How to Step Up Your Invoice Processing & Approval Workflow

Is Your Invoice Approval Process a Bottleneck Mess?

Businesses in today’s chaotic marketplace are often faced with pressure to reduce costs while maintaining efficiency, and the result is often fewer people juggling ever more work. Purchasing processes, in particular, too often rely on outdated processes to handle a growing volume of transactional data.

If your business is still using standard operating procedures established many years ago, it’s time to rethink your approach. An efficient invoice approval system will save time, money, and, most importantly, your business reputation. With the right process and procedures in place, you can avoid mistakes and oversights that may damage your business relationships, and result in fines, penalties, or other associated costs.

Many companies do not properly manage their procurement processes. They may have an overly complicated approval process or worse, no advance approval, leaving the accounts payable department or procurement manager to match invoices to projects, approve and pay – or refuse to pay – only after the purchase is complete.

Common Invoice Approval Issues

Once a purchase is made, it’s too late to decide whether it was necessary. Implementing a well-defined invoice approval workflow will help you improve your efficiency, minimize your risks, and reduce costs. Here are some of the most common issues with approval after-the-fact:

- Late payments – The more complicated the process, the more difficult it is to ensure that payments are made on time.
- Cumbersome multiple-step invoice approval processes – Without a professional process, it’s too easy to lose or overlook payments.
- Damaged supplier relationships – When you don’t pay your invoices on time, you’ll lose your preferred status. Vendors won’t be eager to negotiate better contract terms.
- Unauthorized purchases – Order now, get permission later is a risky way to go.
- Lack of Transparency – With an efficient invoice approval workflow, you’ll know the status of every order and invoice at any point in the process.
- Double payments – When a payment is delayed, some vendors will send a duplicate invoice. With a lot of invoices tracked by manual data entry, it’s easy to pay the same invoice twice.

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• Disorganized recordkeeping – if you find your business on the wrong side of an audit, pulling disorganized financial records together can be time consuming and nerve wracking.

Optimizing your procurement process can address all of those common problems and more. Here’s what that looks like.

**The Elements of Efficient Procurement Processing**

Where outdated processes are messy, inefficient, and costly, digital invoice approval systems are clean and efficient. With your information organized, your permissions in place, and your protocols defined, accounts payable will run smoothly with no bottlenecks or delays. While your strategy should be customized to meet your business needs, there are a few standard practices that any business can use.

• Chances are that you consistently use the same vendors and suppliers. Create a master database where all pertinent information for approved vendors is available and can be populated automatically on digital forms. That means no data entry errors, no searching for information, and no need to vet or verify sellers before payout.
• Set up an intuitive centralized database system connects accounts payable with your workflow system, making records available at a glance, including purchase orders, pending invoices, and past transactions.
• Implement an online procurement system to eliminate paper processing for you and your vendors. Although some businesses are reluctant to give up hardcopies, digital records are easy to fill, file, search, and cross-reference. Paper copies can be scanned into the invoice approval system using an object character recognition program (OCR) that scans documents, digitizes the data, and enters it into your system.
• Cut the number of required decisions (and time wasted) down by defining your invoice approval workflow in advance. Set up your system so that department heads can make specific types of purchases from approved vendors within a defined budget to streamline your process and eliminate delays.
• Establish protocols for automatic approval of defined categories of orders and recurring orders, with permissions for managers to order what they need with no additional approval needed.

Once the initial setup is complete and information is entered, maintaining your information system is uncomplicated. New vendors can be added at any time, old vendors can be deactivated, and permissions can be easily changed when managers leave the company or change positions.

**Benefits of Best-Practice Procurement Processing**

We’ve talked about the detrimental consequences of disorganized purchasing. Now let’s go through
the benefits of an organized, central system.

