	393
TIN Matching and 1099 Filers	393
AP Tool 54: Identifying Your Payee	403
AP Tool 55: Compliance Checklist and Year-End Review	409
Chapter 23: Business Continuity Planning	411
Introduction	411
How COVID-19 Is Impacting Today's Business Environment	412
Business Continuity Basics	412
The Difference Between Disaster Recovery and	
Business Continuity	413
Other Definitions and Terms	413
Managing a Crisis	414
Assessing the Risk and Developing a Strategy	415
Taking Business Continuity to the Cloud	415
How to Ensure Continuous Business Continuity  AP Tool 56: Six BCP Best Practices	416 417
AP Tool 57: A Roadmap for Developing Your BCP	417
AP Tool 58: Five Recommended BCP Internal Controls	419
SECTION 7 – ADDENDUM	421
Accounts Payable: Quarterly Controls Self-Assessment	
Questionnaire	423
Glossary	427
Index	451