**Optimize Your Cash Flow**

It may sound counter-intuitive that paying bills faster means more working capital. Many cash-strapped businesses adopt the opposite approach, holding on to their payouts until the last acceptable minute. Unfortunately, this strategy can backfire when suppliers put your orders on the back burner, and respond just as slowly to your inquiries or complaints. They may even add contract terms to penalize slow payments.

On-time payments and prepayments can carry substantial rewards in terms of willingness to deal, priority treatment, discounts, or rebates. Achieving a positive attitude toward capital outlay requires stakeholder buy-in, with management establishing and enforcing timely payments as an intrinsic part of company culture.

**Control Expenses**

After-purchase invoice approval removes your ability to assess the purchase. Automating the procure-to-pay process can help control budget outlay and avoid costly mistakes common when data is manually entered. With an efficient system in place, payables are easily managed.

Approved vendors can be stored in a central database, and requisitions and invoices automatically populated and attached to a project record, streamlining the approval process and leaving little room for error. Requisitions are automatically flagged for approval when entered for fast processing.

**Streamline Decision Making**

Well-defined procurement protocols have the distinct advantage of transparency. Decision makers know at a glance who placed the request, what project it is attached to, and what vendor is providing the goods or services.

If you’ve taken the time to set invoice approval rules for vendors and purchases, invoice validation and much of the decision-making process can be achieved with little time and effort.

**Eliminate Human Error**

Manual data entry and matching invoices to purchase orders, deliveries, and projects after the fact is a minefield of potential human error. Without automation, every purchase may go through multiple layers of manual processing; to match the requisition against the purchase order, verify the purchase order against delivery, and then send the invoice to accounts payable, where the purchase order is compared to the invoice before payment is issued. This kind of inefficiency results in mistakes, missed payments, and dissatisfied vendors expecting a timely payment.

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Save Money

Automation not only improves processing time and cuts down on errors, it can help your business save money. Invoices are often time-sensitive, and you may reap discounts for prepayments or on-time payments, or be saddled with penalties if timely payments are not made.

In addition, there’s always the danger of a vendor reacting to a slow payment by slowing delivery of inventory, which could interrupt the flow of your projects across the board. Payment delays hurt the vendor, but they can wind up hurting you worse.

Automate Recurring Invoices

For scheduled payments that are expected, figured, and budgeted, a streamlined invoice approval process is ideal. Your workflow will never be interrupted while waiting for an approval to happen. Why should an expected expense need additional handling?

Have Audit-Ready Records

Invoices can come in many forms: hardcopies, emails, faxes, or edocs. With an automated procurement process, all invoices are processed in the same way regardless of origin. Records are easily searchable and cross-referenced to suppliers, stakeholders, departments, projects, and tasks, if necessary.

Your Company Reputation on The Line

By improving procurement processes, setting up clear management protocols and tracking purchases from orders, to delivery, to payment, companies can streamline their accounts payable processes to save man-hours, minimize risks, and eliminate costly mistakes.

The success of adopting efficient payment procedures depends heavily on management buy-in. It’s crucial to demonstrate the benefits to bring executives on board. When they understand the impact to the bottom line and the ease of using digitized records and centralized processing, most executives and managers will enthusiastically cooperate.

Efficient accounts payable approval processes are part of a larger good business culture, one that enhances business reputation and builds trust. In today’s competitive business environment, we are charged with maximizing the bottom line by squeezing every last penny from the company budget. Establishing streamlined internal processes frees employees from tedious and pointless repetitive tasks, leaving them more time to accomplish important work.

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About PurchaseControl

PurchaseControl is cloud based procurement software for business spend management. We empower businesses by providing greater transparency and oversight into the purchasing process. With PurchaseControl, you have the flexibility to manage how spend actually happens instead of how you wish it would happen.

The entire PurchaseControl team has experience within a range of businesses, and as such, we bring a practical, holistic approach to purchasing. We understand what it takes to run a business and apply that knowledge to make PurchaseControl as effective as possible for all users.

Learn more at www.purchasecontrol.com

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